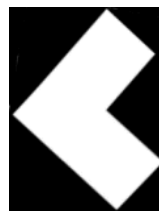


County of Southampton, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2019



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

County of Southampton, Virginia

Table of Contents

Year Ended June 30, 2019

| | Pages |
|---|--------------|
| FINANCIAL SECTION | |
| Independent Auditor's Report | i-iii |
| Management's Discussion and Analysis | 1-9 |
| Basic Financial Statements | |
| Exhibits | |
| Government-Wide Financial Statements | |
| 1 Statement of Net Position | 10 |
| 2 Statement of Activities | 11 |
| Fund Financial Statements | |
| 3 Balance Sheet – Governmental Funds and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 12-13 |
| 4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 14-15 |
| 5 Statement of Net Position – Proprietary Funds | 16 |
| 6 Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds | 17 |
| 7 Statement of Cash Flows – Proprietary Funds | 18 |
| 8 Statement of Fiduciary Assets and Liabilities | 19 |
| Notes to the Financial Statements | 20-105 |
| Required Supplementary Information | |
| Exhibit | |
| 9 Budgetary Comparison Schedule – General Fund and Public Assistance Fund | 106-111 |
| Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios | 112-113 |
| Schedule of Employer's Share of Net Pension Liability - VRS Teacher Retirement Plan | 114 |
| Schedule of Employer Contributions | 115 |
| Notes to Required Supplementary Information | 116-117 |

| | Pages |
|--|--------------|
| Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Program | 118-120 |
| Schedule of Employer Contributions for VRS OPEB Group Life Insurance | 121 |
| Notes to Required Supplementary Information for VRS OPEB Group Life Insurance | 122-123 |
| Schedule of Changes in the Political Subdivision's Net HIC OPEB Liability and Related Ratios | 124 |
| Schedule of Employer's Share of Net OPEB Liability Health Insurance Credit Program (HIC) Teacher | 125 |
| Schedule of Employer Contributions HIC OPEB | 126 |
| Notes to Required Supplementary Information HIC OPEB | 127-128 |
| Schedule of Employer's Share of Net OPEB Liability Virginia Local Disability Program (VLDP) | 129-130 |
| Schedule of Employer Contributions for VRS OPEB VLDP | 131-132 |
| Notes to Required Supplementary Information OPEB VLDP | 133 |
| Schedule of Changes in the Political Subdivision's Net OPEB Liability - Retiree Health Insurance and Related Ratios | 134 |
| Schedule of Employer Contributions – OPEB Retiree Health Insurance | 135 |
| Schedule of Changes in the School Board's Net OPEB Liability – Retiree Health Insurance and Related Ratios | 136 |
| Schedule of Employer Contributions – OPEB Retiree Health Insurance School Board | 137 |

Other Supplementary Information

Schedules

| | | |
|---|--|---------|
| 1 | Combining Balance Sheet – Other Governmental Funds | 138 |
| 2 | Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Governmental Funds | 139 |
| 3 | Combining Statement of Fiduciary Assets and Liabilities – Agency Funds | 140 |
| 4 | Component Unit School Board – Combining Balance Sheet and Component Unit School Board – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 141-142 |
| 5 | Component Unit School Board – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances and Component Unit School Board - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 143-144 |
| 6 | Component Unit School Board – Budgetary Comparison Schedule – School Operating Fund | 145 |

OTHER INFORMATION SECTION

Schedules

| | | |
|---|--|-----|
| 7 | Jail Canteen and Other Revenue and Expense Information | 146 |
|---|--|-----|

Tables

| | | |
|---|---|-----|
| 1 | General Governmental Revenues by Source – Last Ten Fiscal Years | 147 |
| 2 | General Governmental Expenditures by Function – Last Ten Fiscal Years | 148 |
| 3 | Assessed Value of Taxable Property and Property Tax Rates – Last Ten Fiscal Years | 149 |
| 4 | Property Tax Levies and Collections – Last Ten Fiscal Years | 150 |
| 5 | Ratio of Net General Obligation Bonded Debt to Assessed Taxable Value and Net General Obligation Bonded Debt Per Capita – Last Ten Fiscal Years | 151 |
| 6 | Special Assessment Billings and Collections – Last Ten Fiscal Years | 152 |

COMPLIANCE SECTION

| | |
|---|---------|
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 153-154 |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance | 155-156 |
| Report on Compliance with Commonwealth of Virginia's Laws, Regulations, Contracts, and Grants | 157-158 |
| Schedule of Expenditures of Federal Awards | 159-160 |
| Notes to Schedule of Expenditures of Federal Awards | 161 |
| Schedule of Findings and Questioned Costs | 162 |
| Summary Schedule of Prior Audit Findings | 163 |

FINANCIAL SECTION





**Creedle
Jones
& Associates**

A Professional Corporation

*Robin B. Jones, CPA, CFP
Denise C. Williams, CPA, CSEP
Kimberly W. Jackson, CPA*

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Sherwood H. Creedle, Emeritus

*Members of
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Southampton, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Southampton, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County of Southampton, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Southampton, Virginia, as of June 30, 2019, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 1-9, 106-111, and 112-137 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

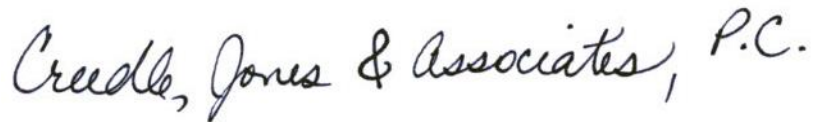
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Southampton, Virginia's basic financial statements. The combining nonmajor fund and component unit financial statements, jail canteen and other revenues and expense information,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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019, on our consideration of the County of Southampton, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Southampton, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Southampton, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Creedle, Jones & Associates, P.C." in a cursive script.

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

South Hill, Virginia
November 26, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Southampton, Virginia presents the following discussion and analysis as an overview of the County of Southampton, Virginia's financial activities for the fiscal year ending June 30, 2019. We encourage readers to read this discussion and analysis in conjunction with the County's basic financial statements.

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the County's governmental activities exceeded its liabilities and deferred inflows of resources by \$27,376,518. Of this amount, \$3,793,240 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$(527,612) with an unrestricted balance of \$(499,726).
- The County's total net position increased by \$2,189,444 during the current fiscal year. Of this amount, an increase of \$3,408,420 is related to governmental activities and a decrease of \$1,218,976 is attributed to business-type activities.
- As of June 30, 2019, the County's Governmental Funds reported combined ending fund balances of \$15,544,755, an increase of \$7,313,805 in comparison with the prior year. Approximately 44.62% of this amount is available for spending at the County's discretion (unassigned fund balance).
- At the end of fiscal year 2019, the general fund unassigned fund balance was \$8,402,056, or approximately 27.47% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements report information about the County as a whole using accounting methods similar to those found in the private sector. They also report the County's net position and how they have changed during the fiscal year.

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

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

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

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

Fund Financial Statements

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

The County has three types of funds:

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

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

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

Notes to the Basic Financial Statements

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

Other

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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2019 and 2018

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | |
|--|--------------------------------|----------------------|---------------------------------|----------------------|---------------------------------|----------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Assets | | | | | | |
| Current and other assets | \$ 20,554,112 | \$ 10,905,882 | \$ (90,927) | \$ (168,459) | \$ 20,463,185 | \$ 10,737,423 |
| Capital assets (net) | <u>48,158,586</u> | <u>47,579,605</u> | <u>32,287,911</u> | <u>33,499,530</u> | <u>80,446,497</u> | <u>81,079,135</u> |
| Total Assets | 68,712,698 | 58,485,487 | 32,196,984 | 33,331,071 | 100,909,682 | 91,816,558 |
| Deferred Outflows of Resource | <u>1,046,399</u> | <u>846,552</u> | <u>350,687</u> | <u>76,462</u> | <u>1,397,086</u> | <u>923,014</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 69,759,097</u> | <u>\$ 59,332,039</u> | <u>\$ 32,547,671</u> | <u>\$ 33,407,533</u> | <u>\$ 102,306,768</u> | <u>\$ 92,739,572</u> |
| Liabilities | | | | | | |
| Other liabilities | \$ 2,808,230 | \$ 621,273 | \$ 121,571 | \$ 123,212 | \$ 2,929,801 | \$ 744,485 |
| Long-term liabilities | <u>38,310,621</u> | <u>33,485,878</u> | <u>32,917,630</u> | <u>32,523,452</u> | <u>71,228,251</u> | <u>66,009,330</u> |
| Total Liabilities | 41,118,851 | 34,107,151 | 33,039,201 | 32,646,664 | 74,158,052 | 66,753,815 |
| Deferred Inflows of Resources | <u>1,263,728</u> | <u>1,256,790</u> | <u>36,082</u> | <u>69,505</u> | <u>1,299,810</u> | <u>1,326,295</u> |
| Net Position | | | | | | |
| Net investment in capital assets | 15,263,267 | 20,041,568 | (76,739) | 1,520,064 | 15,186,528 | 21,561,632 |
| Restricted for capital projects | 8,320,011 | 297,980 | 48,853 | 48,780 | 8,368,864 | 346,760 |
| Unrestricted | <u>3,793,240</u> | <u>3,628,550</u> | <u>(499,726)</u> | <u>(877,480)</u> | <u>3,293,514</u> | <u>2,751,070</u> |
| Total Net Position (Deficit) | <u>27,376,518</u> | <u>23,968,098</u> | <u>(527,612)</u> | <u>691,364</u> | <u>26,848,906</u> | <u>24,659,462</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 69,759,097</u> | <u>\$ 59,332,039</u> | <u>\$ 32,547,671</u> | <u>\$ 33,407,533</u> | <u>\$ 102,306,768</u> | <u>\$ 92,739,572</u> |

The County's combined net position at June 30, 2019 of \$26,848,906 represents an increase of \$2,189,444 from the combined net position at June 30, 2018. The largest portion, 56.56%, of the County's net position is reflected in its net investment in capital assets (land, buildings, improvements, etc.). The County uses these assets to provide services to its citizens and, consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources. 12.27% of total net position is unrestricted and available for providing services to the citizens of the County and satisfying creditors. The remaining 31.17% of net position is restricted for other special projects.

Statement of Activities

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

| Summary of Changes in Net Position | | | | | | |
|--|-------------------------|---------------|--------------------------|--------------|-----------------------------|---------------|
| For the Fiscal Years Ended June 30, 2019 and 2018 | | | | | | |
| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ 2,333,243 | \$ 2,396,803 | \$ 1,292,196 | \$ 1,318,458 | \$ 3,625,439 | \$ 3,715,261 |
| Operating grants and contributions | 6,923,569 | 6,711,033 | - | - | 6,923,569 | 6,711,033 |
| General Revenues | | | | | | |
| General property taxes, real and personal | 22,021,553 | 21,341,489 | - | - | 22,021,553 | 21,341,489 |
| Other taxes | 2,346,073 | 2,722,124 | - | - | 2,346,073 | 2,722,124 |
| Payment from County of Southampton, VA | | | | | | |
| Education | - | - | - | - | - | - |
| Grants and contributions not restricted to specific programs | 2,943,851 | 3,041,274 | - | - | 2,943,851 | 3,041,274 |
| Unrestricted revenues from use of property | 288,170 | 176,297 | 138,192 | 73 | 426,362 | 176,370 |
| Miscellaneous | 1,006,709 | 1,093,159 | 63,120 | 66,731 | 1,069,829 | 1,159,890 |
| Total Revenues | 37,863,168 | 37,482,179 | 1,493,508 | 1,385,262 | 39,356,676 | 38,867,441 |
| Expenses | | | | | | |
| General government administration | 2,590,611 | 3,144,163 | - | - | 2,590,611 | 3,144,163 |
| Judicial administration | 1,914,719 | 1,889,771 | - | - | 1,914,719 | 1,889,771 |
| Public safety | 9,130,613 | 9,131,933 | - | - | 9,130,613 | 9,131,933 |
| Public works | 2,495,474 | 2,629,141 | - | - | 2,495,474 | 2,629,141 |
| Health and welfare | 3,196,528 | 2,997,742 | - | - | 3,196,528 | 2,997,742 |
| Education | 10,380,576 | 10,438,061 | - | - | 10,380,576 | 10,438,061 |
| Parks, recreation, and cultural | 342,371 | 346,498 | - | - | 342,371 | 346,498 |
| Community development | 1,142,877 | 1,221,092 | - | - | 1,142,877 | 1,221,092 |
| Water and sewer | - | - | 3,052,694 | 2,944,278 | 3,052,694 | 2,944,278 |
| Interest on long-term debt | 800,032 | 762,209 | 2,120,737 | 1,645,074 | 2,920,769 | 2,407,283 |
| Total Expenses | 31,993,801 | 32,560,610 | 5,173,431 | 4,589,352 | 37,167,232 | 37,149,962 |
| Change in Net Position Before Transfers | 5,869,367 | 4,921,569 | (3,679,923) | (3,204,090) | 2,189,444 | 1,717,479 |
| Transfers | (2,460,947) | (3,078,895) | 2,460,947 | 3,078,895 | - | - |
| Change in Net Position | 3,408,420 | 1,842,674 | (1,218,976) | (125,195) | 2,189,444 | 1,717,479 |
| Beginning Net Position | 23,968,098 | 22,125,424 | 691,364 | 816,559 | 24,659,462 | 22,941,983 |
| Ending Net Position (Deficit) | \$ 27,376,518 | \$ 23,968,098 | \$ (527,612) | \$ 691,364 | \$ 26,848,906 | \$ 24,659,462 |

Governmental activities increased the County's net position by \$3,408,420 for fiscal year 2019. General property taxes comprise the largest source of these revenues, totaling \$22,021,553 or 58.16% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$31,993,801. Education was the County's largest program with expenses totaling \$10,380,576. Public safety, which totals \$9,130,613, represents the second largest expense.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2019 and 2018

| | <u>2019</u> | | <u>2018</u> | |
|-----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> |
| General government administration | \$ 2,590,611 | \$ (2,015,677) | \$ 3,144,163 | \$ (2,539,186) |
| Judicial administration | 1,914,719 | (987,131) | 1,889,771 | (1,000,672) |
| Public safety | 9,130,613 | (4,927,008) | 9,131,933 | (4,852,922) |
| Public works | 2,495,474 | (1,450,006) | 2,629,141 | (1,570,582) |
| Health and welfare | 3,196,528 | (825,811) | 2,997,742 | (726,052) |
| Education | 10,380,576 | (10,380,576) | 10,438,061 | (10,438,061) |
| Parks, recreation, and cultural | 342,371 | (337,871) | 346,498 | (341,998) |
| Community development | 1,142,877 | (1,012,877) | 1,221,092 | (1,221,092) |
| Interest on long-term debt | <u>800,032</u> | <u>(800,032)</u> | <u>762,209</u> | <u>(762,209)</u> |
| Total | <u>\$ 31,993,801</u> | <u>\$ (22,736,989)</u> | <u>\$ 32,560,610</u> | <u>\$ (23,452,774)</u> |

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The County's governmental funds reported combined ending fund balances of \$15,544,755. The combined governmental fund balance increased \$7,313,805 from the prior year.

The General Fund is the main operating fund of the County. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$8,402,056. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 27.47% of total fund expenditures.

The Capital Projects Fund which has a total fund balance of \$6,854,808, \$8,320,011 is restricted and assigned for ongoing and future capital projects, \$(1,465,203) represents unassigned fund balance.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2019 and 2018

| | <u>2019</u> | | | <u>2018</u> | | |
|--|----------------------------|-------------------------|---------------------|----------------------------|-------------------------|--------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> |
| Revenues | | | | | | |
| Taxes | \$ 23,804,818 | \$ 24,377,881 | \$ 21,864,899 | \$ 22,764,485 | \$ 23,391,705 | \$ 21,073,623 |
| Other | 4,810,383 | 5,586,857 | 5,675,998 | 4,809,531 | 5,389,033 | 5,897,378 |
| Intergovernmental | <u>4,932,455</u> | <u>5,238,482</u> | <u>7,732,624</u> | <u>5,217,886</u> | <u>5,354,213</u> | <u>7,589,938</u> |
| Total | 33,547,656 | 35,203,220 | 35,273,521 | 32,791,902 | 34,134,951 | 34,560,939 |
| Expenditures | <u>29,965,442</u> | <u>31,963,248</u> | <u>30,586,940</u> | <u>29,085,409</u> | <u>30,740,434</u> | <u>30,139,858</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 3,582,214 | 3,239,972 | 4,686,581 | 3,706,493 | 3,394,517 | 4,421,081 |
| Other Financing Sources (Uses) | | | | | | |
| Proceeds of long-term debt/leases | - | - | - | - | - | 314,489 |
| Transfers in | 80,000 | 80,000 | 80,000 | 100,000 | 102,710 | 102,710 |
| Transfers out | <u>(4,002,214)</u> | <u>(4,002,214)</u> | <u>(3,293,808)</u> | <u>(3,957,263)</u> | <u>(4,129,743)</u> | <u>(4,063,106)</u> |
| Total | <u>(3,922,214)</u> | <u>(3,922,214)</u> | <u>(3,213,808)</u> | <u>(3,857,263)</u> | <u>(4,027,033)</u> | <u>(3,645,907)</u> |
| Change in Fund Balance | (340,000) | (682,242) | 1,472,773 | (150,770) | (632,516) | 775,174 |
| Transfer from Reserve | <u>340,000</u> | <u>682,242</u> | - | <u>150,770</u> | <u>632,516</u> | - |
| Change in Fund Balance after Surplus | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,472,773</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 775,174</u> |

Final amended budget revenues were more than the original budget by \$1,655,564.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$1,997,806.

Actual revenues were more than final budget amounts by \$70,301, or 0.20%, while actual expenditures were \$1,376,308, or 4.31% less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2019, the County's governmental activities net capital assets total \$48,158,586, which represents a net increase of \$578,981 or 1.22% over the previous fiscal year-end balance. The business-type activities net capital assets total \$32,287,911, a decrease of \$1,211,619 or 3.62% over the previous fiscal year. The component unit School Board's net capital assets total \$13,241,373, a decrease of \$250,243 or 1.85% from the previous fiscal year.

Change in Capital Assets

Governmental Activities

| | <u>Balance July 1, 2018</u> | <u>Net Additions and Deletions</u> | <u>Balance June 30, 2019</u> |
|------------------------------------|---------------------------------|--|----------------------------------|
| Land and land improvements | \$ 2,389,757 | \$ - | \$ 2,389,757 |
| Construction in progress | - | 2,373,176 | 2,373,176 |
| Buildings and improvements | 66,609,546 | 6,500 | 66,616,046 |
| Furniture, equipment, and vehicles | 9,028,109 | 77,128 | 9,105,237 |
| Total Capital Assets | 78,027,412 | 2,456,804 | 80,484,216 |
| Less: Accumulated depreciation | (30,447,807) | (1,877,823) | (32,325,630) |
| Total Capital Assets, Net | <u>\$ 47,579,605</u> | <u>\$ 578,981</u> | <u>\$ 48,158,586</u> |

Business-Type Activities

| | <u>Balance July 1, 2018</u> | <u>Net Additions and Deletions</u> | <u>Balance June 30, 2019</u> |
|--------------------------------|---------------------------------|--|----------------------------------|
| Land and land improvements | \$ 338,162 | \$ - | \$ 338,162 |
| Construction in progress | 7,460 | (7,460) | - |
| Buildings and improvements | 1,053,937 | - | 1,053,937 |
| Infrastructure and equipment | 53,263,122 | 42,951 | 53,306,073 |
| Vehicles | 262,162 | 79,946 | 342,108 |
| Total Capital Assets | 54,924,843 | 115,437 | 55,040,280 |
| Less: Accumulated depreciation | (21,425,313) | (1,327,056) | (22,752,369) |
| Total Capital Assets, Net | <u>\$ 33,499,530</u> | <u>\$ (1,211,619)</u> | <u>\$ 32,287,911</u> |

Component Unit School Board

| | <u>Balance July 1, 2018</u> | <u>Net Additions and Deletions</u> | <u>Balance June 30, 2019</u> |
|------------------------------------|---------------------------------|--|----------------------------------|
| Land and land improvements | \$ 1,362,200 | \$ - | \$ 1,362,200 |
| Buildings and improvements | 2,752,465 | - | 2,752,465 |
| Furniture, equipment, and vehicles | 23,408,610 | 1,073,679 | 24,482,289 |
| Total Capital Assets | 27,523,275 | 1,073,679 | 28,596,954 |
| Less: Accumulated depreciation | (14,031,659) | (1,323,922) | (15,355,581) |
| Total Capital Assets, Net | <u>\$ 13,491,616</u> | <u>\$ (250,243)</u> | <u>\$ 13,241,373</u> |

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

Long-Term Debt

As of June 30, 2019, the County's long-term obligations, excluding the Component Unit, total \$66,000,993.

| | Balance July 1, 2018 | Net Additions and Deletions | Balance June 30, 2019 |
|--|---------------------------------|--|----------------------------------|
| Governmental Activities | | | |
| Long-term debt | \$ 27,538,037 | \$ 5,357,282 | \$ 32,895,319 |
| <i>Compensated absences</i> | | | |
| General Fund | 392,983 | (16,833) | 376,150 |
| Social Services Fund | <u>209,039</u> | <u>34,344</u> | <u>243,383</u> |
| Total Long-Term Indebtedness - Primary Government | 28,140,059 | 5,374,793 | 33,514,852 |
| Business-Type Activities | | | |
| Long-term debt | 31,979,466 | 385,184 | 32,364,650 |
| <i>Compensated absences</i> | | | |
| Water and Sewer Fund | <u>117,697</u> | <u>3,794</u> | <u>121,491</u> |
| Total Business-Type Activities | <u>32,097,163</u> | <u>388,978</u> | <u>32,486,141</u> |
| Total Primary Government | <u>\$ 60,237,222</u> | <u>\$ 5,763,771</u> | <u>\$ 66,000,993</u> |
| Component Unit School Board | | | |
| Long-term debt | \$ 768,867 | \$ 239,602 | \$ 1,008,469 |
| Compensated absences | <u>263,158</u> | <u>20,991</u> | <u>284,149</u> |
| Total Component Unit School Board | <u>\$ 1,032,025</u> | <u>\$ 260,593</u> | <u>\$ 1,292,618</u> |

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

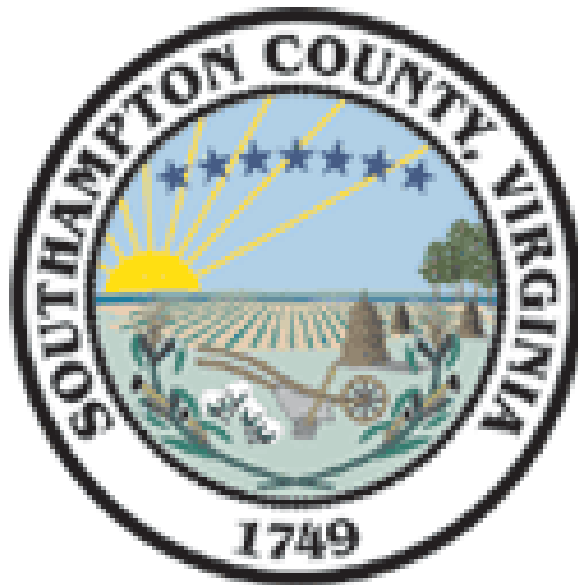
- The average unemployment rate for the County of Southampton, Virginia in June 2019 was 2.6%, a decrease of .5% from June 2018. This compares favorably to the state's rate of 2.9% and the national rate of 3.8%.
- According to the Weldon Cooper Center for Public Service at the University of Virginia, the provisional 2010 population was 18,570, an increase of 6.2% since the 2000 U. S. Census.
- The median adjusted gross income for individual tax returns in Southampton County in 2007 was \$19,953, compared to \$22,993 for the state, according to the Weldon Cooper Center for Public Service at the University of Virginia.

The fiscal year 2020 Adopted Budget anticipates General Fund revenues and expenditures to be \$35,107,317, a 3.35% increase over the fiscal year 2019 original budget.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS



Statement of Net Position

At June 30, 2019

| | Primary Government | | | Component Unit School Board |
|--|----------------------------|-----------------------------|----------------|--------------------------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Assets | | | | |
| Cash, cash equivalents, and investments | \$ 8,058,239 | \$ 159,597 | \$ 8,217,836 | \$ 3,666,629 |
| Restricted cash | 8,320,011 | 48,853 | 8,368,864 | - |
| Receivables, net | 2,896,488 | 130,125 | 3,026,613 | 98,186 |
| Internal balances | 429,909 | (429,909) | - | - |
| Due from other governments | 844,829 | - | 844,829 | 1,222,242 |
| Capital Assets | | | | |
| Land and construction in progress | 4,762,933 | 338,162 | 5,101,095 | 1,362,200 |
| Other capital assets, net of accumulated depreciation | 43,395,653 | 31,949,749 | 75,345,402 | 11,879,173 |
| Capital Assets, Net | 48,158,586 | 32,287,911 | 80,446,497 | 13,241,373 |
| Total Assets | 68,708,062 | 32,196,577 | 100,904,639 | 18,228,430 |
| Other Assets | | | | |
| Net OPEB asset - HIC | 4,636 | 407 | 5,043 | - |
| Total Other Assets | 4,636 | 407 | 5,043 | - |
| Deferred Outflows of Resources | | | | |
| VRS group life | 70,573 | 6,098 | 76,671 | 132,935 |
| VRS health insurance credit | 2,173 | 183 | 2,356 | 163,127 |
| VRS Virginia Local Disability Program (VLDP) | - | - | - | 15,206 |
| Retiree health insurance | 25,008 | - | 25,008 | 40,352 |
| VRS Pension | 948,645 | 86,801 | 1,035,446 | 2,636,758 |
| Loss on refunding | - | 257,605 | 257,605 | - |
| Total Deferred Outflows of Resources | 1,046,399 | 350,687 | 1,397,086 | 2,988,378 |
| Total Assets and Deferred Outflows of Resources | \$ 69,759,097 | \$ 32,547,671 | \$ 102,306,768 | \$ 21,216,808 |
| Liabilities | | | | |
| Accounts payable and accrued expenses | \$ 2,808,230 | \$ 39,735 | \$ 2,847,965 | \$ 4,140,712 |
| Customer deposits | - | 81,836 | 81,836 | - |
| Long-Term Liabilities | | | | |
| <i>OPEB liabilities</i> | | | | |
| VRS group life | 539,152 | 46,888 | 586,040 | 1,114,000 |
| VRS health insurance credit | - | - | - | 2,063,000 |
| VRS Virginia Local Disability Program (VLDP) | - | - | - | 6,000 |
| Retiree health insurance | 88,481 | - | 88,481 | 318,904 |
| <i>Due within one year</i> | | | | |
| Bonds, loans, and capital leases payable | 2,841,000 | 1,183,772 | 4,024,772 | 234,925 |
| Compensated absences | 61,953 | 12,149 | 74,102 | 28,415 |
| <i>Due in more than one year</i> | | | | |
| Bonds, loans, and capital leases payable | 30,054,319 | 31,180,878 | 61,235,197 | 773,544 |
| Compensated absences | 557,580 | 109,342 | 666,922 | 255,734 |
| Net pension liability | 4,168,136 | 384,601 | 4,552,737 | 18,362,906 |
| Total Liabilities | 41,118,851 | 33,039,201 | 74,158,052 | 27,298,140 |
| Deferred Inflows of Resources | | | | |
| Unexpended grants payable | - | - | - | 524,146 |
| VRS group life | 49,972 | 4,308 | 54,280 | 123,000 |
| VRS health insurance credit | 5,849 | 506 | 6,355 | 50,000 |
| Retiree health insurance | 430,806 | - | 430,806 | 1,575,005 |
| VRS pension | 405,339 | 31,268 | 436,607 | 2,797,052 |
| Unavailable revenue - property taxes | 82,363 | - | 82,363 | - |
| Refunding of debt | 289,399 | - | 289,399 | - |
| Total Deferred Inflows of Resources | 1,263,728 | 36,082 | 1,299,810 | 5,069,203 |
| Net Position | | | | |
| Net investment in capital assets | 15,263,267 | (76,739) | 15,186,528 | 12,232,904 |
| Restricted for capital projects | 8,320,011 | 48,853 | 8,368,864 | - |
| Unrestricted | 3,793,240 | (499,726) | 3,293,514 | (23,383,439) |
| Total Net Position (Deficit) | 27,376,518 | (527,612) | 26,848,906 | (11,150,535) |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 69,759,097 | \$ 32,547,671 | \$ 102,306,768 | \$ 21,216,808 |

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

County of Southampton, Virginia
Statement of Activities
For the Year Ended June 30, 2019

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue and Changes in Net Position</u> | | |
|---|----------------------|-----------------------------|---|--|--|------------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Primary Government Business-Type Activities</u> | <u>Component Unit School Board</u> |
| Primary Government | | | | | | |
| Governmental Activities | | | | | | |
| General government administration | \$ 2,590,611 | \$ 319,812 | \$ 255,122 | \$ (2,015,677) | | \$ (2,015,677) |
| Judicial administration | 1,914,719 | 51,371 | 876,217 | (987,131) | | (987,131) |
| Public safety | 9,130,613 | 930,397 | 3,273,208 | (4,927,008) | | (4,927,008) |
| Public works | 2,495,474 | 1,031,663 | 13,805 | (1,450,006) | | (1,450,006) |
| Health and welfare | 3,196,528 | - | 2,370,717 | (825,811) | | (825,811) |
| Education - local school system | 10,380,576 | - | - | (10,380,576) | | (10,380,576) |
| Parks, recreation, and cultural | 342,371 | - | 4,500 | (337,871) | | (337,871) |
| Community development | 1,142,877 | - | 130,000 | (1,012,877) | | (1,012,877) |
| Interest | 800,032 | - | - | (800,032) | | (800,032) |
| Total Governmental Activities | 31,993,801 | 2,333,243 | 6,923,569 | (22,736,989) | | (22,736,989) |
| Business-Type Activities | | | | | | |
| Water and Sewer Fund | 5,173,431 | 1,292,196 | - | | \$ (3,881,235) | (3,881,235) |
| Total Business-Type Activities | 5,173,431 | 1,292,196 | - | | (3,881,235) | (3,881,235) |
| Total Primary Government | <u>\$ 37,167,232</u> | <u>\$ 3,625,439</u> | <u>\$ 6,923,569</u> | | | (26,618,224) |
| Component Unit | | | | | | |
| Southampton County School Board | <u>\$ 31,948,838</u> | <u>\$ 469,406</u> | <u>\$ 22,237,813</u> | | | \$ (9,241,619) |
| General Revenues | | | | | | |
| Taxes | | | | | | |
| General property taxes, real and personal | | | | 22,021,553 | - | 22,021,553 |
| Other local taxes | | | | 2,346,073 | - | 2,346,073 |
| Payment from County of Southampton, VA | | | | | | |
| Education | | | | - | - | - |
| Unrestricted grants and contributions not restricted to specific programs | | | | 2,943,851 | - | 2,943,851 |
| Unrestricted revenues from use of property | | | | 288,170 | 138,192 | 426,362 |
| Miscellaneous | | | | 1,006,709 | 63,120 | 1,069,829 |
| Transfers | | | | (2,460,947) | 2,460,947 | - |
| Total General Revenues and Transfers | | | | <u>26,145,409</u> | <u>2,662,259</u> | <u>28,807,668</u> |
| Change in Net Position | | | | 3,408,420 | (1,218,976) | 2,189,444 |
| Net Position (Deficit) - Beginning of Year | | | | <u>23,968,098</u> | <u>691,364</u> | <u>24,659,462</u> |
| Net Position (Deficit) - End of Year | | | | \$ 27,376,518 | \$ (527,612) | \$ 26,848,906 |
| | | | | | | \$ (11,150,535) |

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

County of Southampton, Virginia

Balance Sheet

Governmental Funds

At June 30, 2019

| | <u>General Fund</u> | <u>Public Assistance Fund</u> | <u>Capital Projects Utility Tax Building Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|---------------------------------------|---|---|---|
| Assets | | | | | |
| Cash and investments | \$ 7,495,503 | \$ - | \$ 416,160 | \$ 289,447 | \$ 8,201,110 |
| Restricted cash | - | - | 8,320,011 | - | 8,320,011 |
| Property taxes receivable, net | 1,193,890 | - | - | - | 1,193,890 |
| Accounts receivable | 1,344,510 | - | 358,088 | - | 1,702,598 |
| Due from other funds | 429,909 | - | - | - | 429,909 |
| Due from other governments | <u>671,161</u> | <u>168,071</u> | <u>-</u> | <u>5,597</u> | <u>844,829</u> |
| Total Assets | <u>\$11,134,973</u> | <u>\$ 168,071</u> | <u>\$ 9,094,259</u> | <u>\$ 295,044</u> | <u>\$ 20,692,347</u> |
| Liabilities | | | | | |
| Pooled cash deficit | \$ - | \$ 142,871 | \$ - | \$ - | \$ 142,871 |
| Accounts payable and accrued liabilities | <u>536,426</u> | <u>25,200</u> | <u>2,239,451</u> | <u>7,153</u> | <u>2,808,230</u> |
| Total Liabilities | 536,426 | 168,071 | 2,239,451 | 7,153 | 2,951,101 |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue - taxes and landfill fees | <u>2,196,491</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,196,491</u> |
| Total Deferred Inflows of Resources | 2,196,491 | - | - | - | 2,196,491 |
| Fund Balance | | | | | |
| Restricted | - | - | 8,320,011 | 287,891 | 8,607,902 |
| Unassigned | <u>8,402,056</u> | <u>-</u> | <u>(1,465,203)</u> | <u>-</u> | <u>6,936,853</u> |
| Total Fund Balance | <u>8,402,056</u> | <u>-</u> | <u>6,854,808</u> | <u>287,891</u> | <u>15,544,755</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$11,134,973</u> | <u>\$ 168,071</u> | <u>\$ 9,094,259</u> | <u>\$ 295,044</u> | <u>\$ 20,692,347</u> |

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

County of Southampton, Virginia

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

At June 30, 2019

Total Fund Balances for Governmental Funds \$ 15,544,755

Total net position reported for governmental activities in the Statement of Net Position is different because:

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

Unavailable revenue - taxes and landfill fees 2,114,128

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

| | |
|---|------------------|
| Land | \$ 2,389,757 |
| Construction-in-progress | 2,373,176 |
| Buildings and improvements, net of accumulated depreciation | 40,123,236 |
| Furniture, equipment, and vehicles, net of accumulated depreciation | <u>3,272,417</u> |

Total Capital Assets 48,158,586

Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.

| | |
|---|------------------|
| Deferred outflows of resources related to pensions | 948,645 |
| Deferred inflows of resources related to pensions | (405,339) |
| Deferred outflows of resources related to OPEB | 97,754 |
| Deferred inflows of resources related to OPEB | (486,627) |
| Deferred inflows of resources related to debt refunding | <u>(289,399)</u> |

Total Deferred Outflows and Inflows of Resources (134,966)

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

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

| | |
|-------------------------|------------------|
| Bonds and notes payable | (32,895,319) |
| Net pension liability | (4,168,136) |
| OPEB obligations | (622,997) |
| Compensated absences | <u>(619,533)</u> |

Total (38,305,985)

Total Net Position of Governmental Activities \$ 27,376,518

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

County of Southampton, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2019

| | <u>General Fund</u> | <u>Public Assistance Fund</u> | <u>Capital Projects Utility Tax Building Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|---------------------------------------|---|---|---|
| Revenues | | | | | |
| Property taxes | \$ 21,864,899 | \$ - | \$ - | \$ - | \$ 21,864,899 |
| Other local taxes | 1,637,669 | - | 708,404 | - | 2,346,073 |
| Permits, privilege fees, and regulatory licenses | 17,557 | - | - | - | 17,557 |
| Fines and forfeitures | 802,075 | - | - | - | 802,075 |
| Use of money and property | 195,558 | - | 92,417 | 195 | 288,170 |
| Charges for services | 1,479,285 | - | - | 51,883 | 1,531,168 |
| Miscellaneous | 870,618 | - | - | 136,091 | 1,006,709 |
| Recovered costs | 673,236 | - | - | - | 673,236 |
| <i>Intergovernmental</i> | | | | | |
| Revenue from the Commonwealth of Virginia | 7,671,298 | 653,672 | - | 1,717 | 8,326,687 |
| Revenue from the Federal Government | <u>61,326</u> | <u>1,433,151</u> | <u>-</u> | <u>28,699</u> | <u>1,523,176</u> |
| Total Revenues | 35,273,521 | 2,086,823 | 800,821 | 218,585 | 38,379,750 |
| Expenditures | | | | | |
| Current | | | | | |
| General government administration | 2,423,515 | - | - | - | 2,423,515 |
| Judicial administration | 1,994,624 | - | 7,194 | - | 2,001,818 |
| Public safety | 8,703,472 | - | 189,920 | 148,820 | 9,042,212 |
| Public works | 2,432,562 | - | 20,889 | - | 2,453,451 |
| Health and welfare | 888,145 | 2,390,649 | - | - | 3,278,794 |
| Education - public school system | 12,545,978 | - | 2,373,175 | - | 14,919,153 |
| Parks, recreation, and cultural | 329,649 | - | - | - | 329,649 |
| Community development | 1,233,360 | - | - | - | 1,233,360 |
| Debt service | <u>35,635</u> | <u>-</u> | <u>1,023,411</u> | <u>-</u> | <u>1,059,046</u> |
| Total Expenditures | <u>30,586,940</u> | <u>2,390,649</u> | <u>3,614,589</u> | <u>148,820</u> | <u>36,740,998</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 4,686,581 | (303,826) | (2,813,768) | 69,765 | 1,638,752 |
| Other Financing Sources (Uses) | | | | | |
| Issuance of debt | - | - | 8,136,000 | - | 8,136,000 |
| Transfers in | 80,000 | 303,826 | 529,035 | - | 912,861 |
| Transfers out | <u>(3,293,808)</u> | <u>-</u> | <u>-</u> | <u>(80,000)</u> | <u>(3,373,808)</u> |
| Total Other Financing Sources (Uses) | <u>(3,213,808)</u> | <u>303,826</u> | <u>8,665,035</u> | <u>(80,000)</u> | <u>5,675,053</u> |
| Net Change in Fund Balance | 1,472,773 | - | 5,851,267 | (10,235) | 7,313,805 |
| Fund Balance - Beginning of Year | <u>6,929,283</u> | <u>-</u> | <u>1,003,541</u> | <u>298,126</u> | <u>8,230,950</u> |
| Fund Balance - End of Year | <u>\$ 8,402,056</u> | <u>\$ -</u> | <u>\$ 6,854,808</u> | <u>\$ 287,891</u> | <u>\$ 15,544,755</u> |

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

County of Southampton, Virginia

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

Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 7,313,805

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

| | | |
|--------------------|--------------------|---------|
| Capitalized assets | \$ 2,456,804 | |
| Depreciation | <u>(1,877,823)</u> | |
| | | 578,981 |

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

| | | |
|----------------------------------|--|---------|
| Property taxes and landfill fees | | 156,654 |
|----------------------------------|--|---------|

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

| | | |
|--|---------------|-------------|
| Proceeds of new debt or capital leases | (8,136,000) | |
| Repayments on debt | 2,778,718 | |
| Gain on refunding | <u>32,155</u> | |
| Net Adjustment | | (5,325,127) |

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. Changes in the following accounts are as follows:

| | | |
|---------------------------------|----------------|----------------|
| Compensated absences | (17,511) | |
| Net pension liability | (55,669) | |
| Deferred inflows - VRS pension | 357,948 | |
| Deferred outflows - VRS pension | 156,352 | |
| Deferred outflows - OPEB | 43,495 | |
| Deferred inflows - OPEB | (407,367) | |
| Other postemployment benefits | <u>606,859</u> | |
| Net Adjustment | | <u>684,107</u> |

| | | |
|---|--|---------------------|
| Change in Net Position of Governmental Activities | | <u>\$ 3,408,420</u> |
|---|--|---------------------|

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

County of Southampton, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2019

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

Assets**Current Assets**

| | |
|----------------------|----------------|
| Cash | \$ 159,597 |
| Restricted cash | 48,853 |
| Receivables, net | <u>130,125</u> |
| Total Current Assets | 338,575 |

Noncurrent Assets

| | |
|-------------------------|-------------------|
| Capital assets, net | <u>32,287,911</u> |
| Total Noncurrent Assets | 32,287,911 |

Other Assets

| | |
|--|------------|
| Net OPEB asset - health insurance credit | <u>407</u> |
| Total Other Assets | <u>407</u> |
| Total Assets | 32,626,893 |

Deferred Outflows of Resources

| | |
|---|----------------------|
| VRS group life | 6,098 |
| VRS health insurance credit | 183 |
| VRS pension | 86,801 |
| Refunding of debt | <u>257,605</u> |
| Total Deferred Outflows of Resources | <u>350,687</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 32,977,580</u> |

Liabilities**Current Liabilities**

| | |
|---|------------------|
| Accounts payable and accrued expenses | \$ 39,735 |
| Due to General Fund | 429,909 |
| Current portion of compensated absences | 12,149 |
| Current maturities of long-term liabilities | <u>1,183,772</u> |
| Total Current Liabilities | 1,665,565 |

Noncurrent Liabilities

| | |
|--|-------------------|
| Customer deposits | 81,836 |
| Net OPEB liability - VRS group life | 46,888 |
| Net pension liability | 384,601 |
| Compensated absences, net of current portion | 109,342 |
| Long-term debt, net of unamortized premium | <u>31,180,878</u> |
| Total Noncurrent Liabilities | <u>31,803,545</u> |
| Total Liabilities | 33,469,110 |

Deferred Inflows of Resources

| | |
|-------------------------------------|---------------|
| VRS group life | 4,308 |
| VRS health insurance credit | 506 |
| VRS pension | <u>31,268</u> |
| Total Deferred Inflows of Resources | 36,082 |

Net Position

| | |
|---|----------------------|
| Net investment in capital assets | (76,739) |
| Restricted for construction | 48,853 |
| Unrestricted | <u>(499,726)</u> |
| Total Net Position | <u>(527,612)</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 32,977,580</u> |

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

County of Southampton, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2019

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

Operating Revenues

| | |
|---------------------------|--------------|
| Charges for services, net | \$ 1,292,196 |
| Miscellaneous | 63,120 |

Total Operating Revenues 1,355,316

Operating Expenses

| | |
|-----------------------------|-----------|
| Personal services | 670,113 |
| Fringe benefits | 277,744 |
| Repairs and maintenance | 215,164 |
| Professional fees | 32,122 |
| Utilities | 259,298 |
| Chemicals, lab, permits | 165,362 |
| Vehicle and power equipment | 20,744 |
| Insurance | 26,092 |
| Miscellaneous | 24,716 |
| Depreciation | 1,360,391 |

Total Operating Expenses 3,051,746

Operating Loss (1,696,430)

Nonoperating Revenues (Expenses)

| | |
|-------------------------------|-------------|
| Gain (loss) on sale of assets | (948) |
| Interest income | 138,192 |
| Interest expense | (2,120,737) |

Total Nonoperating Revenues (Expenses) (1,983,493)

Loss Before Transfers (3,679,923)

Operating Transfers In 2,460,947

Net Operating Transfers 2,460,947

Change in Net Position (1,218,976)

Total Net Position - Beginning of Year 691,364

Total Net Position (Deficit) - End of Year \$ (527,612)

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

County of Southampton, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2019

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

Cash Flows from Operating Activities

| | |
|---|------------------|
| Receipts from customers | \$ 1,314,685 |
| Other receipts | 63,120 |
| Payments for personnel and related costs | (989,009) |
| Payments to suppliers and other operating costs | <u>(746,725)</u> |
| Net Cash Used in Operating Activities | (357,929) |

Cash Flows from Noncapital Financing Activities

| | |
|--|------------------|
| Payments on Due to/Due from General Fund | (15,000) |
| Net transfers from other funds | <u>2,460,947</u> |
| Net Cash Provided by Noncapital Financing Activities | 2,445,947 |

Cash Flows from Capital and Related Financing Activities

| | |
|--|--------------------|
| Purchase and construction of capital assets | (149,720) |
| Issuance of debt | 30,417,790 |
| Principal paid on capital debt | (30,032,606) |
| Interest paid on capital debt | <u>(2,378,342)</u> |
| Net Cash Used in Capital and Related Financing Activities | (2,142,878) |

Cash Flows from Investing Activities

| | |
|---|----------------|
| Interest income | <u>138,192</u> |
| Net Cash Provided by Investing Activities | <u>138,192</u> |

Net Increase in Cash and Cash Equivalents 83,332

Cash and Cash Equivalents - Beginning of Year 125,118

Cash and Cash Equivalents - End of Year \$ 208,450

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

| | |
|---|----------------------------|
| Operating loss | \$ (1,696,430) |
| <i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities</i> | |
| Depreciation expense | 1,360,391 |
| <i>Changes in assets and liabilities</i> | |
| Receivables, net | 20,903 |
| Deferred outflows - OPEB group life | (2,407) |
| Deferred outflows - OPEB health insurance credit | (39) |
| Deferred outflows - pension | (14,174) |
| Net OPEB health insurance credit | (103) |
| Accounts payable and accrued expenses | (3,227) |
| Compensated absences | 3,794 |
| Customer deposits | 1,586 |
| Net OPEB group life | 153 |
| Net pension liability | 5,047 |
| Deferred inflows - OPEB group life | (918) |
| Deferred inflows - OPEB health insurance credit | (54) |
| Deferred inflows - pension | <u>(32,451)</u> |
| Net Cash Used in Operating Activities | <u><u>\$ (357,929)</u></u> |

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

County of Southampton, Virginia

Statement of Fiduciary Assets and Liabilities

At June 30, 2019

| | Agency Funds |
|-------------------------|----------------------------|
| Assets | |
| Cash and investments | \$ 4,411,222 |
| Accounts receivable | <u>20,000</u> |
| Total Assets | <u><u>\$ 4,431,222</u></u> |
| Liabilities | |
| Amounts held for others | <u>\$ 4,431,222</u> |
| Total Liabilities | <u><u>\$ 4,431,222</u></u> |

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

County of Southampton, Virginia

Notes to the Financial Statements

Year Ended June 30, 2019

1 Summary of Significant Accounting Policies

Narrative Profile

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

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

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

1-A. Financial Reporting Entity

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

Individual Component Unit Disclosures

Discretely Presented Component Unit

Southampton County School Board

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

Exclusions from the Reporting Entity

Jointly Governed Organizations

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

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

Blackwater Regional Library

The Blackwater Regional Library provides library services to the County. The participating localities provide annual contributions for operations based on book circulation. No one locality contributes more than 50% of the Library's funding nor can impose its will on the organization, and there is no financial benefit/burden relationship. The County appropriated to the Library \$270,188 in operating funds in fiscal year 2019. The County has no equity interest in the Library.

Western Tidewater Community Services Board

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

Related Organization

Industrial Development Authority of Southampton County, Virginia

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

1-B. Financial Reporting Model

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

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

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

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

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

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

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

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

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

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

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The County and many other governments revise their original budgets over the course of the year for a variety of reasons.

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

GASB-Required Supplementary OPEB – GASB issued Statement No. 75–*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB).

1-C. Financial Statement Presentation

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

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

- *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:
 - Public Assistance Fund – This fund accounts for the administration of the County's social services program.
 - Forfeiture Fund – This fund accounts for County revenues and expenditures associated with the Sheriff's Department and Commonwealth's Attorney's Office related to asset and drug forfeitures.
 - Law Library Fund – This fund accounts for the operation and maintenance of the County's law library.
 - Canteen Fund – This fund accounts for the operations and maintenance of the general store of the jail.
 - Inmate Fund – This fund accounts for individual account balances for inmates within the jail.
 - *Capital Projects Funds* – The Capital Projects Fund consists of the Utility Tax Building Fund which accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.
- **Proprietary Funds** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The County has one enterprise fund, the Water and Sewer Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the County is that the cost of providing services to the general public be financed or recovered through user charges.
- **Fiduciary Funds (Agency Funds)** – Fiduciary funds account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. Agency Funds consist of the following:
 - Special Welfare Fund – This fund accounts for monies provided primarily through private donors for assistance of children in foster care, needy senior citizens, and others. This fund is also used to account for monies received from other governments and individuals (i.e., social security and child support) to be paid to special welfare recipients.
 - Cypress Escrow Fund – This fund accounts for funds held in escrow for a VDOT Roadway System. There is a twelve month waiting period for acceptance by VDOT.
 - Blackwater Regional Library Fund – This fund accounts for the operation and maintenance of the regional library of the County. The County acts as fiscal agent for the Library.

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

Component Unit (Southampton County School Board)

The Southampton County School Board has the following funds:

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

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

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

1-D. Measurement Focus and Basis of Accounting

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be

measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

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

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

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

1-E-1 Cash and Cash Equivalents

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

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

1-E-2 Investments

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

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

1-E-3 Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounts were as follows at June 30:

| | |
|------------------------------------|-------------------|
| General Fund - taxes receivable | <u>\$ 552,696</u> |
| Water and Sewer Fund - receivables | <u>\$ 198,356</u> |

Real and Personal Property Tax Data

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

Real Property Personal Property

| | | |
|----------|------------|------------|
| Lewy | January 1 | January 1 |
| Due Date | December 5 | December 5 |

The County bills and collects its own property taxes.

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

1-E-4 Prepaid Items

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

1-E-5 Capital Assets

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

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

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

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

1-E-6 Deferred Outflows/Inflows of Resources

The Statement of Net Position includes a separate section for deferred outflows of resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category includes Deferred Charge on Refunding reported on the Government-wide Statement of Net Position. The deferred charge on refunding is the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt. This category also includes amounts related to pensions for certain actuarially determined differences between projected and actual investment earnings.

The Statement of Net Position also includes a separate section for deferred inflows of resources. This represents an acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies. Currently, this category includes revenues received in advance, and amounts related to pensions for certain actuarially determined differences between projected and actual experience.

Deferred inflows of resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans and notes receivable. The County considers revenues available if they are collected within 60 days of the end of the fiscal year.

1-E-7 *Compensated Absences*

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

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

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

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

1-E-8 *Pensions*

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. The Virginia Retirement System (VRS) Teacher Employee Retirement Plan is a multiple employer, cost-sharing plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and Virginia Retirement System (VRS) Teacher Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's and VRS Teacher Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-9 *Group Life Insurance Program*

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

1-E-10 Health Insurance Credit Program

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

1-E-11 Teacher Employee Health Insurance Credit Program

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

1-E-12 Political Subdivision Employee Virginia Local Disability Program

The Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee Virginia Local Disability Program OPEB, and the Political Subdivision Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Political Subdivision Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-13 Teacher Employee Virginia Local Disability Program

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

1-E-14 Other Postemployment Benefit Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County of Southampton, Virginia's OPEB Plan for Retiree's Health Insurance and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. See Notes to the financial statement for more information regarding the Plan.

1-E-15 Fund Equity

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

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

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

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

Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

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

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

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

1-E-16 Operating Revenues and Expenses

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

1-E-17 Interfund Activity

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

1-E-18 Long-Term Obligations

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

1-E-19 Adoption of New GASB Statement

The County did not adopt any new GASB statements during the fiscal year ended June 30, 2019.

1-F. Estimates

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

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

Budgetary Data

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

1. Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Board of Supervisors.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds and component units.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures in Excess of Appropriations

No expenditures exceeded appropriations.

Fund Deficits

No funds had deficits.

3 Deposits and Investments

Deposits

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

Investments

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

Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The County does not have custodial credit risk policies for investments.

Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U. S. government are not considered to have credit risk exposure.

Concentration of Credit Risk

The County places no limit on the amount the Treasurer may invest in any one issuer. More than 5% of the County's investments are in a repurchase agreement with a financial institution. This investment is 16.40% of the County's total cash and investments.

The County's investments consist of the following:

| | <u>Fair Value</u> | <u>Investment Maturity (in Years)</u> |
|-----------------|-----------------------|---|
| Municipal bonds | \$ 4,048,702 | 1-3 |
| | <u>\$ 4,048,702</u> | |

The County's investments by credit rating consist of the following:

| | <u>Rating (Moody's or S&P)</u> | <u>Fair Value</u> |
|--------------|--|-----------------------|
| AA or higher | | \$ 4,048,702 |
| | | <u>\$ 4,048,702</u> |

Cash and investments are reflected in the financial statements as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Fiduciary Responsibilities</u> | <u>Component Unit School Board</u> | <u>Total</u> |
|-----------------|------------------------------------|-------------------------------------|---------------------------------------|--|-------------------|
| Cash on hand | \$ 1,100 | \$ - | \$ - | \$ - | \$ 1,100 |
| Demand deposits | 4,008,437 | 159,597 | 849,127 | 3,666,629 | 8,683,790 |
| Municipal bonds | 4,048,702 | - | - | - | 4,048,702 |
| Restricted cash | 8,320,011 | 48,853 | - | - | 8,368,864 |
| OPEB Trust | - | - | 3,562,095 | - | 3,562,095 |
| | <u>16,378,250</u> | <u>208,450</u> | <u>4,411,222</u> | <u>3,666,629</u> | <u>24,664,551</u> |

Statement of Net Position

Deposits and Investments

| | | | | | |
|---------------------------|----------------------|-------------------|---------------------|---------------------|---------------------|
| Cash and cash equivalents | 16,378,250 | 208,450 | - | 3,666,629 | 20,253,329 |
| Fiduciary fund cash | - | - | 4,411,222 | - | 4,411,222 |
| | <u>\$ 16,378,250</u> | <u>\$ 208,450</u> | <u>\$ 4,411,222</u> | <u>\$ 3,666,629</u> | <u>\$24,664,551</u> |

4 Receivables

Receivables at June 30, 2019 consist of the following:

Primary Government

| | <u>Governmental Activities</u> | | | | | | |
|------------------------------|--------------------------------|--------------------------------------|---------------------------|------------------------------------|----------------------|-------------------------------|------------------------------|
| | <u>Capital Projects</u> | | | <u>Total</u> | <u>Business-Type</u> | <u>Total</u> | <u>Component</u> |
| | <u>General</u> | <u>Utility Tax Building Fund</u> | <u>Other Nonmajor</u> | <u>Governmental Activities</u> | <u>Activities</u> | <u>Primary Government</u> | <u>Unit School Board</u> |
| Property taxes | \$ 1,746,586 | \$ - | \$ - | 1,746,586 | \$ - | \$ 1,746,586 | \$ - |
| Landfill fees | 1,058,687 | - | - | 1,058,687 | - | 1,058,687 | - |
| Utility taxes | - | 357,556 | - | 357,556 | - | 357,556 | - |
| Other miscellaneous | 285,823 | 532 | - | 286,355 | - | 286,355 | 98,186 |
| Water and sewer | - | - | - | - | 328,481 | 328,481 | - |
| Total | 3,091,096 | 358,088 | - | 3,449,184 | 328,481 | 3,777,665 | 98,186 |
| Allowance for uncollectibles | (552,696) | - | - | (552,696) | (198,356) | (751,052) | - |
| Net Receivables | <u>\$ 2,538,400</u> | <u>\$ 358,088</u> | <u>\$ -</u> | <u>\$ 2,896,488</u> | <u>\$ 130,125</u> | <u>\$ 3,026,613</u> | <u>\$ 98,186</u> |

5 Interfund Transfers

Interfund transfers for the year ended June 30, 2019 consisted of the following:

| Primary Government | <u>Transfer to</u> | <u>Transfer from</u> |
|---|---------------------------|-----------------------------|
| General Fund | | |
| To Public Assistance for operating costs | \$ 303,826 | \$ - |
| To Enterprise Fund for operating costs and debt service | 2,460,947 | - |
| To Utility Tax Building Fund for operating costs and debt service | 529,035 | - |
| From Inmate Fund for operating costs | - | 80,000 |
| Total General Fund | 3,293,808 | 80,000 |
| Public Assistance Fund | | |
| From General Fund for operating costs | - | 303,826 |
| Inmate Fund | | |
| To General Fund for operating costs | 80,000 | - |
| Enterprise Fund | | |
| From General Fund for operating costs and debt service | - | 2,460,947 |
| Utility Tax Building Fund | | |
| From General Fund for operating costs and debt service | - | 529,035 |
| Total | <u>\$ 3,373,808</u> | <u>\$ 3,373,808</u> |

6 Transfer to Component Unit/Transfer from Primary Government

Details of the primary government transfers to component unit as of June 30, 2019 are as follows:

| | <u>Transfer to</u> | <u>Transfer from</u> |
|---|---------------------------|-----------------------------|
| General Fund | | |
| To School Fund for local appropriation | \$ 12,545,978 | \$ - |
| School Fund | | |
| From General Fund for local appropriation | - | 12,545,978 |
| Total | <u>\$ 12,545,978</u> | <u>\$ 12,545,978</u> |

7 Interfund Receivables and Payables

Details of the primary government interfund receivables and payables as of June 30, 2019 are as follows:

| | <u>Due From All Funds</u> | <u>Due To All Funds</u> |
|---|----------------------------------|--------------------------------|
| General Fund | | |
| Due from Enterprise Fund for operating costs and debt service | \$ 429,909 | \$ - |
| Enterprise Fund | | |
| Due to General Fund for operating costs and debt service | - | 429,909 |
| Total | <u>\$ 429,909</u> | <u>\$ 429,909</u> |

8 Due from Other Governmental Units

Details of the County's receivables from other governmental units, as of June 30, 2019, are as follows:

| | <u>Governmental Activities</u> | | | | | |
|------------------------------------|--------------------------------|-------------------|-----------------|---------------------|-------------------|---------------------|
| | <u>General</u> | <u>Public</u> | <u>Capital</u> | <u>Other</u> | <u>Total</u> | <u>Component</u> |
| | <u>Fund</u> | <u>Assistance</u> | <u>Projects</u> | <u>Governmental</u> | | <u>Unit School</u> |
| | | <u>Fund</u> | <u>Building</u> | <u>Funds</u> | | <u>Board</u> |
| | | | <u>Fund</u> | | | |
| Commonwealth of Virginia | | | | | | |
| Local and State sales taxes | \$ 121,039 | \$ - | \$ - | \$ - | \$ 121,039 | \$ 233,006 |
| Compensation board - salaries | 302,596 | - | - | - | 302,596 | - |
| Recordation tax | 7,109 | - | - | - | 7,109 | - |
| Mobile home tax | 3,060 | - | - | - | 3,060 | - |
| Comprehensive services funds | 79,065 | - | - | - | 79,065 | - |
| Communication sales tax | 75,435 | - | - | - | 75,435 | - |
| Public assistance funds | - | 52,674 | - | - | 52,674 | - |
| PSAP grants | 10,163 | - | - | - | 10,163 | - |
| Victim witness | 13,837 | - | - | - | 13,837 | - |
| Other | 17,345 | - | - | 5,597 | 22,942 | 17,322 |
| Technology plan | - | - | - | - | - | 43,720 |
| Federal Government | | | | | | |
| Victim witness | 41,512 | - | - | - | 41,512 | - |
| Public assistance funds | - | 115,397 | - | - | 115,397 | - |
| Title I | - | - | - | - | - | 329,831 |
| Opportunity fund | - | - | - | - | - | 42,294 |
| Preschool initiative | - | - | - | - | - | 1,079 |
| Perkins CTE | - | - | - | - | - | 45,848 |
| Title IV A STEM | - | - | - | - | - | 3,127 |
| School child and adult care | - | - | - | - | - | 6,494 |
| School lunch and breakfast program | - | - | - | - | - | 249,735 |
| Title VIB flow-through | - | - | - | - | - | 209,289 |
| Title IVB 21st century | - | - | - | - | - | 26,588 |
| Title II Part A | - | - | - | - | - | 13,909 |
| Total | <u>\$ 671,161</u> | <u>\$ 168,071</u> | <u>\$ -</u> | <u>\$ 5,597</u> | <u>\$ 844,829</u> | <u>\$ 1,222,242</u> |

9 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

| | Balance July 1, 2018 | Increases | Decreases | Balance June 30, 2019 |
|---|----------------------------|-------------|-----------|-----------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and land improvements | \$ 2,389,757 | \$ - | \$ - | \$ 2,389,757 |
| Construction in progress | - | 2,373,176 | - | 2,373,176 |
| Total Capital Assets Not Being Depreciated | 2,389,757 | 2,373,176 | - | 4,762,933 |
| Other Capital Assets | | | | |
| Buildings and improvements | 66,609,546 | 6,500 | - | 66,616,046 |
| Furniture, equipment, and vehicles | 9,028,109 | 249,655 | 172,527 | 9,105,237 |
| Total Other Capital Assets | 75,637,655 | 256,155 | 172,527 | 75,721,283 |
| Less: Accumulated depreciation for | | | | |
| Buildings and improvements | 24,989,955 | 1,502,855 | - | 26,492,810 |
| Furniture, equipment, and vehicles | 5,457,852 | 524,660 | 149,692 | 5,832,820 |
| Total Accumulated Depreciation | 30,447,807 | 2,027,515 | 149,692 | 32,325,630 |
| Other Capital Assets, Net | 45,189,848 | (1,771,360) | 22,835 | 43,395,653 |
| Net Capital Assets | \$47,579,605 | \$ 601,816 | \$ 22,835 | \$48,158,586 |

Depreciation expense was allocated as follows:

| | |
|-----------------------------------|--------------|
| General government administration | \$ 814,850 |
| Judicial administration | 5,984 |
| Public safety | 461,126 |
| Public works | 103,304 |
| Health and welfare | 14,657 |
| Education | 386,458 |
| Parks, recreation, and cultural | 12,722 |
| Community development | 228,414 |
| Total Depreciation Expense | \$ 2,027,515 |

Business-Type Activities

| | Balance July 1, 2018 | Increases | Decreases | Balance June 30, 2019 |
|---|-------------------------------------|-----------------------|------------------|--------------------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and land improvements | \$ 338,162 | \$ - | \$ - | \$ 338,162 |
| Construction in progress | 7,460 | 1,500 | 8,960 | - |
| Total Capital Assets Not Being Depreciated | 345,622 | 1,500 | 8,960 | 338,162 |
| Other Capital Assets | | | | |
| Buildings and improvements | 1,053,937 | - | - | 1,053,937 |
| Infrastructure and equipment | 53,263,122 | 42,951 | - | 53,306,073 |
| Vehicles | 262,162 | 114,229 | 34,283 | 342,108 |
| Total Other Capital Assets | 54,579,221 | 157,180 | 34,283 | 54,702,118 |
| Less: Accumulated depreciation for | | | | |
| Buildings and improvements | 343,084 | 27,369 | - | 370,453 |
| Infrastructure and equipment | 20,880,630 | 1,314,202 | - | 22,194,832 |
| Vehicles | 201,599 | 18,820 | 33,335 | 187,084 |
| Total Accumulated Depreciation | 21,425,313 | 1,360,391 | 33,335 | 22,752,369 |
| Other Capital Assets, Net | 33,153,908 | (1,203,211) | 948 | 31,949,749 |
| Net Capital Assets | <u>\$ 33,499,530</u> | <u>\$ (1,201,711)</u> | <u>\$ 9,908</u> | <u>\$ 32,287,911</u> |

Depreciation expense was allocated as follows:

| | |
|----------------------------|---------------------|
| Water and sewer expense | \$ 1,360,391 |
| Total Depreciation Expense | <u>\$ 1,360,391</u> |

Component Unit School Board

| | Balance July 1, 2018 | Increases | Decreases | Balance June 30, 2019 |
|---|-------------------------------------|---------------------|------------------|--------------------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and land improvements | \$ 1,362,200 | \$ - | \$ - | \$ 1,362,200 |
| Total Capital Assets Not Being Depreciated | 1,362,200 | - | - | 1,362,200 |
| Other Capital Assets | | | | |
| Buildings and improvements | 2,752,465 | - | - | 2,752,465 |
| Furniture, equipment, and vehicles | 23,408,610 | 1,085,179 | 11,500 | 24,482,289 |
| Total Other Capital Assets | 26,161,075 | 1,085,179 | 11,500 | 27,234,754 |
| Less: Accumulated depreciation for | | | | |
| Buildings and improvements | 2,085,521 | 100,888 | - | 2,186,409 |
| Furniture, equipment, and vehicles | 11,946,138 | 1,228,784 | 5,750 | 13,169,172 |
| Total Accumulated Depreciation | 14,031,659 | 1,329,672 | 5,750 | 15,355,581 |
| Other Capital Assets, Net | 12,129,416 | (244,493) | 5,750 | 11,879,173 |
| Net Capital Assets | <u>\$ 13,491,616</u> | <u>\$ (244,493)</u> | <u>\$ 5,750</u> | <u>\$ 13,241,373</u> |

Depreciation expense was allocated as follows:

| | |
|----------------------------|---------------------|
| Education | \$ 1,329,672 |
| Total Depreciation Expense | <u>\$ 1,329,672</u> |

10 Compensated Absences

Each County employee earns vacation at the rate of a minimum of 1 day per month up to 1 ¾ days per month based on years of service. Sick leave is earned at the rate of 1 ¼ days per month. Sick leave is paid based on 25% of unused sick leave up to a maximum of \$5,000. Accumulated vacation up to thirty days is paid upon termination. The County has outstanding compensated absences totaling \$619,533 for the governmental activities, \$121,491 for the business-type activities, and \$284,149 for the Component Unit School Board.

11 Long-Term Debt

PRIMARY GOVERNMENT

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

| Year(s) Ended June 30, | Governmental Activities | | Business-Type Activities | | Component Unit School Board | |
|------------------------------|-------------------------|---------------------|--------------------------|----------------------|--------------------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2020 | \$ 2,841,000 | \$ 850,683 | \$ 1,066,606 | \$ 1,209,056 | \$ 234,925 | \$ 10,657 |
| 2021 | 4,995,089 | 734,264 | 1,112,181 | 1,153,241 | 240,159 | 7,288 |
| 2022 | 2,204,809 | 637,152 | 1,163,008 | 1,100,919 | 181,788 | 3,855 |
| 2023 | 8,215,099 | 510,146 | 1,203,753 | 1,045,996 | 153,551 | 1,564 |
| 2024 | 2,249,215 | 383,362 | 1,249,028 | 988,897 | 95,073 | 248 |
| 2025-2029 | 10,467,373 | 1,072,635 | 6,977,920 | 3,991,347 | 68,105 | 2,737 |
| 2030-2034 | 1,922,734 | 67,116 | 7,998,332 | 2,263,117 | 34,868 | 554 |
| 2035-2039 | - | - | 9,225,205 | 7,871,633 | - | - |
| 2040-2044 | - | - | 22,878 | 1,906 | - | - |
| 2045 | - | - | 2,428 | 30 | - | - |
| Compensated absences | 619,533 | - | 121,491 | - | 284,149 | - |
| Total | 33,514,852 | 4,255,358 | 30,142,830 | 19,626,142 | 1,292,618 | 26,903 |
| Add | | | | | | |
| Unamortized premium | - | - | 2,343,311 | - | - | - |
| | <u>\$ 33,514,852</u> | <u>\$ 4,255,358</u> | <u>\$ 32,486,141</u> | <u>\$ 19,626,142</u> | <u>\$ 1,292,618</u> | <u>\$ 26,903</u> |

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Changes in Long-Term Debt

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

| | <u>Balance</u> <u>July 1, 2018</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance</u> <u>June 30, 2019</u> | <u>Due Within</u> <u>One Year</u> |
|--|---------------------------------------|-----------------|-----------------|--|--------------------------------------|
| Primary Government | | | | | |
| Governmental Activities | | | | | |
| General Fund | | | | | |
| Public Facility Lease Revenue Refunding Bond Series 2016 with interest payable semiannually at a rate of 2.19 percent. Principal is due annually for 12 years. The bond is payable to Regions Bank. | \$ 12,880,000 | \$ - | \$ 1,165,000 | \$ 11,715,000 | \$ 1,194,000 |
| Capital lease w ith Ford Motor Credit for sheriff vehicles purchased over 4 years. Annual payments are made in August of 2017, 2018, 2019, and 2020. Interest is stated at a rate of 4.35 percent. Annual payments are \$83,713. | 230,776 | - | 73,674 | 157,102 | 76,879 |
| Information Technology server lease w ith US Bancorp due December 2018; payable in annual installments of \$6,248 w ith a rate of 1.478 percent. | 6,156 | - | 6,156 | - | - |
| Voting machines lease w ith US Bancorp due June 2020; payable in annual installments of \$29,387 w ith a rate of 1.807 percent. | 57,470 | - | 28,477 | 28,993 | 28,993 |
| Moral Obligation Bond, Series 2015, for jail farm kitchen, due August 2025; payable in annual installments of \$23,500 w ith a rate of 3.35 percent. | 84,461 | - | 14,623 | 69,838 | 9,776 |
| Administration energy equipment, Banc of America Public Capital Corp due February 2032; semi-annual payments are due in August and February. Interest is stated at a rate of 3.75 percent. | 569,723 | - | 34,688 | 535,035 | 35,526 |
| General Obligation Bond, Series 2019B, for courthouse project due December 2020; payable in semi-annual interest only installments w ith a rate of 2.48 percent. Principal due at maturity. | - | 2,186,000 | - | 2,186,000 | - |
| School Fund - School Bonds and School Related | | | | | |
| Literary Loan w ith the Virginia Department of Treasury, issued December 15, 2009, w ith interest payable annually at 2.00 percent. Principal is due annually for 20 years. | 4,500,000 | - | 375,000 | 4,125,000 | 375,000 |
| General Obligation Bonds (Virginia Public School Authority, Series 2000B) due in various installments ranging from \$218,266 to \$304,970; rate of 5.10 percent. Interest due semiannually, July 15 and January 15, w ith U.S. Bank. | 1,793,514 | - | 585,940 | 1,207,574 | 597,634 |

| | <u>Balance July 1, 2018</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance June 30, 2019</u> | <u>Due Within One Year</u> |
|---|---------------------------------|-----------------|-----------------|----------------------------------|--------------------------------|
| General Obligation Bonds (Virginia Public School Authority, Series 2002B) due in various installments ranging from \$60,596 to \$74,322 and rates from 2.35 percent to 5.10 percent. Interest due semiannually, July 15 and January 15, with U.S. Bank. | 359,080 | - | 69,306 | 289,774 | 70,624 |
| School Bus Loan with Blue Ridge Bank dated October 2017. Payments of \$31,810 are due semi-annually, April and October. Loan matures October 2024. Interest is stated at a rate of 2.06 percent. | 384,995 | - | 55,971 | 329,024 | 57,130 |
| Virginia School Bus Lease, Series 2013, Capital One purchased over 7 years. Annual payments are made in June with semi-annual interest payments in December and June. Interest is stated at a rate of 1.98 percent. | 135,770 | - | 67,219 | 68,551 | 68,551 |
| School energy equipment, Banc of America Public Capital Corp due January 2031; semi-annual payments are due in July and January. Interest is stated at a rate of 3.01 percent. | 6,536,092 | - | 302,664 | 6,233,428 | 326,887 |
| General Obligation Bond, Series 2019A, for school roof project due December 2022; payable in semi-annual interest only installments with a rate of 2.48 percent. Principal due at maturity. | - | 5,950,000 | - | 5,950,000 | - |
| Compensated Absences - General Fund | 392,983 | 575,861 | 592,694 | 376,150 | 37,615 |
| Compensated Absences - Social Services Fund | 209,039 | 209,513 | 175,169 | 243,383 | 24,338 |
| Total Long-Term Indebtedness-Governmental Activities | 28,140,059 | 8,921,374 | 3,546,581 | 33,514,852 | 2,902,953 |

Business-Type Activities

| | | | | | |
|---|------------|------------|------------|------------|---------|
| VRA Virginia Pooled Financing Program, Series 2018B Infrastructure Revenue Serial Bond issued August 2018 due October 2038; payable semi-annually beginning October 2018 in varying installments with rates of 3.496 to 5.12 percent. | - | 19,595,000 | - | 19,595,000 | 610,000 |
| VRA Virginia Pooled Financing Program, Series 2018B Moral Obligation Serial Bond issued August 2018 due October 2038; payable semi-annually beginning October 2018 in varying installments with rates of 3.496 to 5.12 percent. | - | 8,365,000 | - | 8,365,000 | 260,000 |
| Virginia Resources Authority, Wastewater Revolving Loan Fund issued March 2012 for \$880,502 at 0.00 percent interest. Payable over 20 years. | 754,645 | - | 52,196 | 702,449 | 52,196 |
| VRA Virginia Pooled Financing Program, Series 2008B issued November 2008 with US Bank due November 2038; payable annually beginning October 2012 in varying annual installments for 30 years with a rate of 5.44 percent. | 30,105,000 | - | 30,105,000 | - | - |
| Revenue Refunding Bond, Series 2007 issued June 18, 2007 with BB&T due June 30, 2028; payable annually beginning June 30, 2010 in annual installments of \$141,550 for 20 years with a rate of 4.12 percent; the proceeds of this note were used to pay off the outstanding Rural Development Bond. | 1,155,520 | - | 95,330 | 1,060,190 | 99,340 |

| | <u>Balance July 1, 2018</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance June 30, 2019</u> | <u>Due Within One Year</u> |
|--|---------------------------------|-----------------------------|-----------------------------|----------------------------------|--------------------------------|
| Moral Obligation Bond, Series 2015, for water tank project, due August 2025; payable in annual installments of \$34,400 with a rate of 3.35 percent. | 126,291 | - | 21,535 | 104,756 | 14,664 |
| Utility truck lease, purchase of four trucks, with HomeTrust Bank; payable in 8 annual installments of \$15,299 with a rate of 3.02 percent. | - | 114,479 | 13,570 | 100,909 | 27,759 |
| Revenue Bond, Series 2016, for Drewryville Resiliency Improvements, due February 2047; payable in semi-annual installments of \$2,478 with a rate of 2.50 percent. | 95,615 | - | 2,580 | 93,035 | 2,647 |
| Compensated Absences - Water and Sewer Fund | <u>117,697</u> | <u>79,881</u> | <u>76,087</u> | <u>121,491</u> | <u>12,149</u> |
| Subtotal | 32,354,768 | 28,154,360 | 30,366,298 | 30,142,830 | 1,078,755 |
| Less: Unamortized Discount on Series 2008B Bonds | (257,605) | - | (257,605) | - | - |
| Add: Unamortized Premium on Series 2018 Bonds | <u>-</u> | <u>2,343,311</u> | <u>-</u> | <u>2,343,311</u> | <u>117,166</u> |
| Total Business-Type Activities | <u>32,097,163</u> | <u>30,497,671</u> | <u>30,108,693</u> | <u>32,486,141</u> | <u>1,195,921</u> |
| Total Primary Government | <u>\$ 60,237,222</u> | <u>\$ 39,419,045</u> | <u>\$ 33,655,274</u> | <u>\$ 66,000,993</u> | <u>\$ 4,098,874</u> |

Component Unit School Board

School bus lease, purchase of five buses, with US Bancorp due December 2020; payable in annual installments of \$63,728 with a rate of 1.88 percent.

| | | | | |
|------------|------|-----------|-------------------|-----------|
| \$ 184,155 | \$ - | \$ 60,235 | \$ 123,920 | \$ 61,378 |
|------------|------|-----------|-------------------|-----------|

School bus lease, purchase of five buses, with US Bancorp due August 2022; payable in annual installments of \$65,028 with a rate of 2.08 percent.

| | | | | |
|---------|---|--------|----------------|--------|
| 277,972 | - | 59,554 | 218,418 | 60,799 |
|---------|---|--------|----------------|--------|

School bus lease, purchase of five buses, with US Bancorp due September 2023; payable in semi-annual installments of \$29,330 with a rate of 1.703 percent.

| | | | | |
|---------|---|--------|----------------|--------|
| 306,740 | - | 53,664 | 253,076 | 54,582 |
|---------|---|--------|----------------|--------|

School bus lease, purchase of five buses, with Signature Public Funding Corp.; due September 2025; payable in semi-annual installments of \$35,421 with a rate of 3.18 percent.

| | | | | |
|---|---------|--------|----------------|--------|
| - | 441,457 | 28,402 | 413,055 | 58,166 |
|---|---------|--------|----------------|--------|

Compensated Absences - School Board

| | | | | |
|----------------|---------------|---------------|-----------------------|---------------|
| <u>263,158</u> | <u>95,041</u> | <u>74,050</u> | <u>284,149</u> | <u>28,415</u> |
|----------------|---------------|---------------|-----------------------|---------------|

Total Component Unit School Board

| | | | | |
|----------------------------|--------------------------|--------------------------|----------------------------|--------------------------|
| <u>\$ 1,032,025</u> | <u>\$ 536,498</u> | <u>\$ 275,905</u> | <u>\$ 1,292,618</u> | <u>\$ 263,340</u> |
|----------------------------|--------------------------|--------------------------|----------------------------|--------------------------|

Advance Refunding – March 2017

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

Advance Refunding – August 2018

The County issued \$19,595,000 of revenue refunding bonds and \$8,365,000 of moral obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$40,746,505 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price did not exceed the net carrying amount of the old debt of \$29,007,395. This amount is being amortized over the remaining life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$7,513,696 and resulted in an economic gain of \$5,670,881.

12 Short-Term Debt – Revenue Anticipation Notes

The County issues revenue anticipation notes in advance of property tax collections, depositing proceeds in its general fund. These notes are necessary because the County's bond payments are due July and August, whereas tax collections are received shortly before their December 5 due date.

Short-term debt activity for the year ended June 30, 2019, was as follows:

| | <u>Beginning Balance</u> | <u>Issued</u> | <u>Redeemed</u> | <u>Ending Balance</u> |
|---------------------------|------------------------------|---------------|-----------------|---------------------------|
| Revenue anticipation note | \$ - | \$ 2,000,000 | \$ (2,000,000) | \$ - |

13 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2019 is determined as follows:

| | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Component Unit School Board</u> |
|---|------------------------------------|--|--|
| Net Investment in Capital Assets | | | |
| Cost of capital assets | \$ 80,484,216 | \$ 55,040,280 | \$ 28,596,954 |
| Less: Accumulated depreciation | (32,325,630) | (22,752,369) | (15,355,581) |
| Book value | 48,158,586 | 32,287,911 | 13,241,373 |
| Less: Capital related debt | (32,895,319) | (30,021,339) | (1,008,469) |
| Less: Unamortized premium | - | (2,343,311) | - |
| Net Investment in Capital Assets | <u>\$ 15,263,267</u> | <u>\$ (76,739)</u> | <u>\$ 12,232,904</u> |

14 Deferred Inflows of Resources

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

| | Primary Government - General Fund | Component Unit School Board |
|---|--|--|
| Delinquent taxes not collected within 60 days | \$ 1,055,442 | \$ - |
| Unexpended grants | - | 524,146 |
| Prepaid property taxes - property taxes paid in advance | 82,363 | - |
| Delinquent landfill fees not collected within 60 days | <u>1,058,686</u> | <u>-</u> |
| Totals | <u>\$ 2,196,491</u> | <u>\$ 524,146</u> |

15 Risk Management

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

Surety bond coverage is as follows:

The following constitutional officers are insured through the Commonwealth of Virginia Faithful Performance of Duty Bond Plan in effect at June 30, 2019:

Division of Risk Management/AON

| | |
|--|------------|
| Richard L. Francis, Clerk of Circuit Court | \$ 500,000 |
| Rhonda Griffin, Treasurer | 400,000 |
| Amy B. Carr, Commissioner of Revenue | 3,000 |
| J. B. Stutts, Sheriff | 30,000 |

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

VACORP - Crime/Bond/Faithful Performance of Duties Coverage

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

16 Commitments and Contingencies

Federal programs in which the County and all discretely presented component units participate were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the requirements of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

17 Litigation

At June 30, 2019, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions or pending matters not be favorable to such entities.

18 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed 10% of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

| | |
|---|-------------------------|
| Total Assessed Value of Taxed Real Estate | <u>\$ 2,058,036,817</u> |
| Debt Limits per Constitution of Virginia - 10% Assessed Value | \$ 205,803,682 |
| <i>Amount of Debt Applicable to Debt Limit</i> | |
| Gross Debt | <u>62,232,079</u> |
| Legal Debt Margin - June 30, 2019 | <u>\$ 143,571,603</u> |

Note: Includes all long-term general obligation bonded debt and literary fund loans. Excluded capital leases and compensated absences.

19 Appropriation to School from General Fund

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

| | |
|--|----------------------|
| Appropriation from General Fund | <u>\$ 12,545,978</u> |
| Total Appropriation per Fund Financial Statements | 12,545,978 |
| Net fixed asset and depreciation adjustment on the school buildings still owned by the County until the debt is paid off | 386,458 |
| Debt on school buildings belonging to General Fund paid by School Fund | <u>(2,551,860)</u> |
| Appropriation to School Fund per Government-Wide Financial Statements | <u>\$ 10,380,576</u> |

20 Tax Abatements

The County negotiates property tax abatement agreements on an individual basis. The County has tax abatements with three entities as of June 30, 2019.

| <u>Type Business</u> | <u>Purpose</u> | <u>Percentage of Taxes Abated During the Fiscal Year</u> | <u>Amount of Taxes Abated During the Fiscal Year</u> |
|----------------------|-------------------------|--|--|
| Enviva | Machinery and tools tax | 41.986% | \$ 317,764 |
| | Utility tax (local tax) | 20% | 3,763 |
| AMAC | Machinery and tools tax | 50% | \$ 16,067 |
| | Utility (local tax) | 20% | 243 |
| Hampton Farms | Machinery and tools tax | 50% | \$ 151,180 |
| | Utility (local tax) | 60% | 2,125 |

21 Pension Plan

Plan Description

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by VRS Retirement Plan upon employment. In addition, all full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment.

This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

The remainder of this page is left blank intentionally.

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.

Eligible Members

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

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 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 Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

PLAN 2

About Plan 2

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

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

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

**Non-Eligible Members*

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

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

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

PLAN 1

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service

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

Vesting

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

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

PLAN 2

Retirement Contributions

Same as Plan 1.

Creditable Service

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID RETIREMENT PLAN

Retirement Contributions

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

Creditable Service

Defined Benefit Component:

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

Defined Contributions Component:

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

Vesting

Defined Benefit Component:

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

Defined Contributions Component:

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

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

PLAN 1

Calculating the Benefit

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

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

Average Final Compensation

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

Service Retirement Multiplier

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

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

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

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

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

Service Retirement Multiplier

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

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

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

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

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

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

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

Average Final Compensation

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

Service Retirement Multiplier

Defined Benefit Component:

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

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

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1
Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Age 50 with at least five years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility:

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

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

PLAN 2
Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN**
Normal Retirement Age

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

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

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

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

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

Disability Coverage

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

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

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

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

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

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

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Number</u> |
|--|---------------|
| Inactive members or their beneficiaries currently receiving benefits | 135 |
| Inactive members: | |
| Vested inactive members | 20 |
| Non-vested inactive members | 39 |
| LTD | 0 |
| Inactive members active elsewhere in VRS | <u>76</u> |
| Total inactive members | 135 |
| Active members | <u>168</u> |
| Total covered employees | <u>438</u> |

School Board

| | |
|--|------------|
| Inactive members or their beneficiaries currently receiving benefits | 40 |
| Inactive members: | |
| Vested inactive members | 10 |
| Non-vested inactive members | 23 |
| LTD | 0 |
| Inactive members active elsewhere in VRS | <u>11</u> |
| Total inactive members | 44 |
| Active members | <u>43</u> |
| Total covered employees | <u>127</u> |

Contributions

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

If the employer used the certified rate: The political subdivision's contractually required contribution rate for the year ended June 30, 2019 was 11.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$838,339 and \$857,610 for the years ended June 30, 2019 and June 30, 2018, respectively.

The school board – general employees' contribution rate was 0.53%. Contributions to the pension plan were \$4,187 and \$831 for the years ended June 30, 2019 and June 30, 2018, respectively.

Each school division's contractually required contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the school division were \$2,131,526 and \$2,112,442 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

Net Pension Liability – Teacher Employee Retirement Plan

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

| | Teacher Employee Retirement Plan |
|---|---|
| Total Pension Liability | \$ 46,679,555 |
| Plan Fiduciary Net Position | <u>34,919,563</u> |
| Employer's Net Pension Liability (Asset) | <u><u>\$ 11,759,992</u></u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 74.81% |

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

Actuarial Assumptions – General Employees and School Division –Teacher

The total pension liability for General Employees in the Political Subdivision's Retirement Plan and VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

General Employees

Teacher

| | | |
|---------------------------------------|--|--|
| Inflation | 2.5 percent | 2.5 percent |
| Salary increases, including inflation | 3.5 percent - 5.35 percent | 3.5 percent - 5.95 percent |
| Investment rate of return | 7.0 percent, net of pension plan investment expenses, including inflation* | 7.0 percent, net of pension plan investment expenses, including inflation* |

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

Political Subdivisions

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

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

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

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

School Division – Teacher

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020: males 1.0% increase compounded from ages 70-90; and females set back 3 years with 1.5% increase compounded from ages 65-75 and 2% increase compounded from ages 75-90.

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) – Hazardous Duty; 45% of deaths are assumed to be service related.

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Hazardous Duty:

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever was greater. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Political Subdivision

| | <u>Increase (Decrease)</u> | | |
|--|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2017 | \$ 37,519,659 | \$ 33,027,638 | \$ 4,492,021 |
| Changes for the Year | | | |
| Service cost | 819,632 | - | 819,632 |
| Interest | 2,580,380 | - | 2,580,380 |
| Benefit changes | - | - | - |
| Assumption changes | - | - | - |
| Differences between expected and actual experience | 300,847 | - | 300,847 |
| Contributions - employer | - | 856,555 | (856,555) |
| Contributions - employee | - | 359,871 | (359,871) |
| Net investment income | - | 2,446,998 | (2,446,998) |
| Benefit payments, including refunds of employee contributions | (1,725,638) | (1,725,638) | - |
| Administrative expenses | - | (21,099) | 21,099 |
| Other changes | - | (2,181) | 2,181 |
| Net Changes | <u>1,975,221</u> | <u>1,914,504</u> | <u>60,716</u> |
| Balances at June 30, 2018 | <u>\$ 39,494,880</u> | <u>\$ 34,942,142</u> | <u>\$ 4,552,737</u> |

School Board

| | | <u>Increase (Decrease)</u> | |
|--|--|--|--|
| | <u>Total</u> <u>Pension</u> <u>Liability</u> <u>(a)</u> | <u>Plan</u> <u>Fiduciary</u> <u>Net Position</u> <u>(b)</u> | <u>Net</u> <u>Pension</u> <u>Liability</u> <u>(a) - (b)</u> |
| Balances at June 30, 2017 | \$ 4,075,883 | \$ 4,967,899 | \$ (892,016) |
| Changes for the Year | | | |
| Service cost | 88,683 | - | 88,683 |
| Interest | 277,084 | - | 277,084 |
| Benefit changes | - | - | - |
| Assumption changes | - | - | - |
| Differences between expected and actual experience | 78,322 | - | 78,322 |
| Contributions - employer | - | (159) | 159 |
| Contributions - employee | - | 37,881 | (37,881) |
| Net investment income | - | 362,999 | (362,999) |
| Benefit payments, including refunds of employee contributions | (235,079) | (235,079) | - |
| Administrative expenses | - | (3,236) | 3,236 |
| Other changes | - | (318) | 318 |
| Net Changes | 209,010 | 162,088 | 46,922 |
| Balances at June 30, 2018 | <u>\$ 4,284,893</u> | <u>\$ 5,129,987</u> | <u>\$ (845,094)</u> |

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

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

| | <u>1.00% Decrease</u> <u>(6.00%)</u> | <u>Current Discount</u> <u>Rate (7.00%)</u> | <u>1.00% Increase</u> <u>(8.00%)</u> |
|---|---|--|---|
| Political Subdivision | | | |
| Net Pension Liability | \$ 9,364,687 | \$ 4,552,737 | \$ 526,478 |
| School Board | | | |
| Net Pension Liability | (367,944) | (845,094) | (1,249,695) |
| School Division's Proportionate Share of the VRS Teacher Employee Retirement Plan | | | |
| Net Pension Liability | 29,341,000 | 19,208,000 | 10,821,000 |

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

For the year ended June 30, 2019, the political subdivision recognized pension expense of \$337,075.

For the year ended June 30, 2019, the school board – general employees recognized pension expense of \$(46,526).

At June 30, 2019, the school division reported a liability of \$19,208,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.16334% as compared to 0.16292% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$969,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, the political subdivision and school board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Political Subdivision</u> | | <u>School Board</u> | |
|--|---|--|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Differences between expected and actual experience | \$ 197,107 | \$ 128,970 | \$ 46,045 | \$ - |
| Change in assumptions | - | 20,552 | - | 4,049 |
| Net difference between projected and actual earnings on pension plan investments | - | 287,085 | - | 39,003 |
| Employer contributions subsequent to the measurement date | <u>838,339</u> | <u>-</u> | <u>4,187</u> | <u>-</u> |
| Total | <u>\$ 1,035,446</u> | <u>\$ 436,607</u> | <u>\$ 50,232</u> | <u>\$ 43,052</u> |

At June 30, 2019, the school division – teacher reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Teacher</u> | |
|---|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Differences between expected and actual experience | \$ - | \$ 1,643,000 |
| Change in assumptions | 229,000 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 407,000 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 226,000 | 704,000 |
| Employer contributions subsequent to the measurement date | <u>2,131,526</u> | <u>-</u> |
| Total | <u>\$ 2,586,526</u> | <u>\$ 2,754,000</u> |

\$838,339, \$4,187, and \$2,131,526 reported as deferred outflows of resources related to pensions resulting from the political subdivision, school board general employees, and school board teacher contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| | <u>Year Ended June 30,</u> | | |
|------------|----------------------------------|-------------------------|----------------|
| | <u>Political Subdivision</u> | <u>School Board</u> | <u>Teacher</u> |
| 2020 | \$ 63,863 | \$ 60,699 | \$ (400,000) |
| 2021 | 64,731 | (1,682) | (611,000) |
| 2022 | (340,233) | (51,570) | (967,000) |
| 2023 | 27,861 | (4,454) | (259,000) |
| 2024 | - | - | (62,000) |
| Thereafter | - | - | - |

Payables to the Pension Plan

The political subdivision, school division – general employees, and school division – teacher recognize \$112,424, \$3,721, and \$265,328, respectively of payables to a defined benefit pension plan outstanding at the end of the reporting period. This amount represents the June 2019 legally required contributions to the pension plan due by July 10 per VRS reporting requirements.

Pension Plan Fiduciary Net Position

Detailed information about the Virginia Retirement System's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS AFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

22 Other Post-Employment Benefits - Group Life Insurance Program

Plan Description

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

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

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

| GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS |
|--|
| <p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p> |
| <p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit – The accidental death benefit is double the natural death benefit. • Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> Accidental dismemberment benefit Safety belt benefit Repatriation benefit Felonious assault benefit Accelerated death benefit option |
| <p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p> |
| <p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.</p> |

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$41,711 and \$37,866 for the years ended June 30, 2019 and June 30, 2018, respectively.

For the school board – general employees, contributions to the Group Life Insurance Program were \$4,149 and \$4,202 for the years ended June 30, 2019 and June 30, 2018, respectively.

For the school board – teacher, contributions to the Group Life Insurance Program were \$70,786 and \$68,336 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the entities reported a liability of \$637,000 for the political subdivision, \$64,000 for the school board – general employees, and \$1,050,000 for the school board – teacher for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.04195% for the political subdivision, 0.00425% for the school board – general employees, and 0.06911% for the school board – teacher as compared to 0.04217 % for the political subdivision, 0.00501% for the school board – general employees, and 0.06950% for the school board – teacher at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expenses of \$2,760 for the political subdivision, \$(1,000) for the school board – general employees, and \$5,000 for school board – teacher. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Political Subdivision | | |
| Differences between expected and actual experience | \$ 28,520 | \$ 10,120 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 19,320 |
| Change in assumptions | - | 24,840 |
| Changes in proportion | 6,440 | - |
| Employer contributions subsequent to the measurement date | <u>41,711</u> | <u>-</u> |
| Total | <u>\$ 76,671</u> | <u>\$ 54,280</u> |
| School Board | | |
| Differences between expected and actual experience | \$ 3,000 | \$ 1,000 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 2,000 |
| Change in assumptions | - | 3,000 |
| Changes in proportion | 4,000 | 10,000 |
| Employer contributions subsequent to the measurement date | <u>4,149</u> | <u>-</u> |
| Total | <u>\$ 11,149</u> | <u>\$ 16,000</u> |
| Teacher | | |
| Differences between expected and actual experience | \$ 51,000 | \$ 19,000 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 34,000 |
| Change in assumptions | - | 44,000 |
| Changes in proportion | - | 10,000 |
| Employer contributions subsequent to the measurement date | <u>70,786</u> | <u>-</u> |
| Total | <u>\$ 121,786</u> | <u>\$ 107,000</u> |

\$41,711 for the political subdivision, \$4,149 for school board – general employees, and \$70,786 for school board – teacher reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| | <u>Political</u> <u>Subdivision</u> | <u>School</u> <u>Board</u> | <u>Teacher</u> |
|---|--|-------------------------------|----------------|
| Year Ended <u>June 30,</u> | | | |
| 2020 | \$ (7,000) | \$ (2,000) | \$ (18,000) |
| 2021 | (7,000) | (2,000) | (18,000) |
| 2022 | (7,000) | (2,000) | (18,000) |
| 2023 | (2,000) | (1,000) | (8,000) |
| 2024 | 2,000 | (2,000) | 2,000 |
| Thereafter | - | - | 4,000 |

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

| | |
|---|---|
| Inflation | 2.5 percent |
| Salary increases, including inflation - | |
| General state employees | 3.5 percent - 5.35 percent |
| Teachers | 3.5 percent - 5.95 percent |
| SPORS employees | 3.5 percent - 4.75 percent |
| VaLORS employees | 3.5 percent - 4.75 percent |
| JRS employees | 4.5 percent |
| Locality - General employees | 3.5 percent - 5.35 percent |
| Locality - Hazardous Duty employees | 3.5 percent - 4.75 percent |
| Investment rate of return | 7.0 percent, net of investment expenses, including inflation* |

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

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

| | | Group Life Insurance OPEB Program |
|--|----|--|
| Total GLI OPEB Liability | \$ | 3,113,508 |
| Plan Fiduciary Net Position | | <u>1,594,773</u> |
| Employers' Net GLI OPEB Liability (Asset) | \$ | <u><u>1,518,735</u></u> |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | | 51.22% |

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

| | <u>1.00% Decrease (6.00%)</u> | <u>Current Discount Rate (7.00%)</u> | <u>1.00% Increase (8.00%)</u> |
|---|-----------------------------------|--|-----------------------------------|
| Employer's Proportionate Share of the Group Life Insurance Program | | | |
| Net OPEB Liability - Political Subdivision | \$ 766,360 | \$ 586,040 | \$ 439,760 |
| Net OPEB Liability - School Division | 84,000 | 64,000 | 48,000 |
| Net OPEB Liability - Teacher | 1,372,000 | 1,050,000 | 788,000 |

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the VRS Group Life Insurance OPEB Plan

The political subdivision, school division – general employees, and school division – teacher recognize \$8,960, \$983, and \$17,323, respectively of payables to a group life insurance OPEB plan outstanding at the end of the reporting period. This amount represents the June 2019 legally required contributions to the OPEB plan due by July 10 per VRS reporting requirements.

23 Other Post-Employment Benefits - Health Insurance Credit Program

Plan Description

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

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

| POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS |
|--|
| <p>Eligible Employees</p> <p>The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. |
| <p>Benefit Amounts</p> <p>The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• <u>At Retirement</u> – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.• <u>Disability Retirement</u> – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month. |
| <p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none">• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.• No health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for the premiums paid for other qualified health plans.• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree. |

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

| | <u>Number</u> |
|--|---------------|
| Inactive members or their beneficiaries currently receiving benefits | 29 |
| Inactive members: | |
| Vested inactive members | 2 |
| Non-vested inactive members | 0 |
| Inactive members active elsewhere in VRS | <u>0</u> |
| Total inactive members | 31 |
| Active members | <u>51</u> |
| Total covered employees | 82 |

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The political subdivision's contractually required employer contribution rate for the year ended June 30, 2019 was 0.11% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the political subdivision to the Political Subdivision Health Insurance Credit Program were \$2,356 and \$1,798 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net HIC OPEB Liability

The political subdivision's net Health Insurance Credit OPEB liability was measured as of June 30, 2018. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

| | |
|---------------------------------------|---|
| Inflation | 2.5 percent |
| Salary increases, including inflation | |
| Locality - General Employees | 3.5 percent - 5.35 percent |
| Locality - Hazardous Duty Employees | 3.5 percent - 4.75 percent |
| Investment rate of return | 7.0 percent, net of investment expenses, including inflation* |

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

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability:

| | | Total Pension Liability (a) | Increase (Decrease) Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---|----|--|--|--|
| Balances at June 30, 2017 | \$ | 142,451 | \$ 146,251 | \$ (3,800) |
| Changes for the Year | | | | |
| Service cost | | 1,949 | - | 1,949 |
| Interest | | 9,433 | - | 9,433 |
| Benefit changes | | - | - | - |
| Changes of assumptions | | - | - | - |
| Differences between expected and actual experience | | (1,216) | - | (1,216) |
| Contributions - employer | | - | 2,408 | (2,408) |
| Net investment income | | - | 10,036 | (10,036) |
| Benefit payments | | (15,399) | (15,399) | - |
| Administrative expenses | | - | (223) | 223 |
| Other changes | | - | (812) | 812 |
| Net Changes | | (5,233) | (3,990) | (1,243) |
| Balances at June 30, 2018 | \$ | <u>137,218</u> | \$ <u>142,261</u> | \$ <u>(5,043)</u> |

Sensitivity of the Political Subdivision Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate

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

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|--------------------------------|--|--------------------------------|
| Political subdivision's Net HIC OPEB Liability | \$ 6,964 | \$ (5,043) | \$ (15,429) |

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the year ended June 30, 2019, the political subdivision recognized Health Insurance Credit Program OPEB expense \$518. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 948 |
| Change in assumptions | - | 1,544 |
| Net difference between projected and actual earnings on HIC OPEB plan investments | - | 3,864 |
| Employer contributions subsequent to the measurement date | <u>2,356</u> | <u>-</u> |
| Total | <u>\$ 2,356</u> | <u>\$ 6,355</u> |

\$2,356 reported as deferred outflows of resources related to the HIC OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

| | |
|------------|------------|
| 2020 | \$ (2,152) |
| 2021 | (2,152) |
| 2022 | (1,852) |
| 2023 | (199) |
| 2024 | - |
| Thereafter | - |

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Political Subdivision Health Insurance Credit Program OPEB Plan

The political subdivision recognizes \$215 of payables to a health insurance credit program OPEB plan outstanding at the end of the reporting period. This amount represents the June 2019 legally required contributions to the OPEB plan due by July 10 per VRS reporting requirements.

24 Other Post-Employment Benefits - Teacher Employee Health Insurance Credit Program

Plan Description

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

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

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS

Eligible Employees

The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts

The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- **At Retirement** – For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.
- **Disability Retirement** – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:
 - \$4.00 per month, multiplied by twice the amount of service credit, or
 - \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Health Insurance Credit Program Notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
- Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.

Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$163,127 and \$161,487 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$2,063,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.16246% as compared to 0.16244% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$165,000. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|--|---|
| Differences between expected and actual experience | \$ - | \$ 10,000 |
| Change in assumptions | - | 18,000 |
| Net difference between projected and actual earnings on Teacher HIC OPEB plan investments | - | 2,000 |
| Change in proportionate share | - | 20,000 |
| Employer contributions subsequent to the measurement date | <u>163,127</u> | <u>-</u> |
| Total | <u>\$ 163,127</u> | <u>\$ 50,000</u> |

\$163,127 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

| | | |
|------------|----|----------|
| 2020 | \$ | (8,000) |
| 2021 | | (8,000) |
| 2022 | | (8,000) |
| 2023 | | (7,000) |
| 2024 | | (8,000) |
| Thereafter | | (11,000) |

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

| | |
|--|--|
| Inflation | 2.5 percent |
| Salary increases, including inflation Teacher Employees | 3.5 percent - 5.95 percent |
| Investment rate of return | 7.0 percent, net of plan investment expenses, including inflation * |

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

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

| | |
|---|---|
| | Teacher Employee HIC OPEB Plan |
| Total Teacher Employee HIC OPEB Liability | \$ 1,381,313 |
| Plan Fiduciary Net Position | <u>111,639</u> |
| Teacher Employee net HIC OPEB Liability (Asset) | <u>\$ 1,269,674</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability | 8.08% |

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

Long-Term Expected Rate of Return

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

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

Inflation

2.50%

*Expected arithmetic nominal return

7.30%

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

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

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

| | <u>1% Decrease (6.00%)</u> | <u>Current Discount Rate (7.00%)</u> | <u>1% Increase (8.00%)</u> |
|---|--------------------------------|--|--------------------------------|
| School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan | | | |
| Net HIC OPEB Liability | \$ 2,304,000 | \$ 2,063,000 | \$ 1,858,000 |

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Teacher Health Insurance Credit Program OPEB Plan

The school division – teacher recognize \$15,832 of payables to a teacher health insurance program OPEB plan outstanding at the end of the reporting period. This amount represents the June 2019 legally required contributions to the OPEB plan due by July 10 per VRS reporting requirements.

25 Other Post-Employment Benefits - Political Subdivision Employee Virginia Local Disability Program

Plan Description

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS

Eligible Employees

The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits

Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:

- Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.

Benefit Amounts

The Political Subdivision Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:

Short-Term Disability –

- The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
- During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels

Long-Term Disability –

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Virginia Local Disability Program Notes:

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2019 was 0.72% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school board – general employees to the VRS Political Subdivision Employee Virginia Local Disability Program were \$1,523 and \$888 for the years ended June 30, 2019 and June 30, 2018, respectively.

Political Subdivision Employee Virginia Local Disability Program OPEB Liabilities, Political Subdivision Employee Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Political Subdivision Employee Virginia Local Disability Program OPEB

At June 30, 2019, the school board – general employees reported a liability of \$1,000 for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2018 and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of that date. The political subdivision's proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the political subdivision's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school board – general employees proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was 0.06094% as compared to 0.08183% at June 30, 2017.

For the year ended June 30, 2019, the school board – general employees recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of \$1,000. Since there was a change in proportionate share between measurement dates a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

School Board

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|--|---|
| Differences between expected and actual experience | \$ - | \$ - |
| Net difference between projected and actual earnings on VLDP OPEB plan investments | - | - |
| Change in assumptions | - | - |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | - | - |
| Employer contributions subsequent to the measurement date | <u>1,523</u> | <u>-</u> |
| Total | <u><u>\$ 1,523</u></u> | <u><u>\$ -</u></u> |

\$1,523 for the component unit – school board general employees reported as deferred outflows of resources related to the Political Subdivision Employee VLDP OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee VLDP OPEB will be recognized in the Political Subdivision Employee VLDP OPEB expense in future reporting periods as follows:

Year Ended
June 30,

School Board

| | | |
|------------|----|---|
| 2020 | \$ | - |
| 2021 | | - |
| 2022 | | - |
| 2023 | | - |
| 2024 | | - |
| Thereafter | | - |

Actuarial Assumptions

The total Political Subdivision Employee VLDP OPEB liability for the VRS Political Subdivision Employee Virginia Local Disability Program was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

| | |
|--|---|
| Inflation | 2.5 percent |
| Salary increases, including inflation - Political subdivision employees | 3.5 percent - 5.35 percent |
| Investment rate of return | 7.0 percent, net of plan investment expenses, including inflation* |

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

Mortality rates – Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Political Subdivision Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

**Political Subdivision
Employee
VLDP OPEB Plan**

| | |
|---|---------------|
| Total Political Subdivision VLDP OPEB Liability | \$ 1,588 |
| Plan Fiduciary Net Position | <u>816</u> |
| Political Subdivision net VLDP OPEB Liability (Asset) | <u>\$ 772</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability | 51.22% |

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total Political Subdivision Employee VLDP OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by the political subdivision for the VRS Political Subdivision Employee Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Political Subdivision Employee VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Political Subdivision Employee VLDP OPEB liability.

Sensitivity of the Political Subdivision's Proportionate Share of the Political Subdivision Employee VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the political subdivision's proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 7.00%, as well as what the political subdivision's proportionate share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

| | <u>1.00% Decrease</u> <u>(6.00%)</u> | <u>Current Discount</u> <u>Rate (7.00%)</u> | <u>1.00% Increase</u> <u>(8.00%)</u> |
|--|---|--|---|
| Political Subdivision's Proportionate Share of the VRS School Board VLDP OPEB Plan Net OPEB Liability | \$ 1,000 | \$ 1,000 | \$ 1,000 |

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Political Subdivision Employee Virginia Local Disability Program OPEB Plan

The school division – general employees recognize \$161 of payables to a Virginia local disability program OPEB plan outstanding at the end of the reporting period. This amount represents the June 2019 legally required contributions to the OPEB plan due by July 10 per VRS reporting requirements.

26 Other Post-Employment Benefits - Teacher Employee Virginia Local Disability Program

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Teacher Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. School divisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

| TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS |
|--|
| <p>Eligible Employees</p> <p>The Teacher Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits</p> <p>Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:</p> <ul style="list-style-type: none"> Teachers and other full-time permanent (professional) salaried employees of public school divisions covered under VRS. |
| <p>Benefit Amounts</p> <p>The Teacher Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:</p> <p><u>Short-Term Disability –</u></p> <ul style="list-style-type: none"> The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability. Once the eligibility period is satisfied, employees are eligible for higher income replacement levels <p><u>Long-Term Disability –</u></p> <ul style="list-style-type: none"> The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit. |
| <p>Virginia Local Disability Program Notes:</p> <ul style="list-style-type: none"> Members approved for short-term or long-term disability at age 60 or older will be eligible for benefit, provided they remain medically eligible. VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services. |

Contributions

The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 0.41% of covered employee compensation for employees in the VRS Teacher Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Virginia Local Disability Program were \$13,683 and \$7,212 for the years ended June 30, 2019 and June 30, 2018, respectively.

Teacher Employee Virginia Local Disability Program OPEB Liabilities, Teacher Employee Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee Virginia Local Disability Program OPEB

At June 30, 2019, the school division reported a liability of \$5,000 for its proportionate share of the VRS Teacher Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee Virginia Local Disability Program was 0.62396% as compared to 0.72418% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee Virginia Local Disability Program OPEB expense of \$8,000. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Virginia Local Disability Program OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|--|---|
| Differences between expected and actual experience | \$ - | \$ - |
| Net difference between projected and actual earnings on Teacher VLDP OPEB plan investments | - | - |
| Change in assumptions | - | - |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | - | - |
| Employer contributions subsequent to the measurement date | 13,683 | - |
| Total | <u>\$ 13,683</u> | <u>\$ -</u> |

\$13,683 reported as deferred outflows of resources related to the Teacher Employee VLDP OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee VLDP OPEB will be recognized in the Teacher Employee VLDP OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

| | | |
|------------|----|---|
| 2020 | \$ | - |
| 2021 | | - |
| 2022 | | - |
| 2023 | | - |
| 2024 | | - |
| Thereafter | | - |

Actuarial Assumptions

The total Teacher Employee VLDP OPEB liability for the VRS Teacher Employee Virginia Local Disability Program was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

| | |
|--|--|
| Inflation | 2.5 percent |
| Salary increases, including inflation - Teacher employees | 3.5 percent - 5.95 percent |
| Investment rate of return | 3.56 percent, net of plan investment expenses, including inflation* |

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

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Teacher Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Teacher Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

Teacher Employee VLDP OPEB Plan

| | |
|--|----------------------|
| Total Teacher Employee VLDP OPEB Liability | \$ 1,401 |
| Plan Fiduciary Net Position | <u>647</u> |
| Teacher Employee Net VLDP OPEB Liability (Asset) | <u><u>\$ 754</u></u> |

| | |
|--|--------|
| Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee VLDP OPEB Liability | 46.05% |
|--|--------|

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total Teacher Employee VLDP OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the VRS Teacher Employee Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee VLDP OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee VLDP Net OPEB Liability to Changes in the Discount Rate

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

| | <u>1.00% Decrease (6.00%)</u> | <u>Current Discount Rate (7.00%)</u> | <u>1.00% Increase (8.00%)</u> |
|--|-----------------------------------|--|-----------------------------------|
| School Division's Proportionate Share of the VRS Teacher Employee VLDP OPEB Plan Net VLDP OPEB Liability | \$ <u>6,000</u> | \$ <u>5,000</u> | \$ <u>4,000</u> |

Teacher Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Teacher Employee Virginia Local Disability Program OPEB Plan

The school division – teacher recognize \$1,370 of payables to a teacher employee Virginia local disability program OPEB plan outstanding at the end of the reporting period. This amount represents the June 2019 legally required contributions to the OPEB plan due by July 10 per VRS reporting requirements.

27 Other Postemployment Benefits (OPEB)–Healthcare

County

Plan Membership

The following is a summary of plan members as of January 1, 2019.

| | <u>County</u> |
|------------------------|---------------|
| Number of participants | |
| Active | 176 |
| Spouses | 76 |
| Retired/Beneficiaries | 34 |
| Spouses | _____ - |
| Total Participants | <u>286</u> |

Plan Description

Medical/Drug Plan Local Choice Key Advantage with Expanded Benefits or Local Choice Key Advantage 250 with Comprehensive or Preventive Dental.

Eligibility Southhampton County, Virginia employees are eligible to continue group insurance coverage after retirement provided that:

- Retiring or Disabled employees have coverage in effect when they stop working.
- Retirement (Disability) commences on the first of the month, following the last day they are employed.
- An employee must have been a permanent active employee.
- An employee must have completed five years of service if age 55 or greater or 10 years of service if 50 to 55.
- Eligibility for coverage stops at age 65.

Retiree Payment Retiree pays the full blended Active/Retiree premium amount.

Premium for 2019 (annual amount)

| <u>Age</u> | <u>KA250 Plan</u> | <u>Expanded Plan</u> |
|------------|-----------------------|----------------------|
| <65 | | |
| Retiree \$ | 10,776 | \$ 11,892 |
| Spouse | 9,156 | 10,104 |
| >65 | Medicare Comp. | |
| Retiree \$ | 1,608 | |
| Spouse | 1,608 | |

Plan Changes Since Prior Valuation

There have been no changes in eligibility or cost sharing provisions since the prior valuation.

Net OPEB Liability

Changes in Net OPEB Liability are as follows:

| | | <u>Increase (Decrease)</u> | |
|---|--|--|--|
| | Total OPEB Retiree HI Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Retiree HI Liability (Asset) (a) - (b) |
| Balances at July 1, 2018 | \$ 2,060,405 | \$ 1,364,518 | \$ 695,887 |
| Changes for the Year | | | |
| Service cost | 41,366 | - | 41,366 |
| Interest | 141,434 | - | 141,434 |
| Difference between expected and actual experience | (365,102) | - | (365,102) |
| Changes in assumptions | (139,649) | - | (139,649) |
| Contributions - employer | - | 206,467 * | (206,467) |
| Net investment income | - | 78,988 | (78,988) |
| Benefit payments, including refunds | (81,467) | (81,467) | - |
| Administrative expenses | - | - | - |
| Net Changes | (403,418) | 203,988 | (607,406) |
| Balances at June 30, 2019 | <u>\$ 1,656,987</u> | <u>\$ 1,568,506</u> | <u>\$ 88,481</u> |

*Contributions include benefit payments

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

The following presents the net OPEB liability of the plan, calculated using the discount rate of 7.00%, as well as what the plan's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

| | 1.00% Decrease 6.00% | Current Discount Rate 7.00% | 1.00% Increase 8.00% |
|--|-------------------------------------|--|-------------------------------------|
| Employer's Net OPEB Retiree Health Insurance Liability | \$ 230,981 | \$ 88,481 | \$ (37,451) |

Sensitivity of the Net OPEB Liability to Changes in the Trend Rate

The following presents the net OPEB liability of the plan, calculated using the healthcare trend rate from 6.75% to an ultimate rate of 4.25%, as well as what the plan's net OPEB liability would be if it were calculated using trend rates for each year that are 1.00% lower or 1.00% higher than the current rates:

| | 1.00% Decrease 3.25% | Current Ultimate Trend Rate 4.25% | 1.00% Increase 5.25% |
|--|-------------------------------------|--|-------------------------------------|
| Employer's Net OPEB Retiree Health Insurance Liability | \$ (55,677) | \$ 88,481 | \$ 255,836 |

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|--------------------|--|
| Investment Return: | 7.00%, net of investment expense and including inflation |
| Healthcare Trend: | 6.25% initially, grading down to 4.25% ultimate |

The mortality rates were updated to use the Society of Actuaries Public Mortality (Pub2010G) headcount-weighted tables, with generational mortality improvements using scale SSA 18.

The disabled versions of the base tables listed above were used, also projected with generational improvements.

Changes in Actuarial Assumptions

In addition to the above assumptions, there were changes in demographic assumptions, since the prior year. (Please refer to the County January 1, 2019 OPEB Valuation for more details).

Actuarial Methods for Determining Employer Contributions

The same economic and demographic assumptions are used for both funding and financial reporting purposes under GASB 74/75.

The Entry Age method is used for accounting/GASB purposes, therefore all of the actuarial figures within this Report are based on it. Actuarially Determined Contributions are also based on the Entry Age method, with a closed level percentage of payroll 30-year amortization of the unfunded liability (26 years remaining as of 1/1/2019).

Discount Rate

The discount rate used to measure the total OPEB liability is 7.00%. The County's funding expectations/policy is to contribute the Actuarially Determined Contribution each year, with a minimum amortization (level percentage of payroll) of ten years. On this basis, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members.

Therefore, the long-term expected rates of return in pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Expected Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, and the final investment return assumption, are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Return-Portfolio</u> | <u>Weight</u> |
|------------------------------------|---|----------------|
| Domestic Equity | 5.79% | 45.00% |
| International Funds | 6.12% | 19.00% |
| Fixed Income - US | 2.25% | 35.00% |
| Cash Equivalents | 0.37% | <u>1.00%</u> |
| Total Weighted Average Real Return | 4.56% | <u>100.00%</u> |
| Plus Inflation | <u>2.75%</u> | |
| Total Return w/o Adjustment | 7.31% | |
| Risk Adjustment | <u>-0.31%</u> | |
| Total Expected Return | <u>7.00%</u> | |

Deferred Inflow/Outflow Summary

For the year ended June 30, 2019, the County recognized OPEB expense of \$2,284. As of June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 304,252 |
| Change in actuarial assumptions | - | 126,554 |
| Net difference between projected and actual earnings on OPEB plan investments | <u>25,008</u> | <u>-</u> |
| Total | <u>\$ 25,008</u> | <u>\$ 430,806</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,

| | |
|------------|-------------|
| 2020 | \$ (79,784) |
| 2021 | (79,784) |
| 2022 | (79,782) |
| 2023 | (82,322) |
| 2024 | (84,126) |
| Thereafter | - |

School Board

Plan Membership

The following is a summary of plan members as of January 1, 2019.

| | <u>School Board</u> |
|------------------------|---------------------|
| Number of participants | |
| Active | 289 |
| Spouses | 66 |
| Retired/Beneficiaries | 11 |
| Spouses | 1 |
| Total Participants | <u>367</u> |

Plan Description

Medical/Drug Plan Key Advantage 250, Key Advantage 500, or Key Advantage 1000.

Eligibility Southampton County Public Schools employees are eligible to continue group insurance coverage after retirement provided that:

- Retiring employees have coverage in effect when they stop working.
- Retirement commences on the first of the month, following the last day they are employed.
- An employee must have been a permanent active employee.
- Employee must be eligible to retire under the VRS requirements.
- Eligibility for coverage stops at age 65.

Retiree Payment Retiree pays the full blended Active/Retiree premium amount.

Premium for 2019 (annual amount)

| <u>Employee (250 Plan)</u> | <u>EE/Spouse (250 Plan)</u> | <u>Employee (500 Plan)</u> | <u>EE/Spouse (500 Plan)</u> | <u>Employee (1000 Plan)</u> | <u>EE/Spouse (1000 Plan)</u> |
|--------------------------------|---------------------------------|--------------------------------|---------------------------------|---------------------------------|----------------------------------|
| \$ 10,344 | \$ 19,020 | \$ 9,420 | \$ 17,316 | \$ 8,880 | \$ 16,308 |

Plan Changes Since Prior Valuation

There have been no changes in eligibility or cost sharing provisions since the prior valuation.

Net OPEB Liability

Changes in Net OPEB Liability are as follows:

| | <u>Increase (Decrease)</u> | | |
|---|--|--|--|
| | Total OPEB Retiree HI Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Retiree HI Liability (Asset) (a) - (b) |
| Balances at July 1, 2018 | \$ 3,755,330 | \$ 1,634,165 | \$ 2,121,165 |
| Changes for the Year | | | |
| Service cost | 91,976 | - | 91,976 |
| Interest | 243,258 | - | 243,258 |
| Changes in assumptions | (257,360) | - | (257,360) |
| Difference between expected and actual experience | (1,414,409) | - | (1,414,409) |
| Contributions - employer | - | 376,303 * | (376,303) |
| Net investment income | - | 89,423 | (89,423) |
| Benefit payments, including refunds | (106,303) | (106,303) | - |
| Administrative expenses | - | - | - |
| Net Changes | <u>(1,442,838)</u> | <u>359,423</u> | <u>(1,802,261)</u> |
| Balances at June 30, 2019 | <u>\$ 2,312,492</u> | <u>\$ 1,993,588</u> | <u>\$ 318,904</u> |

* Contributions include benefit payments

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

The following presents the net OPEB liability of the plan, calculated using the discount rate of 7.00%, as well as what the plan's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

| | 1.00% Decrease 6.00% | Current Discount Rate 7.00% | 1.00% Increase 8.00% |
|--|-------------------------------------|--|-------------------------------------|
| Employer's Net OPEB Retiree Health Insurance Liability | \$ 499,279 | \$ 318,904 | \$ 154,717 |

Sensitivity of the Net OPEB Liability to Changes in the Trend Rate

The following presents the net OPEB liability of the plan, calculated using the healthcare trend rate from 6.75% to an ultimate rate of 4.25%, as well as what the plan's net OPEB liability would be if it were calculated using trend rates for each year that are 1.00% lower or 1.00% higher than the current rates:

| | 1.00% Decrease 3.25% | Current Ultimate Trend Rate 4.25% | 1.00% Increase 5.25% |
|--|-------------------------------------|--|-------------------------------------|
| Employer's Net OPEB Retiree Health Insurance Liability | \$ 117,717 | \$ 318,904 | \$ 550,153 |

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|--------------------|--|
| Investment Return: | 7.00%, net of investment expense and including inflation |
| Healthcare Trend: | 6.25% initially, grading down to 4.25% ultimate |

The mortality rates were updated to use the Society of Actuaries Public Mortality (Pub2010G) headcount-weighted tables, with generational mortality improvements using scale SSA 18.

The disabled versions of the base tables listed above were used, also projected with generational improvements.

Changes in Actuarial Assumptions

In addition to the above assumptions, there were changes in demographic assumptions, since the prior year. (Please refer to the School's January 1, 2019 OPEB Valuation for more details).

Actuarial Methods for Determining Employer Contributions

The same economic and demographic assumptions are used for both funding and financial reporting purposes under GASB 74/75.

The Entry Age method is used for accounting/GASB purposes, therefore all of the actuarial figures within the Actuarial Report are based on it. Actuarially Determined Contributions are also based on the Entry Age method, with a closed level percentage of payroll 30-year amortization of the unfunded liability (26 years remaining as of 1/1/2019).

Discount Rate

The discount rate used to measure the total OPEB liability is 7.00%. The Schools' funding expectations/policy is to contribute the Actuarially Determined Contribution each year, with a minimum amortization (level percentage of payroll) of ten years. On this basis, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members.

Therefore, the long-term expected rates of return in pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Expected Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, and the final investment return assumption, are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Return-Portfolio</u> | <u>Weight</u> |
|------------------------------------|---|----------------|
| Domestic Equity | 5.79% | 45.00% |
| International Funds | 6.12% | 19.00% |
| Fixed Income - US | 2.25% | 35.00% |
| Cash Equivalents | 0.37% | <u>1.00%</u> |
| Total Weighted Average Real Return | 4.56% | <u>100.00%</u> |
| Plus Inflation | <u>2.75%</u> | |
| Total Return w/o Adjustment | 7.31% | |
| Risk Adjustment | <u>-0.31%</u> | |
| Total Expected Return | <u>7.00%</u> | |

Deferred Inflow/Outflow Summary

For the year ended June 30, 2019, the Schools recognized OPEB expense of \$33,149. As of June 30, 2019, the Schools reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 1,257,252 |
| Change in assumptions | - | 317,753 |
| Net difference between projected and actual earnings on OPEB plan investments | <u>40,352</u> | <u>-</u> |
| Total | <u>\$ 40,352</u> | <u>\$ 1,575,005</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30.

| | |
|------------|--------------|
| 2020 | \$ (185,784) |
| 2021 | (185,782) |
| 2022 | (195,208) |
| 2023 | (195,210) |
| 2024 | (200,584) |
| Thereafter | (572,085) |

28 Fund Balances – Governmental Funds

As of June 30, 2019, fund balances are composed of the following:

Primary Government

| <u>Fund</u> | <u>Restricted for</u> | <u>Amount</u> |
|-----------------------------------|----------------------------------|---------------------|
| Capital Projects Utility Tax Fund | Restricted for construction | \$ 8,320,011 |
| Forfeiture Fund | Subsequent years' appropriations | 71,348 |
| Law Library Fund | Subsequent years' appropriations | 18,051 |
| Canteen Fund | Subsequent years' appropriations | 13,913 |
| Inmate Fund | Subsequent years' appropriations | <u>184,579</u> |
| Total Restricted Funds | | <u>\$ 8,607,902</u> |

Component Unit School Board

| <u>Fund</u> | <u>Restricted for</u> | <u>Amount</u> |
|------------------------|-----------------------|------------------|
| School Endowment Fund | School use only | \$ <u>24,115</u> |
| Total Restricted Funds | | <u>\$ 24,115</u> |

| <u>Fund</u> | <u>Assigned for</u> | <u>Amount</u> |
|------------------|-----------------------------|-------------------|
| School Food Fund | School cafeteria operations | <u>\$ 298,084</u> |

29 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2019 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2019. Management has performed their analysis through November 26, 2019.

REQUIRED SUPPLEMENTARY INFORMATION



County of Southampton, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2019

General Fund

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| Revenues | | | | |
| General Property Taxes | | | | |
| Real property taxes | \$ 12,311,725 | \$ 12,311,725 | \$ 11,492,165 | \$ (819,560) |
| Mobile home taxes | 80,222 | 80,222 | 66,236 | (13,986) |
| Personal property taxes | 6,768,812 | 6,768,812 | 4,645,142 | (2,123,670) |
| Public service corporation property taxes | 1,897,838 | 1,897,838 | 2,025,021 | 127,183 |
| Machinery and tools taxes | 867,761 | 1,358,903 | 1,540,683 | 181,780 |
| Farm implement/machinery seasonal taxes | 521,904 | 521,904 | 491,289 | (30,615) |
| Merchants' capital and contractors' equipment | 350,256 | 350,256 | 299,447 | (50,809) |
| Delinquent taxes | 550,000 | 550,000 | 721,693 | 171,693 |
| Interest on taxes | 250,000 | 250,000 | 200,895 | (49,105) |
| Penalties and fees on late taxes | 206,300 | 288,221 | 382,328 | 94,107 |
| Total General Property Taxes | 23,804,818 | 24,377,881 | 21,864,899 | (2,512,982) |
| Other Local Taxes | | | | |
| Local sales and use taxes | 616,000 | 616,299 | 662,947 | 46,648 |
| Consumption tax | 69,000 | 69,000 | 71,019 | 2,019 |
| Bank stock tax | 29,000 | 29,000 | 38,387 | 9,387 |
| Transient occupancy tax | 13,995 | 13,995 | 10,908 | (3,087) |
| Business license taxes | 175,000 | 175,000 | 189,766 | 14,766 |
| Motor vehicle licenses | 492,000 | 492,000 | 539,363 | 47,363 |
| Tax on recordation and wills | 137,500 | 137,500 | 125,279 | (12,221) |
| Total Other Local Taxes | 1,532,495 | 1,532,794 | 1,637,669 | 104,875 |
| Permits, Privilege Fees, and Regulatory Licenses | | | | |
| Animal licenses | 8,500 | 8,500 | 9,975 | 1,475 |
| Other permits, licenses, and fees | 5,000 | 5,000 | 7,582 | 2,582 |
| Total Permits, Privilege Fees, and Regulatory Licenses | 13,500 | 13,500 | 17,557 | 4,057 |
| Fines and Forfeitures | | | | |
| | 833,965 | 861,000 | 802,075 | (58,925) |
| Revenue from Use of Money and Property | | | | |
| | 2,000 | 2,000 | 195,558 | 193,558 |
| Charges for Services | | | | |
| Miscellaneous | 21,000 | 21,100 | 36,568 | 15,468 |
| Service charges - tax exempt | 7,135 | 7,135 | 8,329 | 1,194 |
| School resource officer reimbursement | 51,733 | 70,453 | 70,453 | - |
| Reimbursements for utilities and salaries | 60,000 | 238,373 | 243,334 | 4,961 |
| Courthouse maintenance fees | 24,000 | 24,000 | 24,783 | 783 |

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| Commonwealth's Attorney - City of Franklin | 22,000 | 22,000 | 22,000 | - |
| Solid waste management | 1,015,000 | 1,015,000 | 1,031,663 | 16,663 |
| Ambulance transfers | 250,000 | 250,000 | 10,574 | (239,426) |
| Collection fee account | 4,650 | 21,539 | 31,581 | 10,042 |
| Total Charges for Services | 1,455,518 | 1,669,600 | 1,479,285 | (190,315) |
| Recovered Costs | | | | |
| City of Franklin shared costs | 311,055 | 311,055 | 311,055 | - |
| Expenditure refunds | - | 318,843 | 324,549 | 5,706 |
| Insurance claims | - | 18,063 | 18,063 | - |
| Miscellaneous recoveries | 7,000 | 19,895 | 19,569 | (326) |
| Total Recovered Costs | 318,055 | 667,856 | 673,236 | 5,380 |
| Miscellaneous | | | | |
| Gifts, donations, contributions | - | 101,257 | 101,388 | 131 |
| Miscellaneous | 2,850 | 2,850 | 11,300 | 8,450 |
| Industrial corridor tax revenue | 652,000 | 652,000 | 673,930 | 21,930 |
| Camp Campbell Foundation | - | 84,000 | 84,000 | - |
| Total Miscellaneous | 654,850 | 840,107 | 870,618 | 30,511 |
| Intergovernmental | | | | |
| <i>Revenue from the Commonwealth of Virginia</i> | | | | |
| <i>Noncategorical Aid</i> | | | | |
| Rolling stock taxes - motor vehicle carriers tax | 73,500 | 73,500 | 73,552 | 52 |
| Communication sales tax | 514,755 | 514,755 | 472,624 | (42,131) |
| Personal property tax relief act | - | - | 2,346,261 | 2,346,261 |
| Mobile home titling tax | 15,000 | 15,000 | 20,252 | 5,252 |
| Recordation and grantors' tax | 39,288 | 39,288 | 31,162 | (8,126) |
| Total Noncategorical Aid | 642,543 | 642,543 | 2,943,851 | 2,301,308 |
| <i>Categorical Aid</i> | | | | |
| <i>Shared Expenses</i> | | | | |
| Commonwealth's Attorney | 403,058 | 414,058 | 424,948 | 10,890 |
| Sheriff and Sheriff's auto | 2,693,933 | 2,703,355 | 2,886,039 | 182,684 |
| Commissioner of the Revenue | 108,148 | 108,148 | 109,042 | 894 |
| Treasurer | 83,777 | 83,777 | 77,452 | (6,325) |
| Electoral Board and General Registrar | 37,029 | 37,029 | 37,500 | 471 |
| Clerk of Court | 323,337 | 340,088 | 343,512 | 3,424 |
| Jail operations | 215,700 | 215,700 | 195,169 | (20,531) |
| Miscellaneous State grants | - | 14,574 | 13,571 | (1,003) |
| AFID grants | - | 130,000 | 130,000 | - |
| PSAP grants | 47,800 | 47,800 | 60,114 | 12,314 |
| Litter Control Grant | - | 13,805 | 13,805 | - |

Variance
With
Final Budget
Positive
(Negative)

Original
Budget

Final
Budget

Actual

| | | | | |
|----------------------------------|-----------|-----------|-----------|---------|
| Emergency Medical Services | - | 18,356 | 18,356 | - |
| Fire program allocation | - | 54,626 | 54,626 | - |
| Victim Witness Grant | 44,398 | 46,431 | 46,431 | - |
| Virginia Commission for the Arts | - | 4,500 | 4,500 | - |
| School Resource Officer | - | 28,488 | 28,488 | - |
| Children's Services Act | 273,878 | 273,878 | 283,894 | 10,016 |
| Total Categorical Aid | 4,231,058 | 4,534,613 | 4,727,447 | 192,834 |

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Total Revenue from the Commonwealth of Virginia | 4,873,601 | 5,177,156 | 7,671,298 | 2,494,142 |
|---|-----------|-----------|-----------|-----------|

Revenue from the Federal Government

| | | | | |
|---|--------|--------|--------|---|
| Victim witness | 58,854 | 61,326 | 61,326 | - |
| Total Revenue from the Federal Government | 58,854 | 61,326 | 61,326 | - |

| | | | | |
|----------------------------------|-----------|-----------|-----------|-----------|
| Total Intergovernmental Revenues | 4,932,455 | 5,238,482 | 7,732,624 | 2,494,142 |
|----------------------------------|-----------|-----------|-----------|-----------|

| | | | | |
|----------------|------------|------------|------------|--------|
| Total Revenues | 33,547,656 | 35,203,220 | 35,273,521 | 70,301 |
|----------------|------------|------------|------------|--------|

Expenditures

Current

General Government Administration

| | | | | |
|---|-----------|-----------|-----------|---------|
| Board of Supervisors | 312,779 | 321,354 | 254,698 | 66,656 |
| County Administrator | 422,948 | 410,569 | 382,569 | 28,000 |
| Commissioner of Revenue | 364,780 | 365,223 | 344,497 | 20,726 |
| Treasurer | 322,814 | 405,090 | 347,520 | 57,570 |
| Data processing | 393,973 | 393,321 | 379,432 | 13,889 |
| Insurance | 368,180 | 287,474 | 228,993 | 58,481 |
| Accounting | 232,377 | 235,168 | 233,113 | 2,055 |
| Delinquent taxes | 62,728 | 62,758 | 47,929 | 14,829 |
| Board of Assessors | 17,105 | 31,235 | 29,004 | 2,231 |
| Board of Elections | 199,651 | 199,762 | 175,760 | 24,002 |
| Total General Government Administration | 2,697,335 | 2,711,954 | 2,423,515 | 288,439 |

Judicial Administration

| | | | | |
|-----------------------------------|-----------|-----------|-----------|--------|
| Circuit Court | 28,260 | 41,319 | 39,819 | 1,500 |
| General District Court | 33,400 | 33,405 | 18,027 | 15,378 |
| Magistrate | 686 | 836 | 741 | 95 |
| Victim Witness Assistance Program | 128,105 | 142,774 | 133,940 | 8,834 |
| Clerk of the Circuit Court | 564,328 | 587,396 | 578,716 | 8,680 |
| Sheriff - Bailiff | 473,332 | 485,569 | 484,957 | 612 |
| Courthouse Security | 135,310 | 135,310 | 95,892 | 39,418 |
| Commonwealth's Attorney | 609,973 | 647,385 | 642,532 | 4,853 |
| Total Judicial Administration | 1,973,394 | 2,073,994 | 1,994,624 | 79,370 |

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| <i>Public Safety</i> | | | | |
| Sheriff's Department | 2,277,442 | 2,428,656 | 2,340,670 | 87,986 |
| Project Life Saver | - | 10,621 | 973 | 9,648 |
| School resource officer | 51,733 | 98,941 | 98,941 | - |
| Fire departments | 388,640 | 448,850 | 431,059 | 17,791 |
| Camp Campbell funds | - | 84,000 | 84,000 | - |
| Rescue squads | 1,809,870 | 1,828,226 | 1,752,697 | 75,529 |
| 911 | 213,578 | 228,238 | 221,901 | 6,337 |
| Wireless 911 | 59,366 | 59,366 | 53,853 | 5,513 |
| Emergency services | 154,935 | 255,994 | 252,496 | 3,498 |
| Forestry | 22,062 | 22,492 | 22,492 | - |
| Detention | 3,390,814 | 3,420,542 | 2,958,902 | 461,640 |
| Probation | 127,472 | 155,472 | 143,787 | 11,685 |
| Inspections | 230,000 | 255,400 | 223,825 | 31,575 |
| Animal control | 124,966 | 125,781 | 117,556 | 8,225 |
| Medical Examiner | 360 | 360 | 320 | 40 |
| Total Public Safety | 8,851,238 | 9,422,939 | 8,703,472 | 719,467 |
| <i>Public Works</i> | | | | |
| Maintenance of highways, streets, bridges, sidewalks | 53,550 | 53,850 | 52,080 | 1,770 |
| Refuse collection | 827,825 | 880,527 | 866,234 | 14,293 |
| Refuse disposal | 747,500 | 765,800 | 754,589 | 11,211 |
| Maintenance of buildings and grounds | 561,009 | 821,217 | 759,659 | 61,558 |
| Total Public Works | 2,189,884 | 2,521,394 | 2,432,562 | 88,832 |
| <i>Health and Welfare</i> | | | | |
| Health Department | 304,000 | 304,000 | 304,000 | - |
| Mental health | 72,250 | 72,250 | 72,250 | - |
| Children's services | 431,559 | 515,775 | 502,395 | 13,380 |
| Welfare and Social Services | 9,500 | 9,500 | 9,500 | - |
| Total Health and Welfare | 817,309 | 901,525 | 888,145 | 13,380 |
| <i>Education</i> | | | | |
| Appropriation to public school system | 12,587,958 | 12,587,958 | 12,545,978 | 41,980 |
| Total Education | 12,587,958 | 12,587,958 | 12,545,978 | 41,980 |
| <i>Parks, Recreation, and Cultural</i> | | | | |
| Regional library | 270,188 | 270,188 | 270,188 | - |
| Parks shared services | - | 25,000 | 25,000 | - |
| Miscellaneous contributions | 38,000 | 123,562 | 34,461 | 89,101 |
| Total Parks, Recreation, and Cultural | 308,188 | 418,750 | 329,649 | 89,101 |
| <i>Community Development</i> | | | | |
| Planning and community development | 229,119 | 850,590 | 840,098 | 10,492 |
| Economic development | 125,000 | 125,000 | 125,000 | - |
| Revenue sharing agreement | 61,000 | 61,000 | 59,894 | 1,106 |
| Soil and Water Conservation District and Chowan | 10,415 | 171,747 | 171,747 | - |
| Cooperative Extension Program | 73,194 | 74,989 | 36,621 | 38,368 |
| Total Community Development | 498,728 | 1,283,326 | 1,233,360 | 49,966 |

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------------|---|
| <i>Debt Service</i> | <u>41,408</u> | <u>41,408</u> | <u>35,635</u> | <u>5,773</u> |
| Total Expenditures | <u>29,965,442</u> | <u>31,963,248</u> | <u>30,586,940</u> | <u>1,376,308</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 3,582,214 | 3,239,972 | 4,686,581 | 1,446,609 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 80,000 | 80,000 | 80,000 | - |
| Transfers out | <u>(4,002,214)</u> | <u>(4,002,214)</u> | <u>(3,293,808)</u> | <u>708,406</u> |
| Total Other Financing Sources (Uses) | <u>(3,922,214)</u> | <u>(3,922,214)</u> | <u>(3,213,808)</u> | <u>708,406</u> |
| Net Change in Fund Balance before Transfer from Surplus | (340,000) | (682,242) | 1,472,773 | 2,155,015 |
| Transfer from Surplus Funds | <u>340,000</u> | <u>682,242</u> | <u>-</u> | <u>(682,242)</u> |
| Net Change in Fund Balance after Transfer from Surplus | <u>\$ -</u> | <u>\$ -</u> | 1,472,773 | <u>\$ 1,472,773</u> |
| Fund Balance - Beginning of Year | | | <u>6,929,283</u> | |
| Fund Balance - End of Year | | | <u>\$ 8,402,056</u> | |

Public Assistance Fund

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|------------------|---|
| Revenues | | | | |
| Intergovernmental | | | | |
| Revenue from the Commonwealth of Virginia | \$ 683,516 | \$ 724,499 | \$ 653,672 | \$ (70,827) |
| Revenue from the Federal Government | <u>1,486,835</u> | <u>1,575,984</u> | <u>1,433,151</u> | <u>(142,833)</u> |
| Total Intergovernmental Revenues | <u>2,170,351</u> | <u>2,300,483</u> | <u>2,086,823</u> | <u>(213,660)</u> |
| Total Revenues | 2,170,351 | 2,300,483 | 2,086,823 | (213,660) |
| Expenditures | | | | |
| Current | | | | |
| <i>Health and Welfare</i> | | | | |
| Welfare and Social Services | <u>2,542,704</u> | <u>2,672,836</u> | <u>2,390,649</u> | <u>282,187</u> |
| Total Expenditures | <u>2,542,704</u> | <u>2,672,836</u> | <u>2,390,649</u> | <u>282,187</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (372,353) | (372,353) | (303,826) | 68,527 |
| Other Financing Sources (Uses) | | | | |
| Transfers in (out) | <u>372,353</u> | <u>372,353</u> | <u>303,826</u> | <u>(68,527)</u> |
| Total Other Financing Sources (Uses) | <u>372,353</u> | <u>372,353</u> | <u>303,826</u> | <u>(68,527)</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | - | <u>\$ -</u> |
| Fund Balance - Beginning of Year | | | - | |
| Fund Balance - End of Year | | | <u>\$ -</u> | |

County of Southampton, Virginia

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

For the Plan Years Ended June 30, 2014-2018

Political Subdivision

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Total pension liability | | | | | |
| Service cost | \$ 819,632 | \$ 838,689 | \$ 860,119 | \$ 848,777 | \$ 838,854 |
| Interest | 2,580,380 | 2,494,292 | 2,376,240 | 2,257,442 | 2,153,662 |
| Changes of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience | 300,847 | (316,935) | (121,657) | 90,888 | - |
| Changes in assumptions | - | (64,282) | - | - | - |
| Benefit payments, including refunds of employee contributions | <u>(1,725,638)</u> | <u>(1,630,525)</u> | <u>(1,603,459)</u> | <u>(1,518,202)</u> | <u>(1,490,645)</u> |
| Net change in total pension liability | 1,975,221 | 1,321,239 | 1,511,243 | 1,678,905 | 1,501,871 |
| Total pension liability - beginning | <u>37,519,659</u> | <u>36,198,420</u> | <u>34,687,177</u> | <u>33,008,272</u> | <u>31,506,401</u> |
| Total pension liability - ending (a) | <u>\$ 39,494,880</u> | <u>\$ 37,519,659</u> | <u>\$ 36,198,420</u> | <u>\$ 34,687,177</u> | <u>\$ 33,008,272</u> |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 856,555 | \$ 838,656 | \$ 973,723 | \$ 964,986 | \$ 939,439 |
| Contributions - employee | 359,871 | 357,750 | 355,165 | 340,481 | 325,312 |
| Net investment income | 2,446,998 | 3,648,825 | 515,466 | 1,300,962 | 3,902,466 |
| Benefit payments, including refunds of employee contributions | <u>(1,725,638)</u> | <u>(1,630,525)</u> | <u>(1,551,599)</u> | <u>(1,518,202)</u> | <u>(1,490,645)</u> |
| Administrative expense | <u>(21,099)</u> | <u>(21,061)</u> | <u>(18,322)</u> | <u>(17,759)</u> | <u>(21,022)</u> |
| Other | <u>(2,181)</u> | <u>(3,247)</u> | <u>(218)</u> | <u>(275)</u> | <u>(206)</u> |
| Net change in plan fiduciary net position | 1,914,504 | 3,190,398 | 274,215 | 1,070,193 | 3,655,344 |
| Plan fiduciary net position - beginning | <u>33,027,638</u> | <u>29,837,240</u> | <u>29,563,025</u> | <u>28,492,832</u> | <u>24,837,488</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 34,942,142</u> | <u>\$ 33,027,638</u> | <u>\$ 29,837,240</u> | <u>\$ 29,563,025</u> | <u>\$ 28,492,832</u> |
| Political subdivision's net pension liability - ending (a) - (b) | <u>\$ 4,552,737</u> | <u>\$ 4,492,021</u> | <u>\$ 6,361,180</u> | <u>\$ 5,124,152</u> | <u>\$ 4,515,440</u> |
| Plan fiduciary net position as a percentage of the total Pension liability | 88.47% | 88.03% | 82.43% | 85.23% | 86.32% |
| Covered payroll | \$ 7,281,983 | \$ 7,101,956 | \$ 6,746,161 | \$ 6,748,412 | \$ 7,292,997 |
| Political subdivision's net pension liability as a percentage of covered payroll | 62.52% | 63.25% | 94.29% | 75.93% | 61.91% |

County of Southampton, Virginia

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

For the Plan Years Ended June 30, 2014-2018

School Board

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | | |
| Service cost | \$ 88,683 | \$ 90,337 | \$ 91,354 | \$ 91,346 | \$ 97,716 |
| Interest | 277,084 | 265,997 | 277,238 | 269,920 | 258,784 |
| Changes of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience | 78,322 | 62,984 | (279,435) | (19,733) | - |
| Changes in assumptions | - | (39,267) | - | - | - |
| Benefit payments, including refunds of employee contributions | (235,079) | (208,242) | (291,241) | (182,762) | (212,055) |
| Net change in total pension liability | 209,010 | 171,809 | (202,084) | 158,771 | 144,445 |
| Total pension liability - beginning | 4,075,883 | 3,904,074 | 4,106,158 | 3,947,387 | 3,802,942 |
| Total pension liability - ending (a) | \$ 4,284,893 | \$ 4,075,883 | \$ 3,904,074 | \$ 4,106,158 | \$ 3,947,387 |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ (159) | \$ 990 | \$ 34,570 | \$ 36,915 | \$ 39,274 |
| Contributions - employee | 37,881 | 44,104 | 40,774 | 43,491 | 44,554 |
| Net investment income | 362,999 | 550,617 | 77,553 | 210,034 | 642,147 |
| Benefit payments, including refunds of employee contributions | (235,079) | (208,242) | (291,241) | (182,762) | (212,055) |
| Administrative expense | (3,236) | (3,276) | (2,979) | (2,931) | (3,538) |
| Other | (318) | (486) | 597 | (44) | 33 |
| Net change in plan fiduciary net position | 162,088 | 383,707 | (140,726) | 104,703 | 510,415 |
| Plan fiduciary net position - beginning | 4,967,899 | 4,584,192 | 4,724,918 | 4,620,215 | 4,109,800 |
| Plan fiduciary net position - ending (b) | \$ 5,129,987 | \$ 4,967,899 | \$ 4,584,192 | \$ 4,724,918 | \$ 4,620,215 |
| Political subdivision's net pension liability - ending (a) - (b) | \$ (845,094) | \$ (892,016) | \$ (680,118) | \$ (618,760) | \$ (672,828) |
| Plan fiduciary net position as a percentage of the total Pension liability | 119.72% | 121.89% | 117.42% | 115.07% | 117.04% |
| Covered payroll | \$ 787,207 | \$ 912,137 | \$ 838,366 | \$ 888,407 | \$ 913,012 |
| Political subdivision's net pension liability as a percentage of covered payroll | -107.35% | -97.79% | -81.12% | -69.65% | -73.69% |

County of Southampton, Virginia

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

For the Measurement Dates of June 30, 2018, 2017, 2016, 2015, and 2014

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|--------------|--------------|--------------|
| Employer's Proportion of the Net Pension Liability (Asset) | 0.16% | 0.16% | 0.16% | 0.17% | 0.16% |
| Employer's Proportionate Share of the Net Pension Liability (Asset) | \$19,208,000 | \$20,036,000 | \$23,053,000 | \$21,760,000 | \$20,310,000 |
| Employer's Covered Payroll | 13,138,974 | 12,814,668 | 12,540,977 | 12,853,492 | 12,279,870 |
| Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its covered payroll | 146% | 156% | 184% | 169% | 158% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 74.81% | 72.92% | 68.28% | 70.68% | 70.88% |

Schedule is intended to show information for 10 years. Since 2018 is the fifth year for this presentation, there are only five years available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total Pension Liability for the VRS Teacher Retirement Plan for each year is presented on page 114 of the VRS 2018 Comprehensive Annual Financial Report (CAFR).

County of Southampton, Virginia

Schedule of Employer Contributions

For the Years Ended June 30, 2010 through 2019

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|--|--|---|---|---|---|
| Political Subdivision | | | | | |
| 2019 | \$ 838,339 | \$ 838,339 | \$ - | \$ 7,244,809 | 11.57% |
| 2018 | 857,610 | 857,610 | - | 7,281,983 | 11.78% |
| 2017 | 840,872 | 838,698 | 2,174 | 7,101,956 | 11.81% |
| 2016 | 968,074 | 986,394 | (18,320) | 6,746,161 | 14.62% |
| 2015 | 968,397 | 1,079,115 | (110,718) | 6,748,412 | 15.99% |
| 2014 | 1,056,755 | 1,033,858 | 22,897 | 7,292,997 | 14.18% |
| 2013 | 999,037 | 1,024,662 | (25,625) | 6,894,663 | 14.86% |
| 2012 | 796,614 | 799,277 | (2,663) | 7,099,949 | 11.26% |
| 2011 | 774,681 | 780,913 | (6,232) | 6,904,468 | 11.31% |
| 2010 | 725,104 | 567,035 | 158,069 | 6,958,770 | 8.15% |
| Component Unit School Board - General Employees | | | | | |
| 2019 | \$ 4,187 | \$ 4,187 | \$ - | \$ 789,917 | 0.53% |
| 2018 | 831 | 831 | - | 787,207 | 0.11% |
| 2017 | 1,186 | 990 | 196 | 912,137 | 0.11% |
| 2016 | 35,714 | 41,386 | (5,672) | 838,366 | 4.94% |
| 2015 | 37,846 | 49,949 | (12,103) | 888,407 | 5.62% |
| 2014 | 40,264 | 39,383 | 881 | 913,012 | 4.31% |
| 2013 | 40,738 | 40,697 | 41 | 923,755 | 4.41% |
| 2012 | 24,925 | 24,811 | 114 | 993,045 | 2.50% |
| 2011 | 24,699 | 25,461 | (762) | 984,012 | 2.59% |
| 2010 | 23,035 | 23,367 | (332) | 1,042,326 | 2.24% |
| Component Unit School Board - Teachers | | | | | |
| 2019 | \$ 2,131,526 | \$ 2,131,526 | \$ - | \$ 13,593,915 | 15.68% |
| 2018 | 2,112,442 | 2,112,442 | - | 13,138,974 | 16.08% |
| 2017 | 1,878,630 | 1,853,201 | 25,429 | 12,814,668 | 14.46% |
| 2016 | 1,763,261 | 1,851,158 | (87,897) | 12,540,977 | 14.76% |
| 2015 | 1,863,756 | 2,034,439 | (170,683) | 12,853,492 | 15.83% |
| 2014 | 1,431,833 | 1,434,122 | (2,289) | 12,279,870 | 11.68% |
| 2013 | 1,443,897 | 1,994,731 | (550,834) | 12,383,337 | 16.11% |
| 2012 | 868,395 | 869,940 | (1,545) | 13,718,714 | 6.34% |
| 2011 | 536,731 | 548,211 | (11,480) | 13,657,281 | 4.01% |
| 2010 | 1,253,096 | 1,027,942 | 225,154 | 14,223,559 | 7.23% |

For Reference Only:

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

Column 2 – Actual employer contribution remitted to VRS

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

County of Southampton, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2019

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

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

Largest 10 – Non-Hazardous Duty:

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

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

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

Largest 10 – Hazardous Duty:

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

All Others (Non 10 Largest) – Hazardous Duty:

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

School Division

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

County of Southampton, Virginia

Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Program For the Measurement Dates of June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|--------------|
| Political Subdivision | | |
| Employer's Proportion of the Net GLI OPEB Liability (Asset) | 0.04195% | 0.04217% |
| Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) | \$ 586,040 | \$ 584,200 |
| Employer's Covered Payroll | \$ 7,281,983 | \$ 7,101,956 |
| Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll | 8.05% | 8.23% |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 51.22% | 48.86% |

*Schedule is intended to show information for 10 years.
Since 2018 is the second year of presentation, only two years of data is available. However, additional years will be included as they become available.*

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 121 of the VRS 2018 Comprehensive Annual Financial Report (CAFR).

County of Southampton, Virginia

Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Program For the Measurement Dates of June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------|
| School Board | | |
| Employer's Proportion of the Net GLI OPEB Liability (Asset) | 0.00425% | 0.00501% |
| Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) | \$ 64,000 | \$ 75,000 |
| Employer's Covered Payroll | \$ 808,026 | \$ 924,815 |
| Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll | 7.92% | 8.11% |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 51.22% | 48.86% |

*Schedule is intended to show information for 10 years.
Since 2018 is the second year of presentation, only two years of data is available. However, additional years will be included as they become available.*

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 121 of the VRS 2018 Comprehensive Annual Financial Report (CAFR).

County of Southampton, Virginia

Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Program For the Measurement Dates of June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|----------------------|---------------|
| Teacher | | |
| Employer's Proportion of the Net GLI OPEB Liability (Asset) | 0.06911% | 0.06950% |
| Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) | \$ 1,050,000 | \$ 1,046,000 |
| Employer's Covered Payroll | \$ 13,141,574 | \$ 12,819,622 |
| Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll | 7.99% | 8.16% |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 51.22% | 48.86% |

*Schedule is intended to show information for 10 years.
Since 2018 is the second year of presentation, only two years of data is available. However, additional years will be included as they become available.*

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 121 of the VRS 2018 Comprehensive Annual Financial Report (CAFR).

County of Southampton, Virginia

Schedule of Employer Contributions for VRS OPEB Group Life Insurance

For the Years Ended June 30, 2010 through 2019

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Employee Payroll (4) | Contributions as a % of Covered Employee Payroll (5) |
|------------------------------|--|---|---|---|---|
| Political Subdivision | | | | | |
| 2019 | \$ 41,711 | \$ 41,711 | \$ - | \$ 8,021,313 | 0.52% * |
| 2018 | 37,866 | 37,866 | - | 7,281,983 | 0.52% * |
| 2017 | 36,930 | 36,930 | - | 7,101,956 | 0.52% * |
| 2016 | 35,832 | 35,832 | - | 7,464,914 | 0.48% |
| 2015 | 35,556 | 35,556 | - | 7,407,461 | 0.48% |
| 2014 | 34,116 | 34,116 | - | 7,107,503 | 0.48% |
| 2013 | 33,843 | 33,843 | - | 7,050,592 | 0.48% |
| 2012 | 19,880 | 19,880 | - | 7,100,056 | 0.28% |
| 2011 | 19,418 | 19,418 | - | 6,935,326 | 0.28% |
| 2010 | 14,200 | 14,200 | - | 6,993,394 | 0.20% |
| School Board | | | | | |
| 2019 | \$ 4,149 | \$ 4,149 | \$ - | \$ 797,814 | 0.52% |
| 2018 | 4,202 | 4,202 | - | 808,026 | 0.52% |
| 2017 | 4,809 | 4,809 | - | 924,815 | 0.52% |
| 2016 | 4,031 | 4,031 | - | 839,867 | 0.48% |
| 2015 | 4,291 | 4,291 | - | 893,909 | 0.48% |
| 2014 | 4,296 | 4,296 | - | 895,016 | 0.48% |
| 2013 | 4,424 | 4,424 | - | 921,573 | 0.48% |
| 2012 | 2,768 | 2,768 | - | 988,474 | 0.28% |
| 2011 | 2,840 | 2,840 | - | 1,014,399 | 0.28% |
| 2010 | 2,090 | 2,090 | - | 1,050,851 | 0.20% |
| Teacher | | | | | |
| 2019 | \$ 70,786 | \$ 70,786 | \$ - | \$ 13,612,623 | 0.52% |
| 2018 | 68,336 | 68,336 | - | 13,141,574 | 0.52% |
| 2017 | 66,662 | 66,662 | - | 12,819,622 | 0.52% |
| 2016 | 60,231 | 60,231 | - | 12,548,054 | 0.48% |
| 2015 | 61,721 | 61,721 | - | 12,858,451 | 0.48% |
| 2014 | 59,086 | 59,086 | - | 12,309,663 | 0.48% |
| 2013 | 59,464 | 59,464 | - | 12,388,438 | 0.48% |
| 2012 | 38,412 | 38,412 | - | 13,718,714 | 0.28% |
| 2011 | 38,240 | 38,240 | - | 13,657,281 | 0.28% |
| 2010 | 27,333 | 27,333 | - | 14,223,559 | 0.19% |

* information is presented less the Regional Library portion of covered payroll and contributions paid

For Reference Only:

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

Column 2 – Actual employer contribution remitted to VRS

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

County of Southampton, Virginia

Notes to Required Supplementary Information for VRS OPEB Group Life Insurance

For the Year Ended June 30, 2019

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

VaLORS Employees

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

JRS Employees

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

Largest Ten Locality Employers – General Employees

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

Non-Largest Ten Locality Employers – General Employees

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

Largest Ten Locality Employers – Hazardous Duty Employees

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

Non-Largest Ten Locality Employers – Hazardous Duty Employees

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

County of Southampton, Virginia

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

For the Measurement Dates of June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|--------------------------|--------------------------|
| Total HIC OPEB liability | | |
| Service cost | \$ 1,949 | \$ 2,153 |
| Interest | 9,433 | 9,676 |
| Changes of benefit terms | - | - |
| Changes of assumptions | - | (2,773) |
| Differences between expected and actual experience | (1,216) | - |
| Benefit payments | <u>(15,399)</u> | <u>(9,655)</u> |
| Net change in total HIC OPEB liability | (5,233) | (599) |
| Total HIC OPEB liability - beginning | <u>142,451</u> | <u>143,050</u> |
| Total HIC OPEB liability - ending (a) | <u>\$ 137,218</u> | <u>\$ 142,451</u> |
| Plan fiduciary net position | | |
| Contributions - employer | \$ 2,408 | \$ 2,271 |
| Net investment income | 10,036 | 15,450 |
| Benefit payments | (15,399) | (9,655) |
| Administrative expense | (223) | (241) |
| Other | <u>(812)</u> | <u>812</u> |
| Net change in plan fiduciary net position | (3,990) | 8,637 |
| Plan fiduciary net position - beginning | <u>146,251</u> | <u>137,614</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 142,261</u> | <u>\$ 146,251</u> |
| Political subdivision's net HIC OPEB liability - ending (a) - (b) | <u>\$ (5,043)</u> | <u>\$ (3,800)</u> |
| Plan fiduciary net position as a percentage of the total HIC OPEB liability | 103.68% | 102.67% |
| Covered payroll | \$ 1,498,197 | \$ 1,403,551 |
| Political subdivision's net HIC OPEB liability as a percentage of covered payroll | -0.3366% | -0.2707% |

County of Southampton, Virginia

Schedule of Employer's Share of Net OPEB Liability Health Insurance Credit Program (HIC) Teacher For the Measurement Dates of June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|----------------------|---------------|
| Employer's Proportion of the Net HIC OPEB Liability (Asset) | 0.16246% | 0.16244% |
| Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) | \$ 2,063,000 | \$ 2,061,000 |
| Employer's Covered Payroll | \$ 13,138,974 | \$ 12,819,622 |
| Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll | 15.70% | 16.08% |
| Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability | 8.08% | 7.04% |

*Schedule is intended to show information for 10 years.
Since 2018 is the second year of presentation, only two years of data is available. However, additional years will be included as they become available.*

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Health Insurance Credit (HIC) for each year is presented on page 123 of the VRS 2018 Comprehensive Annual Financial Report (CAFR).

County of Southampton, Virginia

Schedule of Employer Contributions HIC OPEB

For the Years Ended June 30, 2010 through 2019

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Employee Payroll (4) | Contributions as a % of Covered Employee Payroll (5) |
|------------------------------|--|---|---|---|---|
| Political Subdivision | | | | | |
| 2019 | \$ 2,356 | \$ 2,356 | \$ - | \$ 2,328,080 | 0.10% * |
| 2018 | 1,798 | 1,798 | - | 1,498,197 | 0.12% * |
| 2017 | 1,684 | 1,684 | - | 1,403,551 | 0.12% * |
| 2016 | 2,017 | 2,017 | - | 2,016,976 | 0.10% |
| 2015 | 2,057 | 2,057 | - | 2,056,732 | 0.10% |
| 2014 | 1,203 | 1,203 | - | 2,005,583 | 0.06% |
| 2013 | 4,205 | 4,205 | - | 7,008,577 | 0.06% |
| 2012 | 4,259 | 4,259 | - | 7,098,736 | 0.06% |
| 2011 | 4,157 | 4,157 | - | 6,928,802 | 0.06% |
| 2010 | 8,384 | 8,384 | - | 6,986,847 | 0.12% |
| Teacher | | | | | |
| 2019 | \$ 163,127 | \$ 163,127 | \$ - | \$ 13,593,915 | 1.20% |
| 2018 | 161,487 | 161,487 | - | 13,138,974 | 1.23% |
| 2017 | 142,298 | 142,298 | - | 12,819,622 | 1.11% |
| 2016 | 132,954 | 132,954 | - | 12,542,813 | 1.06% |
| 2015 | 136,258 | 136,258 | - | 12,854,527 | 1.06% |
| 2014 | 136,423 | 136,423 | - | 12,290,345 | 1.11% |
| 2013 | 137,455 | 137,455 | - | 12,383,337 | 1.11% |
| 2012 | 82,312 | 82,312 | - | 13,718,714 | 0.60% |
| 2011 | 81,944 | 81,944 | - | 13,657,281 | 0.60% |
| 2010 | 105,284 | 105,284 | - | 14,223,559 | 0.74% |

* information is presented less the Regional Library portion of covered payroll and contributions paid

For Reference Only:

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

Column 2 – Actual employer contribution remitted to VRS

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

County of Southampton, Virginia

Notes to Required Supplementary Information – HIC OPEB

For the Year Ended June 30, 2019

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

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers – Hazardous Duty Employees

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

Non-Largest Ten Locality Employers – Hazardous Duty Employees

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

Teacher

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

County of Southampton, Virginia

Schedule of Employer's Share of Net OPEB Liability Virginia Local Disability Program (VLDP) For the Measurement Dates of June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| Employer's Proportion of the Net VLDP OPEB Liability (Asset) | 0.06094% | 0.08183% |
| Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) | \$ 1,000 | \$ 1,000 |
| Employer's Covered Payroll | \$ 147,960 | \$ 150,265 |
| Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll | 0.68% | 0.67% |
| Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability | 51.22% | 38.40% |

*Schedule is intended to show information for 10 years.
Since 2018 is the second year of presentation, only two years of
data is available. However, additional years will be
included as they become available.*

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability (VLDP) for each year is presented on page 122 of the VRS 2018 Comprehensive Annual Financial Report (CAFR).

County of Southampton, Virginia

Schedule of Employer's Share of Net OPEB Liability Virginia Local Disability Program - VLDP Teacher For the Measurement Dates of June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| Employer's Proportion of the Net VLDP OPEB Liability (Asset) | 0.62396% | 0.72418% |
| Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) | \$ 5,000 | \$ 4,000 |
| Employer's Covered Payroll | \$2,326,563 | \$2,043,646 |
| Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll | 0.21% | 0.20% |
| Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability | 31.96% | 31.96% |

*Schedule is intended to show information for 10 years.
Since 2018 is the second year of presentation, only two years of
data is available. However, additional years will be
included as they become available.*

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability (VLDP) for each year is presented on page 121 of the VRS 2018 Comprehensive Annual Financial Report (CAFR).

County of Southampton, Virginia

Schedule of Employer Contributions for VRS OPEB VLDP

For the Years Ended June 30, 2010 through 2019

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Employee Payroll (4) | Contributions as a % of Covered Employee Payroll (5) |
|-------------|--|---|---|--|---|
| 2019 | \$ 1,523 | \$ 1,523 | \$ - | \$ 211,592 | 0.72% |
| 2018 | 888 | 888 | - | 147,960 | 0.60% |
| 2017 | 902 | 902 | N/A | 150,265 | 0.60% |
| 2016 | 687 | 687 | N/A | 114,489 | 0.60% |
| 2015 | 118 | 118 | N/A | 19,660 | 0.60% |
| 2014 | N/A | N/A | N/A | N/A | N/A |
| 2013 | N/A | N/A | N/A | N/A | N/A |
| 2012 | N/A | N/A | N/A | N/A | N/A |
| 2011 | N/A | N/A | N/A | N/A | N/A |
| 2010 | N/A | N/A | N/A | N/A | N/A |

County of Southampton, Virginia

Schedule of Employer Contributions for VRS OPEB VLDP Teacher

For the Years Ended June 30, 2010 through 2019

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Employee Payroll (4) | Contributions as a % of Covered Employee Payroll (5) |
|-------------|--|---|---|--|---|
| 2019 | \$ 13,683 | \$ 13,683 | \$ - | \$ 3,337,339 | 0.41% |
| 2018 | 7,212 | 7,212 | - | 2,326,563 | 0.31% |
| 2017 | 6,335 | 6,335 | - | 2,043,646 | 0.31% |
| 2016 | 3,965 | 3,965 | - | 1,367,290 | 0.29% |
| 2015 | 3,531 | 3,531 | - | 1,217,438 | 0.29% |
| 2014 | 17 | 17 | - | 5,828 | 0.29% |
| 2013 | N/A | N/A | N/A | N/A | N/A |
| 2012 | N/A | N/A | N/A | N/A | N/A |
| 2011 | N/A | N/A | N/A | N/A | N/A |
| 2010 | N/A | N/A | N/A | N/A | N/A |

County of Southampton, Virginia

Notes to Required Supplementary Information OPEB VLDP

For the Year Ended June 30, 2019

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

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

Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

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

Teacher

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

County of Southampton, Virginia

Schedule of Changes in the Political Subdivision's
Net OPEB Liability - Retiree Health Insurance
and Related Ratios

Last 10 Fiscal Years (as information becomes available)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|----------------------------|----------------------------|----------------------------|
| Total OPEB liability | | | |
| Service cost | \$ 41,366 | \$ 52,228 | \$ 50,707 |
| Interest | 141,434 | 134,828 | 128,355 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | (365,102) | - | - |
| Changes in assumptions | (139,649) | (15,270) | - |
| Benefit payments, including refunds of employee contributions | <u>(81,467)</u> | <u>(99,765)</u> | <u>(70,661)</u> |
| Net change in total OPEB liability | (403,418) | 72,021 | 108,401 |
| Total OPEB liability - beginning | <u>2,060,405</u> | <u>1,988,384</u> | <u>1,879,983</u> |
| Total OPEB liability - ending (a) | <u>\$ 1,656,987</u> | <u>\$ 2,060,405</u> | <u>\$ 1,988,384</u> |
| Plan fiduciary net position | | | |
| Contributions - employer * | \$ 206,467 | \$ 299,765 | \$ 258,661 |
| Contributions - employee | - | - | - |
| Net investment income | 78,988 | 72,125 | 97,469 |
| Benefit payments, including refunds of employee contributions | (81,467) | (99,765) | (70,661) |
| Administrative expense | - | - | - |
| Other | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in plan fiduciary net position | 203,988 | 272,125 | 285,469 |
| Plan fiduciary net position - beginning | <u>1,364,518</u> | <u>1,092,393</u> | <u>806,924</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 1,568,506</u> | <u>\$ 1,364,518</u> | <u>\$ 1,092,393</u> |
| Political subdivision's net OPEB liability - ending (a) - (b) | <u>\$ 88,481</u> | <u>\$ 695,887</u> | <u>\$ 895,991</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 94.66% | 66.23% | 54.94% |
| Covered employee-payroll | \$ 6,678,465 | \$ 6,407,641 | \$ 7,783,279 |
| Political subdivision's net OPEB liability as a percentage of covered payroll | 1.32% | 10.86% | 11.51% |

* Contributions include benefit payments

County of Southampton, Virginia

Schedule of Employer Contributions - OPEB Retiree Health Insurance

Last 10 Fiscal Years

| Date | Actuarially Determined Contribution (1) | Contributions in Relation to Actuarially Determined Contribution* (2) | Contribution Deficiency (Excess) (3) | Expected Covered Employee Payroll (4) | Contributions as a % of Covered Payroll (5) |
|-------------|--|--|---|--|--|
| 2019 | \$ 55,375 | \$ 206,467 | \$ (151,092) | \$ 6,678,465 | 3.09% |
| 2018 | 121,776 | 200,000 | (78,224) | 6,407,641 | 3.12% |
| 2017 | 118,229 | 188,000 | (69,771) | 7,783,279 | 2.42% |
| 2016 | 163,742 | 182,000 | (18,258) | | |
| 2015 | 262,909 | 156,000 | 106,909 | 7,480,266 | 2.09% |
| 2014 | 273,226 | 130,000 | 143,226 | | |
| 2013 | 330,865 | 134,000 | 196,865 | 6,840,978 | 1.96% |
| 2012 | 311,278 | 103,000 | 208,278 | | |
| 2011 | 241,049 | 81,000 | 160,049 | 6,009,054 | 1.35% |
| 2010 | 240,127 | 82,000 | 158,127 | | |

* Employer contributions above do not include benefits (implicit subsidy) paid by the County.

County of Southampton, Virginia

Schedule of Changes in the School Board's
Net OPEB Liability - Retiree Health Insurance
and Related Ratios

Last 10 Fiscal Years (as information becomes available)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|----------------------------|----------------------------|----------------------------|
| Total OPEB liability | | | |
| Service cost | \$ 91,976 | \$ 136,451 | \$ 132,477 |
| Interest | 243,258 | 225,542 | 215,687 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | (1,414,409) | - | - |
| Changes in assumptions | (257,360) | (133,482) | - |
| Benefit payments, including refunds of employee contributions | <u>(106,303)</u> | <u>(213,556)</u> | <u>(161,873)</u> |
| Net change in total OPEB liability | (1,442,838) | 14,955 | 186,291 |
| Total OPEB liability - beginning | <u>3,755,330</u> | <u>3,740,375</u> | <u>3,554,084</u> |
| Total OPEB liability - ending (a) | <u>\$ 2,312,492</u> | <u>\$ 3,755,330</u> | <u>\$ 3,740,375</u> |
| Plan fiduciary net position | | | |
| Contributions - employer * | \$ 376,303 | \$ 463,556 | \$ 440,423 |
| Contributions - employee | - | - | - |
| Net investment income | 89,423 | 48,166 | 77,815 |
| Benefit payments, including refunds of employee contributions | (106,303) | (213,556) | (161,873) |
| Administrative expense | - | - | - |
| Other | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in plan fiduciary net position | 359,423 | 298,166 | 356,365 |
| Plan fiduciary net position - beginning | <u>1,634,165</u> | <u>1,335,999</u> | <u>979,634</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 1,993,588</u> | <u>\$ 1,634,165</u> | <u>\$ 1,335,999</u> |
| Political subdivision's net OPEB liability - ending (a) - (b) | <u>\$ 318,904</u> | <u>\$ 2,121,165</u> | <u>\$ 2,404,376</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 86.21% | 43.52% | 35.72% |
| Covered employee-payroll | \$ 15,652,246 | \$ 11,125,737 | \$ 15,981,786 |
| Political subdivision's net OPEB liability as a percentage of covered payroll | 2.04% | 19.07% | 15.04% |

* Contributions include benefit payments

County of Southampton, Virginia

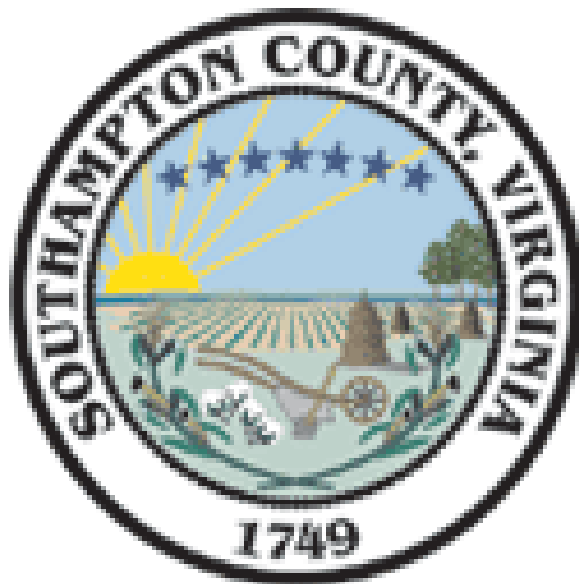
Schedule of Employer Contributions - OPEB Retiree Health Insurance School Board

Last 10 Fiscal Years

| Date | Actuarially Determined Contribution (1) | Contributions in Relation to Actuarially Determined Contribution* (2) | Contribution Deficiency (Excess) (3) | Expected Covered Employee Payroll (4) | Contributions as a % of Covered Payroll (5) |
|-------------|--|--|---|--|--|
| 2019 | \$ 134,086 | \$ 376,303 | \$ (242,217) | \$ 15,652,246 | 2.40% |
| 2018 | 273,960 | 250,000 | 23,960 | 11,125,737 | 2.25% |
| 2017 | 265,981 | 278,550 | (12,569) | 15,981,786 | 1.74% |
| 2016 | 264,544 | 377,000 | (112,456) | 14,906,021 | 2.53% |
| 2015 | 287,004 | 198,000 | 89,004 | | |
| 2014 | 304,157 | 155,000 | 149,157 | 12,047,846 | 1.29% |
| 2013 | 373,956 | 130,000 | 243,956 | | |
| 2012 | 348,903 | 127,000 | 221,903 | 10,553,139 | 1.20% |
| 2011 | 288,050 | 138,000 | 150,050 | | |
| 2010 | 286,550 | 130,000 | 156,550 | 9,694,574 | 1.34% |

* Employer contributions above do not include benefits (implicit subsidy) paid by the Schools.

OTHER SUPPLEMENTARY INFORMATION



County of Southampton, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2019

| | <u>Forfeiture Fund</u> | <u>Law Library Fund</u> | <u>Canteen Fund</u> | <u>Inmate Fund</u> | <u>Total Other Governmental Funds</u> |
|--|----------------------------|-----------------------------|-------------------------|------------------------|---|
| Assets | | | | | |
| Cash and investments | \$ 71,425 | \$ 17,107 | \$ 17,841 | \$ 183,074 | \$ 289,447 |
| Due from other governments | <u>-</u> | <u>944</u> | <u>-</u> | <u>4,653</u> | <u>5,597</u> |
| Total Assets | <u>\$ 71,425</u> | <u>\$ 18,051</u> | <u>\$ 17,841</u> | <u>\$ 187,727</u> | <u>\$ 295,044</u> |
| Liabilities | | | | | |
| Accounts payable and accrued liabilities | \$ 77 | \$ - | \$ 3,928 | \$ 3,148 | \$ 7,153 |
| Total Liabilities | 77 | - | 3,928 | 3,148 | 7,153 |
| Fund Balance | | | | | |
| Restricted fund balance | <u>71,348</u> | <u>18,051</u> | <u>13,913</u> | <u>184,579</u> | <u>287,891</u> |
| Total Fund Balance | <u>71,348</u> | <u>18,051</u> | <u>13,913</u> | <u>184,579</u> | <u>287,891</u> |
| Total Liabilities and Fund Balance | <u>\$ 71,425</u> | <u>\$ 18,051</u> | <u>\$ 17,841</u> | <u>\$ 187,727</u> | <u>\$ 295,044</u> |

County of Southampton, Virginia

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

Other Governmental Funds

At June 30, 2019

| | <u>Forfeiture Fund</u> | <u>Law Library Fund</u> | <u>Canteen Fund</u> | <u>Inmate Fund</u> | <u>Total Other Governmental Funds</u> |
|---|----------------------------|-----------------------------|-------------------------|------------------------|---|
| Revenues | | | | | |
| Use of money and property | \$ 180 | \$ 15 | \$ - | \$ - | \$ 195 |
| Charges for services | - | 4,588 | 47,295 | - | 51,883 |
| Miscellaneous | - | - | - | 136,091 | 136,091 |
| Intergovernmental | | | | | |
| From the Commonwealth of Virginia | 1,717 | - | - | - | 1,717 |
| From the Federal Government | 28,699 | - | - | - | 28,699 |
| Total Revenues | 30,596 | 4,603 | 47,295 | 136,091 | 218,585 |
| Expenditures | | | | | |
| Current | | | | | |
| Judicial administration | - | - | - | - | - |
| Public safety | 41,133 | - | 71,727 | 35,960 | 148,820 |
| Total Expenditures | 41,133 | - | 71,727 | 35,960 | 148,820 |
| Excess (Deficiency) of Revenues Over Expenditures | (10,537) | 4,603 | (24,432) | 100,131 | 69,765 |
| Other Financing Sources (Uses) | | | | | |
| Transfers out | - | - | - | (80,000) | (80,000) |
| Total Other Financing Sources (Uses) | - | - | - | (80,000) | (80,000) |
| Net Change in Fund Balances | (10,537) | 4,603 | (24,432) | 20,131 | (10,235) |
| Fund Balance - Beginning of Year | 81,885 | 13,448 | 38,345 | 164,448 | 298,126 |
| Fund Balance - End of Year | <u>\$ 71,348</u> | <u>\$ 18,051</u> | <u>\$ 13,913</u> | <u>\$ 184,579</u> | <u>\$ 287,891</u> |

County of Southampton, Virginia

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

At June 30, 2019

| | Special Welfare Fund | Cypress Escrow Fund | Enviva Escrow Fund | Blackwater Regional Library Fund | OPEB Trust Accounts | Totals |
|-------------------------|-------------------------------------|------------------------------------|-----------------------------------|---|------------------------------------|--------------------|
| Assets | | | | | | |
| Cash | \$ 79,482 | \$ 8,084 | \$ 430,518 | \$ 331,043 | \$3,562,095 | \$4,411,222 |
| Accounts receivable | <u>20,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>20,000</u> |
| Total Assets | <u>\$99,482</u> | <u>\$ 8,084</u> | <u>\$ 430,518</u> | <u>\$ 331,043</u> | <u>\$3,562,095</u> | <u>\$4,431,222</u> |
| Liabilities | | | | | | |
| Amounts held for others | <u>\$99,482</u> | <u>\$ 8,084</u> | <u>\$ 430,518</u> | <u>\$ 331,043</u> | <u>\$3,562,095</u> | <u>\$4,431,222</u> |
| Total Liabilities | <u>\$99,482</u> | <u>\$ 8,084</u> | <u>\$ 430,518</u> | <u>\$ 331,043</u> | <u>\$3,562,095</u> | <u>\$4,431,222</u> |

County of Southampton, Virginia

Component Unit School Board

Combining Balance Sheet

At June 30, 2019

| | <u>School Operating Fund</u> | <u>School Food Services Fund</u> | <u>School Endowment Fund</u> | <u>Total Governmental Funds</u> |
|--|--------------------------------------|--|--------------------------------------|---|
| Assets | | | | |
| Cash and investments | \$ 3,573,006 | \$ 74,909 | \$ 24,115 | \$ 3,672,030 |
| Accounts receivable | 57,289 | 40,897 | - | 98,186 |
| Due from other governments | <u>966,013</u> | <u>256,229</u> | <u>-</u> | <u>1,222,242</u> |
| Total Assets | <u>\$ 4,596,308</u> | <u>\$ 372,035</u> | <u>\$ 24,115</u> | <u>\$ 4,992,458</u> |
| Liabilities | | | | |
| Pooled cash deficit | \$ - | \$ 5,401 | \$ - | \$ 5,401 |
| Accounts payable | 1,303,620 | - | - | 1,303,620 |
| Accrued liabilities | <u>2,768,542</u> | <u>68,550</u> | <u>-</u> | <u>2,837,092</u> |
| Total Liabilities | 4,072,162 | 73,951 | - | 4,146,113 |
| Deferred Inflows of Resources | | | | |
| Unexpended grants payable | <u>524,146</u> | <u>-</u> | <u>-</u> | <u>524,146</u> |
| Total Deferred Inflows of Resources | 524,146 | - | - | 524,146 |
| Fund Balance | | | | |
| Restricted Fund Balance | | | | |
| Endowment | - | - | 24,115 | 24,115 |
| Assigned Fund Balance | | | | |
| Food services | <u>-</u> | <u>298,084</u> | <u>-</u> | <u>298,084</u> |
| Total Fund Balance | <u>-</u> | <u>298,084</u> | <u>24,115</u> | <u>322,199</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$ 4,596,308</u> | <u>\$ 372,035</u> | <u>\$ 24,115</u> | <u>\$ 4,992,458</u> |

County of Southampton, Virginia

Component Unit School Board

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

At June 30, 2019

| | |
|--|------------|
| Total Fund Balances for Governmental Funds | \$ 322,199 |
|--|------------|

Total net position reported for governmental activities in the Statement of Net Position is different because:

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

| | |
|---|-------------------|
| Land | \$ 1,362,200 |
| Buildings and improvements, net of depreciation | 566,056 |
| Furniture, equipment, and vehicles, net of depreciation | <u>11,313,117</u> |

| | |
|----------------------|------------|
| Total Capital Assets | 13,241,373 |
|----------------------|------------|

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

| | |
|--|--------------------|
| Deferred outflows related to OPEBs | 351,620 |
| Deferred inflows related to OPEBs | (1,748,005) |
| Deferred outflows of resources related to pensions | 2,636,758 |
| Deferred inflows of resources related to pensions | <u>(2,797,052)</u> |

| | |
|--|-------------|
| Total Deferred Outflows and Inflows of Resources | (1,556,679) |
|--|-------------|

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

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

| | |
|---|------------------|
| Capital leases payable | (1,008,469) |
| Net pension liability | (18,362,906) |
| Other post employment benefits obligation | (3,501,904) |
| Compensated absences | <u>(284,149)</u> |

| | |
|-------------------|---------------------|
| Total Liabilities | <u>(23,157,428)</u> |
|-------------------|---------------------|

| | |
|---|-------------------------------|
| Total Net Position of Governmental Activities | <u><u>\$ (11,150,535)</u></u> |
|---|-------------------------------|

County of Southampton, Virginia

Component Unit School Board

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

Year Ended June 30, 2019

| | <u>School Operating Fund</u> | <u>School Food Services Fund</u> | <u>School Endowment Fund</u> | <u>Total School Funds</u> |
|---|--------------------------------------|--|--------------------------------------|-----------------------------------|
| Revenues | | | | |
| Use of money and property | \$ - | \$ 965 | \$ 60 | \$ 1,025 |
| Charges for services | 190,851 | 278,555 | - | 469,406 |
| Miscellaneous | 119,930 | - | - | 119,930 |
| Recovered costs | 368,081 | - | - | 368,081 |
| Intergovernmental | | | | |
| From County of Southampton, Virginia | 12,545,978 | - | - | 12,545,978 |
| From the Commonwealth of Virginia | 19,515,241 | 37,012 | - | 19,552,253 |
| From the Federal Government | <u>1,730,113</u> | <u>955,447</u> | <u>-</u> | <u>2,685,560</u> |
| Total Revenues | 34,470,194 | 1,271,979 | 60 | 35,742,233 |
| Expenditures | | | | |
| Education | 32,132,955 | 1,134,802 | - | 33,267,757 |
| Debt service | <u>2,778,696</u> | <u>-</u> | <u>-</u> | <u>2,778,696</u> |
| Total Expenditures | <u>34,911,651</u> | <u>1,134,802</u> | <u>-</u> | <u>36,046,453</u> |
| Excess of Revenues over Expenditures before Other Financing Sources (Uses) | <u>(441,457)</u> | <u>137,177</u> | <u>60</u> | <u>(304,220)</u> |
| Other Financing Sources (Uses) | | | | |
| Issuance of debt | <u>441,457</u> | <u>-</u> | <u>-</u> | <u>441,457</u> |
| Total Other Financing Sources (Uses) | <u>441,457</u> | <u>-</u> | <u>-</u> | <u>441,457</u> |
| Net Change in Fund Balances | - | 137,177 | 60 | 137,237 |
| Fund Balances - Beginning of Year | <u>-</u> | <u>160,907</u> | <u>24,055</u> | <u>184,962</u> |
| Fund Balances - End of Year | <u>\$ -</u> | <u>\$ 298,084</u> | <u>\$ 24,115</u> | <u>\$ 322,199</u> |

County of Southampton, Virginia

Component Unit School Board

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

Year Ended June 30, 2019

| | |
|-----------------------------|------------|
| Net Change in Fund Balances | \$ 137,237 |
|-----------------------------|------------|

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

(250,243)

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

| | |
|--|----------------|
| Proceeds of new debt or capital leases | \$ (441,457) |
| Repayments on debt | <u>201,855</u> |
| Net Adjustment | (239,602) |

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. Changes in the following accounts are as follows:

| | |
|---------------------------------|------------------|
| Compensated absences | (20,991) |
| Net pension liability | 781,078 |
| Deferred inflows - VRS pension | 536,984 |
| Deferred outflows - VRS pension | (105,255) |
| Deferred outflows - OPEB | 66,797 |
| Deferred inflows - OPEB | (1,452,354) |
| Other postemployment benefits | <u>1,806,261</u> |
| | <u>1,612,520</u> |

| | |
|---|---------------------|
| Change in Net Position of Governmental Activities | <u>\$ 1,259,912</u> |
|---|---------------------|

County of Southampton, Virginia

Component Unit School Board

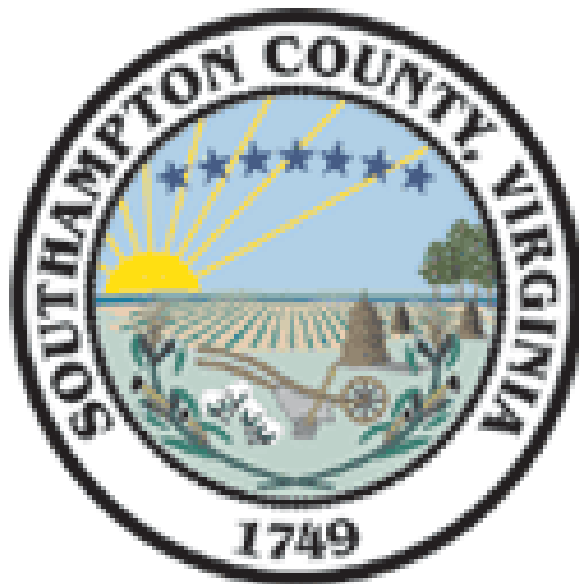
Budgetary Comparison Schedule

Year Ended June 30, 2019

School Operating Fund

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|-------------------|---|
| Revenues | | | | |
| Charges for services | \$ 60,000 | \$ 190,851 | \$ 190,851 | \$ - |
| Miscellaneous | - | 283,643 | 119,930 | (163,713) |
| Recovered costs | - | 772,635 | 368,081 | (404,554) |
| Intergovernmental | | | | |
| From County of Southampton, Virginia | 12,587,953 | 12,587,953 | 12,545,978 | (41,975) |
| From the Commonwealth of Virginia | 19,287,339 | 19,940,581 | 19,515,241 | (425,340) |
| From the Federal Government | <u>1,710,579</u> | <u>2,083,780</u> | <u>1,730,113</u> | <u>(353,667)</u> |
| Total Revenues | 33,645,871 | 35,859,443 | 34,470,194 | (1,389,249) |
| Expenditures | | | | |
| Current | | | | |
| <i>Education</i> | | | | |
| Instruction | 22,473,293 | 23,548,896 | 22,552,512 | 996,384 |
| Administration, attendance, and health | 1,341,237 | 1,352,364 | 1,349,525 | 2,839 |
| Transportation | 2,996,705 | 3,493,268 | 3,508,455 | (15,187) |
| Operation and maintenance | 2,809,053 | 3,001,765 | 3,003,308 | (1,543) |
| School food services | 235,837 | 280,138 | 264,755 | 15,383 |
| Facilities | 129,609 | 442,323 | 410,028 | 32,295 |
| Technology | 844,576 | 1,366,235 | 1,044,372 | 321,863 |
| Debt service | <u>2,815,561</u> | <u>2,815,911</u> | <u>2,778,696</u> | <u>37,215</u> |
| Total Expenditures | <u>33,645,871</u> | <u>36,300,900</u> | <u>34,911,651</u> | <u>1,389,249</u> |
| Excess of Revenues over Expenditures before Other Financing Sources (Uses) | - | (441,457) | (441,457) | - |
| Other Financing Sources (Uses) | | | | |
| Proceeds of long-term capital lease | <u>-</u> | <u>441,457</u> | <u>441,457</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>441,457</u> | <u>441,457</u> | <u>-</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| Fund Balance - Beginning of Year | | | <u>-</u> | |
| Fund Balance - End of Year | | | <u>\$ -</u> | |

OTHER INFORMATION SECTION



County of Southampton, Virginia

Jail Canteen and Other Revenue and Expense Information

Year Ended June 30, 2019

| | <u>Inmate Canteen</u> | | <u>Jail Telephone Commission</u> | | <u>Inmate Medical Co-payments</u> | | <u>Other Inmate Collections and Work Release</u> | | <u>Totals</u> | |
|-----------------------------|-----------------------|---------------------|----------------------------------|---------------------|-----------------------------------|---------------------|--|---------------------|-------------------|---------------------|
| | <u>Revenues</u> | <u>Expenditures</u> | <u>Revenues</u> | <u>Expenditures</u> | <u>Revenues</u> | <u>Expenditures</u> | <u>Revenues</u> | <u>Expenditures</u> | <u>Revenues</u> | <u>Expenditures</u> |
| Canteen Fund #736 | \$ 47,295 | \$ 71,727 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 47,295 | \$ 71,727 |
| Inmate Enterprise Fund #737 | - | - | 34,226 | 14,528 | 2,590 | - | 99,275 | 21,432 | 136,091 | 35,960 |
| Total | <u>\$ 47,295</u> | <u>\$ 71,727</u> | <u>\$ 34,226</u> | <u>\$ 14,528</u> | <u>\$ 2,590</u> | <u>\$ -</u> | <u>\$ 99,275</u> | <u>\$ 21,432</u> | <u>\$ 183,386</u> | <u>\$ 107,687</u> |

Table 1

County of Southampton, Virginia

General Governmental Revenues by Source⁽¹⁾

Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>General Property Taxes</u> | <u>Other Local Taxes</u> | <u>Permits, Privilege Fees, and Regulatory Licenses</u> | <u>Fines and Forfeitures</u> | <u>Use of Money and Property</u> | <u>Charges for Services</u> | <u>Miscellaneous</u> | <u>Recovered Costs</u> | <u>Inter-Governmental</u> | <u>Total</u> |
|--------------------|-------------------------------|--------------------------|---|------------------------------|----------------------------------|-----------------------------|----------------------|------------------------|---------------------------|-------------------|
| 2010 | \$ 16,321,948 | \$2,249,072 | \$ 128,209 | \$ 625,133 | \$ 99,322 | \$ 1,267,856 | \$ 951,159 | \$ 947,657 | \$ 28,363,955 | \$50,954,311 |
| 2011 | 17,880,160 | 2,466,909 | 121,723 | 640,231 | 129,008 | 1,193,571 | 1,055,396 | 1,232,737 | 25,872,866 | 50,592,601 |
| 2012 | 18,300,902 | 2,413,080 | 139,286 | 632,501 | 78,918 | 1,290,027 | 1,006,612 | 1,091,047 | 25,556,713 | 50,509,086 |
| 2013 | 16,032,974 | 2,076,676 | 130,959 | 719,987 | 123,004 | 2,133,770 | 1,037,313 | 1,870,729 | 28,533,347 | 52,658,759 |
| 2014 | 16,497,857 | 2,019,368 | 25,358 | 738,640 | 138,431 | 2,453,943 | 1,227,949 | 916,951 | 28,999,302 | 53,017,799 |
| 2015 | 19,190,845 | 2,092,934 | 18,412 | 873,841 | 173,997 | 2,228,759 | 1,300,932 | 1,081,706 | 31,267,836 | 58,229,262 |
| 2016 | 19,205,365 | 2,108,074 | 17,413 | 843,525 | 219,962 | 2,213,257 | 1,288,192 | 1,363,838 | 29,367,981 | 56,627,607 |
| 2017 | 20,530,429 | 2,176,962 | 230,676 | 841,367 | 1,142,822 | 2,107,962 | 1,238,506 | 1,351,596 | 29,953,058 | 59,573,378 |
| 2018 | 21,073,623 | 2,722,124 | 43,605 | 819,878 | 176,966 | 2,042,024 | 1,220,498 | 1,089,170 | 31,068,136 | 60,256,024 |
| 2019 | 21,864,899 | 2,346,073 | 17,557 | 802,075 | 289,195 | 2,000,574 | 1,126,639 | 1,041,317 | 32,087,676 | 61,576,005 |

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

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

Table 2

County of Southampton, Virginia

General Governmental Expenditures by Function⁽¹⁾

Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>General Administration</u> | <u>Judicial Administration</u> | <u>Public Safety</u> | <u>Public Works</u> | <u>Health and Welfare</u> | <u>Education</u> | <u>Parks, Recreation, and Cultural</u> | <u>Community Development</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Total</u> |
|--------------------|-------------------------------|--------------------------------|----------------------|---------------------|---------------------------|-------------------|--|------------------------------|-------------------------|---------------------|-------------------|
| 2010 | \$ 1,924,123 | \$ 1,583,442 | \$ 6,789,787 | \$ 3,056,131 | \$ 3,241,370 | \$ 29,369,532 | \$ 322,963 | \$ 779,305 | \$ 680,140 | \$ 3,907,127 | \$ 51,653,920 |
| 2011 | 1,953,705 | 1,538,605 | 7,116,500 | 2,624,589 | 3,172,496 | 29,290,655 | 290,107 | 523,419 | 3,188,048 | 4,187,328 | 53,885,452 |
| 2012 | 2,292,723 | 1,559,984 | 6,934,012 | 2,636,254 | 3,004,826 | 29,927,233 | 292,862 | 565,563 | 340,642 | 3,812,796 | 51,366,895 |
| 2013 | 2,197,482 | 1,678,682 | 7,019,697 | 2,443,846 | 2,860,107 | 29,015,475 | 380,000 | 3,313,891 | - | 3,581,984 | 52,491,164 |
| 2014 | 2,080,836 | 1,733,218 | 7,834,258 | 2,425,049 | 2,882,650 | 29,382,887 | 383,634 | 2,495,582 | - | 3,495,265 | 52,713,379 |
| 2015 | 2,213,965 | 1,735,718 | 8,072,419 | 2,508,572 | 2,960,965 | 30,277,727 | 341,393 | 1,116,145 | 3,517,878 | 3,550,194 | 56,294,976 |
| 2016 | 2,289,805 | 1,796,953 | 8,961,775 | 2,646,468 | 3,069,595 | 34,769,988 | 322,982 | 1,114,870 | 5,931 | 18,333,388 | 73,311,755 |
| 2017 | 2,541,644 | 1,806,316 | 8,983,507 | 3,400,527 | 2,938,631 | 33,795,517 | 274,604 | 1,163,757 | - | 3,893,274 | 58,797,777 |
| 2018 | 2,543,839 | 1,876,499 | 9,255,645 | 2,561,373 | 3,079,284 | 32,296,902 | 333,776 | 1,236,336 | - | 4,463,844 | 57,647,498 |
| 2019 | 2,423,515 | 2,001,818 | 9,042,212 | 2,453,451 | 3,278,794 | 35,640,932 | 329,649 | 1,233,360 | - | 3,837,742 | 60,241,473 |

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

County of Southampton, Virginia

Assessed Value of Taxable Property

Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Real Estate</u> | <u>Personal Property</u> | <u>Mobile Homes</u> | <u>Machinery and Tools⁽¹⁾</u> | <u>Merchant's Capital</u> | <u>Public Service Corporation Real Estate</u> | <u>Personal Property</u> | <u>Total</u> |
|--------------------|----------------------|--------------------------|---------------------|--|---------------------------|---|--------------------------|----------------------|
| 2010 | \$ 1,282,273,000 | \$ 127,448,482 | \$ 10,837,391 | \$ 43,918,406 | \$ 9,864,305 | \$ 101,407,727 | \$ 85,981 | \$ 1,575,835,292 |
| 2011 | 1,293,700,800 | 131,828,952 | 10,675,953 | 44,052,047 | 11,198,575 | 113,116,206 | 68,031 | 1,604,640,564 |
| 2012 | 1,299,862,900 | 132,534,753 | 10,495,150 | 43,893,776 | 10,199,919 | 112,595,293 | 61,432 | 1,609,643,223 |
| 2013 | 1,337,723,000 | 137,133,629 | 7,658,626 | 43,576,110 | 10,234,997 | 134,364,168 | 87,128 | 1,670,777,658 |
| 2014 | 1,343,689,600 | 136,417,586 | 7,793,192 | 48,160,345 | 10,617,374 | 141,762,740 | 258,152 | 1,688,698,989 |
| 2015 | 1,356,870,800 | 140,646,148 | 8,312,106 | 113,489,487 | 11,788,932 | 179,163,642 | 124,196 | 1,810,395,311 |
| 2016 | 1,361,590,000 | 147,143,891 | 9,252,160 | 113,646,088 | 15,609,656 | 187,432,972 | 57,907 | 1,834,732,674 |
| 2017 | 1,369,659,700 | 153,711,284 | 9,584,120 | 123,619,261 | 16,135,365 | 187,515,051 | 49,254 | 1,860,274,035 |
| 2018 | 1,735,045,600 | 156,594,080 | 9,629,251 | 113,441,589 | 17,115,299 | 182,885,004 | 66,304 | 2,214,777,127 |
| 2019 | 1,820,829,200 | 158,607,656 | 8,296,149 | 101,946,154 | 16,331,882 | 237,207,617 | 101,840 | 2,343,320,498 |

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

Property Tax Rates - Last Ten Fiscal Years

Tax Rates per Hundred Dollars of Assessed Valuation

| <u>Fiscal Year</u> | <u>Real Estate</u> | <u>Personal Property</u> | <u>Mobile Homes</u> | <u>Machinery and Tools</u> | <u>Farm Machinery and Seasonal</u> | <u>Merchant's Capital</u> | <u>Public Service Corporation Real Estate</u> | <u>Personal Property</u> |
|--------------------|--------------------|--------------------------|---------------------|----------------------------|------------------------------------|---------------------------|---|--------------------------|
| 2010 | .72 | 4.50 | .72 | 2.40 | 1.95/1.25 | .50 | .72 | 4.50 |
| 2011 | .76 | 5.00 | .76 | 2.40 | 1.95/1.25 | .50 | .76 | 5.00 |
| 2012 | .77 | 5.00 | .77 | 2.40 | 1.95/1.25 | .50 | .77 | 5.00 |
| 2013 | .75 | 5.00 | .75 | 2.40 | 1.95/1.25 | .50 | .75 | 5.00 |
| 2014 | .75 | 5.00 | .75 | 2.40 | 1.95/1.25 | .50 | .75 | 5.00 |
| 2015 | .77 | 5.00 | .77 | 2.40 | 1.95/1.25 | .50 | .77 | 5.00 |
| 2016 | .77 | 5.00 | .77 | 2.40 | 1.95/1.25 | .50 | .77 | 5.00 |
| 2017 | .82 | 5.00 | .82 | 2.40 | 1.95/1.25 | .50 | .82 | 5.00 |
| 2018 | .85 | 5.00 | .85 | 2.40 | 1.95/1.25 | .50 | .85 | 5.00 |
| 2019 | .85 | 5.00 | .85 | 2.40 | 1.95/1.25 | .50 | .85 | 5.00 |

County of Southampton, Virginia

Property Tax Levies and Collections

Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Total Tax Levy</u> | <u>Current Tax Collections</u> ⁽¹⁾ | <u>Percent of Levy Collected</u> | <u>Delinquent Tax Collections</u> | <u>Total Tax Collections</u> | <u>Percent of Total Tax Collections to Tax Levy</u> | <u>Outstanding Delinquent Taxes</u> | <u>Percent of Delinquent Taxes to Tax Levy</u> |
|--------------------|-----------------------|---|----------------------------------|-----------------------------------|------------------------------|---|-------------------------------------|--|
| 2010 | \$ 16,143,974 | \$ 15,492,497 | 95.96% | \$ 536,310 | \$ 16,028,807 | 99.29% | \$ 1,436,610 | 8.90% |
| 2011 | 17,709,212 | 16,778,761 | 94.75% | 701,801 | 17,480,562 | 98.71% | 1,433,684 | 8.10% |
| 2012 | 17,932,688 | 17,318,765 | 96.58% | 579,172 | 17,897,937 | 99.81% | 1,410,615 | 7.87% |
| 2013 | 18,221,824 | 17,572,558 | 96.44% | 164,117 | 17,736,675 | 97.34% | 1,352,238 | 7.42% |
| 2014 | 18,441,331 | 17,769,823 | 96.36% | 658,912 | 18,428,735 | 99.93% | 1,500,452 | 8.14% |
| 2015 | 20,873,870 | 20,298,649 | 97.24% | 768,988 | 21,067,637 | 100.93% | 1,501,685 | 7.19% |
| 2016 | 21,164,666 | 20,577,367 | 97.23% | 464,868 | 21,042,235 | 99.42% | 1,453,738 | 6.87% |
| 2017 | 23,308,170 | 21,804,117 | 93.55% | 578,034 | 22,382,151 | 96.03% | 1,619,681 | 6.95% |
| 2018 | 23,634,456 | 22,161,354 | 93.77% | 771,586 | 22,932,940 | 97.03% | 1,845,695 | 7.81% |
| 2019 | 23,589,821 | 22,906,244 | 97.10% | 721,693 | 23,627,937 | 100.16% | 1,746,586 | 7.40% |

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

Table 5

County of Southampton, Virginia

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

Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Population</u> | <u>Assessed Value (in thousands)</u> | <u>Net Bonded Debt</u> | <u>Ratio on Net Bonded Debt to Assessed Value</u> | <u>Net Bonded Debt Per Capita</u> |
|------------------------|-------------------|--|----------------------------|---|---|
| 2010 | 18,570 | \$ 1,575,836 | \$ 72,726,353 | .0462 | \$ 3,916 |
| 2011 | 18,570 | 1,604,641 | 69,913,304 | .0436 | 3,765 |
| 2012 | 18,570 | 1,609,643 | 67,354,628 | .0418 | 3,627 |
| 2013 | 18,570 | 1,670,778 | 65,503,771 | .0392 | 3,527 |
| 2014 | 18,570 | 1,688,699 | 63,313,329 | .0375 | 3,409 |
| 2015 | 18,570 | 1,810,395 | 60,472,471 | .0334 | 3,256 |
| 2016 | 18,570 | 1,834,733 | 65,974,701 | .0360 | 3,553 |
| 2017 | 18,570 | 1,860,274 | 62,893,286 | .0338 | 3,387 |
| 2018 | 18,570 | 2,214,777 | 58,205,296 | .0263 | 3,134 |
| 2019 | 18,570 | 2,343,320 | 62,232,079 | .0266 | 3,351 |

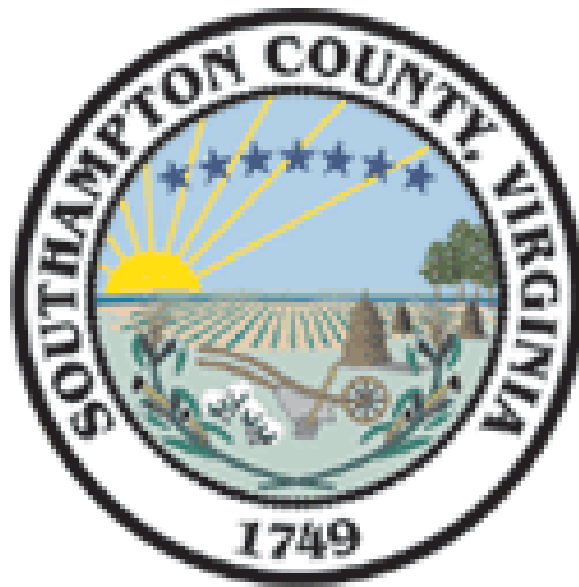
County of Southampton, Virginia

Special Assessment Billings and Collections

Last Ten Fiscal Years

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

COMPLIANCE SECTION





**Creedle
Jones
& Associates**

A Professional Corporation

*Robin B. Jones, CPA, CFP
Denise C. Williams, CPA, CSEP
Kimberly W. Jackson, CPA*

Nadine L. Chase, CPA

Sherwood H. Creedle, Emeritus

*Members of
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors
County of Southampton, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Southampton, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County of Southampton, Virginia's basic financial statements and have issued our report thereon dated November 26, 2019.

Internal Control Over Financial Reporting

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

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

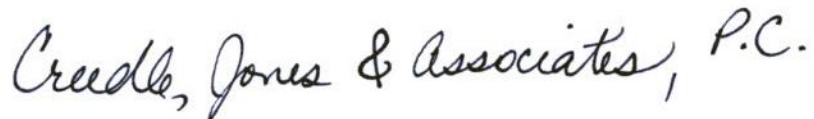
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Creedle, Jones & Associates, P.C.".

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

South Hill, Virginia
November 26, 2019



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

To the Board of Supervisors
County of Southampton, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Southampton, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Southampton, Virginia's major federal programs for the year ended June 30, 2019. County of Southampton, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County of Southampton, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

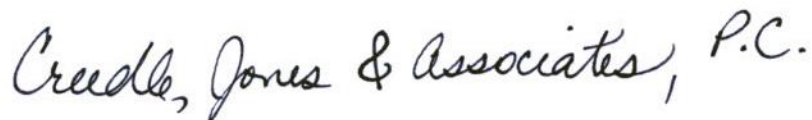
Report on Internal Control Over Compliance

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

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

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

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



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

South Hill, Virginia
November 26, 2019



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

To the Board of Supervisors
County of Southampton, Virginia

We have audited the financial statements of the County of Southampton, Virginia, as of and for the year ended June 30, 2019, and have issued our report thereon dated November 26, 2019.

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

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

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

Code of Virginia

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

State Agency Requirements

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

The results of our tests disclosed two instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the County of Southampton, Virginia had not complied, in all material respects, with those provisions. They are as follows:

1. Two conflict of interest statements not filed timely
2. Two terminated Social Services employees SAMS access was not timely removed

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

Creedle, Jones & Associates, P.C.

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

South Hill, Virginia
November 26, 2019

County of Southampton, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

| <u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass-through Entity Identifying Number</u> | <u>Total Federal Expenditures</u> |
|--|---|--|--|
| U. S. Department of Agriculture | | | |
| Pass-Through Payments | | | |
| <i>Department of Social Services</i> | | | |
| SNAP Cluster | | | |
| State Administrative Matching Grants for SNAP | 10.561 | 765 | \$ 297,614 |
| Total SNAP Cluster | | | 297,614 |
| <i>Child Nutrition Cluster</i> | | | |
| <i>State Department of Agriculture</i> | | | |
| National School Lunch Program - Food Distribution - Schools | 10.555 | 301 | 83,332 |
| <i>Department of Education</i> | | | |
| National School Lunch Program | 10.555 | 197 | 608,213 |
| School Breakfast Program | 10.553 | 197 | 299,775 |
| Summer Food Service Program for Children | 10.559 | 197 | 5,573 |
| Total Child Nutrition Cluster | | | 996,893 |
| National School Lunch Program - Child and Adult Care Food Program | 10.558 | 197 | 41,886 |
| Subtotal - U. S. Department of Agriculture | | | 1,336,393 |
| U. S. Department of Health and Human Services | | | |
| Pass-Through Payments | | | |
| <i>Department of Social Services</i> | | | |
| CCDF Cluster | | | |
| Child Care Mandatory and Matching Funds of the | | | |
| Child Care and Development Fund | 93.596 | 765 | 45,136 |
| Child Care and Development Block Grant | 93.575 | 765 | (1,055) |
| Total CCDF Cluster | | | 44,081 |
| TANF Cluster | | | |
| Temporary Assistance for Needy Families (TANF) | 93.558 | 765 | 258,509 |
| Medicaid Cluster | | | |
| Medical Assistance Program (Medicaid; Title XIX) | 93.778 | 765 | 334,992 |
| Promoting Safe and Stable Families | 93.556 | 765 | 15,164 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 765 | 173 |
| Low-Income Home Energy Assistance | 93.568 | 765 | 41,273 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 765 | 306 |
| Foster Care - Title IV-E | 93.658 | 765 | 153,419 |
| Adoption Assistance | 93.659 | 765 | 79,575 |
| Chafee Foster Care Independence Program | 93.674 | 765 | 2,658 |
| Social Services Block Grant | 93.667 | 765 | 198,324 |
| Children's Health Insurance Program (CHIP) | 93.767 | 765 | 7,063 |
| Subtotal - U. S. Department of Health and Human Services | | | 1,135,537 |

| Federal Grantor/Pass-through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-through Entity Identifying Number | Total Federal Expenditures |
|---|------------------------------------|---|---|
| U. S. Department of Treasury | | | |
| Direct Payments | | | |
| Treasury Forfeiture Fund | 21.000 | N/A | <u>28,699</u> |
| Subtotal - U. S. Department of Treasury | | | 28,699 |
| U. S. Department of Criminal Justice Services | | | |
| Pass-Through Payments | | | |
| <i>Virginia Department of Criminal Justice Services</i> | | | |
| Crime Victim Assistance | 16.575 | 140 | <u>61,326</u> |
| Subtotal - U. S. Department of Criminal Justice Services | | | 61,326 |
| U. S. Department of Education | | | |
| Pass-Through Payments | | | |
| <i>Department of Education</i> | | | |
| Special Education Cluster (IDEA) | | | |
| Special Education - Grants to States (IDEA, Part B) | 84.027 | 197 | 494,242 |
| Special Education - Preschool Grants (IDEA Preschool) | 84.173 | 197 | <u>16,049</u> |
| Total Special Education Cluster (IDEA) | | | 510,291 |
| Title I Grants to Local Educational Agencies | 84.010 | 197 | 604,421 |
| Title IV A STEM | 84.424 | 197 | 15,022 |
| Twenty-First Century Community Learning Centers | 84.287 | 197 | 202,173 |
| Career and Technical Education Basic Grants to States | 84.048 | 197 | 50,589 |
| Improving Teacher Quality State Grants | 84.367 | 197 | 82,258 |
| Adult Education - Basic Grants to States | 84.002 | 197 | <u>27,478</u> |
| Subtotal - U. S. Department of Education - School | | | 1,492,232 |
| U. S. Department of Labor | | | |
| Direct Payments - School | | | |
| WIOA Cluster | | | |
| WIOA Youth Activities | 17.259 | N/A | <u>237,882</u> |
| Subtotal - U. S. Department of Labor | | | <u>237,882</u> |
| Grand Totals | | | <u>\$ 4,292,069</u> |

See accompanying notes to schedule of expenditures of federal awards.

County of Southampton, Virginia

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of County of Southampton, Virginia under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of County of Southampton, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Southampton, Virginia.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

County of Southampton, Virginia has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Nonmonetary Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County consumed nonmonetary assistance in the form of food commodities. Commodities with a fair value of \$83,332 at the time received were consumed during the year ended June 30, 2019. These commodities were included in the determination of federal awards expended during the year ended June 30, 2019.

5. Subrecipients

No awards were passed through to subrecipients.

County of Southampton, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None Reported

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

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

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.553; 10.555; 10.559

Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

There are no federal award findings to report.

County of Southampton, Virginia

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2019

Finding 2018-001

Condition

The aggregate balance of the individual inmate accounts exceeded the escrow balance in the Inmate Checking Account.

Recommendation

The accounting process needs to include the reconciliation of the Inmate Account Activity on a monthly basis before transferring fees collected.

Current Status

The recommendation was adopted immediately and no similar findings were noted in the 2019 audit.