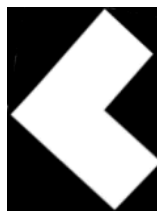


County of Southampton, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2021



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

County of Southampton, Virginia

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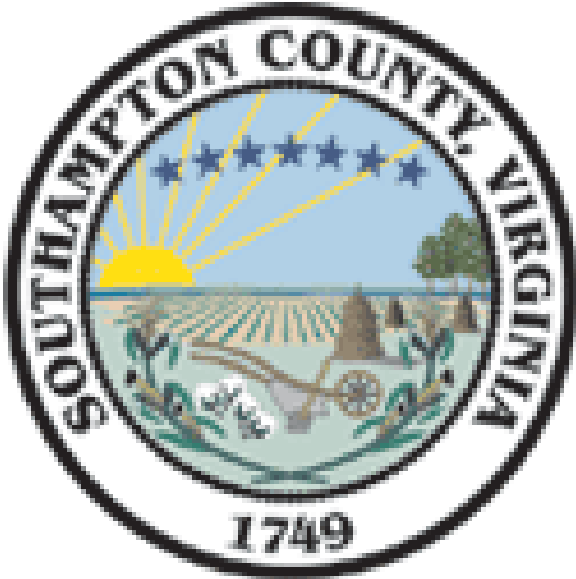
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FINANCIAL SECTION





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, 2021, 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. We did not audit the financial statements of Blackwater Regional Library, a nonprofit organization, which statements reflect total assets and fiduciary revenues constituting 38 percent and 78 percent, respectively, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Blackwater Regional Library, is based solely on the report of the other auditors.

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 our audit and the report of the other auditors provide a reasonable basis for our opinion.

Opinions

In our opinion, based on our audit and the report of the other auditors, 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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2021, the County adopted new accounting guidance, GASBS No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 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

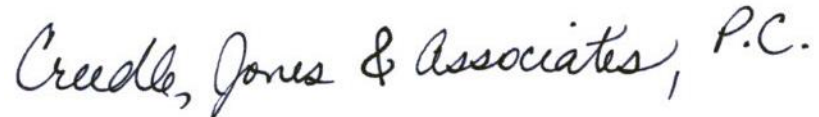
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Southampton, Virginia's basic financial statements. The combining nonmajor fund and component unit financial statements, jail canteen and other revenues and expense information, 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 December 14, 2021, 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 cursive script that reads "Creedle, Jones & Associates, P.C.".

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

South Hill, Virginia
December 14, 2021

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, 2021. 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 \$30,525,127. Of this amount, \$4,932,888 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 \$(410,984) with an unrestricted deficit balance of \$451,500.
- The County's total net position increased by \$1,015,151 during the current fiscal year. Of this amount, an increase of \$976,046 is related to governmental activities and an increase of \$39,105 is attributed to business-type activities.
- As of June 30, 2021, the County's Governmental Funds reported combined ending fund balances of \$27,535,525, an increase of \$13,773,850 in comparison with the prior year. Approximately 42.26% of this amount is available for spending at the County's discretion (unassigned fund balance).
- At the end of fiscal year 2021, the general fund unassigned fund balance was \$9,878,930, or approximately 27.82% 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 Custodial funds. Custodial 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, 2021 and 2020

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets						
Current and other assets	\$ 31,399,487	\$ 18,934,840	\$ 18,787	\$ 2,311	\$ 31,418,274	\$ 18,937,151
Capital assets (net)	<u>48,301,624</u>	<u>48,863,296</u>	<u>29,973,372</u>	<u>31,115,697</u>	<u>78,274,996</u>	<u>79,978,993</u>
Total Assets	79,701,111	67,798,136	29,992,159	31,118,008	109,693,270	98,916,144
Deferred Outflows of Resources						
Total Assets and Deferred Outflows of Resources	<u>2,335,860</u>	<u>1,701,531</u>	<u>419,090</u>	<u>372,935</u>	<u>2,754,950</u>	<u>2,074,466</u>
	\$ 82,036,971	\$ 69,499,667	\$ 30,411,249	\$ 31,490,943	\$ 112,448,220	\$ 100,990,610
Liabilities						
Other liabilities	\$ 924,584	\$ 2,351,724	\$ 139,831	\$ 125,142	\$ 1,064,415	\$ 2,476,866
Long-term liabilities	<u>49,340,821</u>	<u>36,412,126</u>	<u>30,664,887</u>	<u>31,777,288</u>	<u>80,005,708</u>	<u>68,189,414</u>
Total Liabilities	50,265,405	38,763,850	30,804,718	31,902,430	81,070,123	70,666,280
Deferred Inflows of Resources	1,246,439	1,186,736	17,515	38,602	1,263,954	1,225,338
Net Position						
Net investment in capital assets	6,571,542	18,647,390	20,429	(65,118)	6,591,971	18,582,272
Restricted for capital projects	19,020,697	3,490,199	20,087	48,927	19,040,784	3,539,126
Unrestricted	<u>4,932,888</u>	<u>7,411,492</u>	<u>(451,500)</u>	<u>(433,898)</u>	<u>4,481,388</u>	<u>6,977,594</u>
Total Net Position (Deficit)	<u>30,525,127</u>	<u>29,549,081</u>	<u>(410,984)</u>	<u>(450,089)</u>	<u>30,114,143</u>	<u>29,098,992</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 82,036,971</u>	<u>\$ 69,499,667</u>	<u>\$ 30,411,249</u>	<u>\$ 31,490,943</u>	<u>\$ 112,448,220</u>	<u>\$ 100,990,610</u>

The County's combined net position at June 30, 2021 of \$30,114,143 represents an increase of \$1,015,151 from the combined net position at June 30, 2020. A portion, 21.89%, 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. 14.88% of total net position is unrestricted and available for providing services to the citizens of the County and satisfying creditors. The remaining 63.23% 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, 2021 and 2020						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues						
Program Revenues						
Charges for services	\$ 2,564,483	\$ 2,409,446	\$ 950,179	\$ 1,218,507	\$ 3,514,662	\$ 3,627,953
Operating grants and contributions	10,562,204	7,041,968	-	-	10,562,204	7,041,968
General Revenues						
General property taxes, real and personal	22,764,185	23,003,880	-	-	22,764,185	23,003,880
Other taxes	2,779,250	2,415,804	-	-	2,779,250	2,415,804
Grants and contributions not restricted to specific programs	2,882,473	2,925,298	-	-	2,882,473	2,925,298
Unrestricted revenues from use of property	82,585	300,702	73	73	82,658	300,775
Miscellaneous	1,019,963	1,079,305	112,588	108,414	1,132,551	1,187,719
Total Revenues	42,655,143	39,176,403	1,062,840	1,326,994	43,717,983	40,503,397
Expenses						
General government administration	2,626,774	2,860,345	-	-	2,626,774	2,860,345
Judicial administration	879,146	2,193,077	-	-	879,146	2,193,077
Public safety	12,309,188	10,444,258	-	-	12,309,188	10,444,258
Public works	2,381,832	1,995,128	-	-	2,381,832	1,995,128
Health and welfare	3,428,309	3,538,680	-	-	3,428,309	3,538,680
Education	12,785,038	11,181,246	-	-	12,785,038	11,181,246
Parks, recreation, and cultural	746,528	339,598	-	-	746,528	339,598
Community development	927,471	980,607	-	-	927,471	980,607
Water and sewer	-	-	3,076,006	2,950,930	3,076,006	2,950,930
Interest on long-term debt	2,492,110	664,734	1,050,430	1,104,708	3,542,540	1,769,442
Total Expenses	38,576,396	34,197,673	4,126,436	4,055,638	42,702,832	38,253,311
Change in Net Position Before Transfers	4,078,747	4,978,730	(3,063,596)	(2,728,644)	1,015,151	2,250,086
Transfers	(3,102,701)	(2,806,167)	3,102,701	2,806,167	-	-
Change in Net Position	976,046	2,172,563	39,105	77,523	1,015,151	2,250,086
Beginning Net Position (Deficit)	29,549,081	27,376,518	(450,089)	(527,612)	29,098,992	26,848,906
Ending Net Position (Deficit)	\$ 30,525,127	\$ 29,549,081	\$ (410,984)	\$ (450,089)	\$ 30,114,143	\$ 29,098,992

Governmental activities increased the County's net position by \$976,046 for fiscal year 2021. General property taxes comprise the largest source of these revenues, totaling \$22,764,185 or 53.37% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$38,576,396. Education was the County's largest program with expenses totaling \$12,785,038. Public safety, which totals \$12,309,188, 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, 2021 and 2020

	<u>2021</u>		<u>2020</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	\$ 2,626,774	\$ (1,898,474)	\$ 2,860,345	\$ (2,240,093)
Judicial administration	879,146	45,996	2,193,077	(1,263,105)
Public safety	12,309,188	(4,834,220)	10,444,258	(5,992,601)
Public works	2,381,832	(1,113,416)	1,995,128	(1,033,066)
Health and welfare	3,428,309	(1,035,604)	3,538,680	(1,055,709)
Education	12,785,038	(12,785,038)	11,181,246	(11,181,246)
Parks, recreation, and cultural	746,528	(409,372)	339,598	(335,098)
Community development	927,471	(927,471)	980,607	(980,607)
Interest on long-term debt	<u>2,492,110</u>	<u>(2,492,110)</u>	<u>664,734</u>	<u>(664,734)</u>
Total	<u>\$ 38,576,396</u>	<u>\$ (25,449,709)</u>	<u>\$ 34,197,673</u>	<u>\$ (24,746,259)</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 \$27,535,525. The combined governmental fund balance increased \$13,773,850 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 \$9,878,930. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 27.82% of total fund expenditures.

The Capital Projects Fund which has a total fund balance of \$17,320,977, \$19,020,697 is restricted and assigned for ongoing and future capital projects, \$(1,699,720) 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, 2021 and 2020

	<u>2021</u>			<u>2020</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	\$ 24,482,702	\$ 24,700,407	\$ 23,114,015	\$ 24,403,593	\$ 24,546,505	\$ 22,445,184
Other	5,031,676	5,793,395	6,271,339	4,961,696	5,732,022	5,929,462
Intergovernmental	<u>5,420,720</u>	<u>9,251,653</u>	<u>11,335,713</u>	<u>5,322,028</u>	<u>7,236,439</u>	<u>7,941,432</u>
Total	<u>34,935,098</u>	<u>39,745,455</u>	<u>40,721,067</u>	34,687,317	37,514,966	36,316,078
Expenditures	<u>31,581,346</u>	<u>36,695,452</u>	<u>35,512,945</u>	<u>31,388,102</u>	<u>34,970,733</u>	<u>32,061,269</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,353,752</u>	<u>3,050,003</u>	<u>5,208,122</u>	3,299,215	2,544,233	4,254,809
Other Financing Sources (Uses)						
Transfers in	472,110	1,319,062	80,000	80,000	340,695	80,000
Transfers out	<u>(3,825,862)</u>	<u>(4,369,065)</u>	<u>(4,288,788)</u>	<u>(3,719,215)</u>	<u>(3,945,330)</u>	<u>(3,857,269)</u>
Total	<u>(3,353,752)</u>	<u>(3,050,003)</u>	<u>(4,208,788)</u>	<u>(3,639,215)</u>	<u>(3,604,635)</u>	<u>(3,777,269)</u>
Change in Fund Balance	-	-	999,334	(340,000)	(1,060,402)	477,540
Transfer from Reserve	-	-	-	340,000	1,060,402	-
Change in Fund Balance after Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 999,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 477,540</u>

Final amended budget revenues were more than the original budget by \$4,810,357.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$5,114,106.

Actual revenues were more than final budget amounts by \$975,612, or 2.45%, while actual expenditures were \$1,182,507, or 3.22% less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2021, the County's governmental activities net capital assets total \$48,301,624, which represents a net decrease of \$561,672 or 1.15% over the previous fiscal year-end balance. The business-type activities net capital assets total \$29,973,372, a decrease of \$1,142,325 or 3.67% over the previous fiscal year. The component unit School Board's net capital assets total \$11,715,329, a decrease of \$764,513 or 6.13% from the previous fiscal year.

Change in Capital Assets

Governmental Activities

	<u>Balance</u> <u>July 1, 2020</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Land and land improvements	\$ 2,389,757	\$ -	\$ 2,389,757
Construction in progress	143,215	1,253,145	1,396,360
Buildings and improvements	71,391,053	-	71,391,053
Furniture, equipment, and vehicles	<u>9,384,258</u>	<u>274,490</u>	<u>9,658,748</u>
Total Capital Assets	83,308,283	1,527,635	84,835,918
Less: Accumulated depreciation	<u>(34,444,987)</u>	<u>(2,089,307)</u>	<u>(36,534,294)</u>
Total Capital Assets, Net	<u>\$ 48,863,296</u>	<u>\$ (561,672)</u>	<u>\$ 48,301,624</u>

Business-Type Activities

	<u>Balance</u> <u>July 1, 2020</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Land and land improvements	\$ 338,162	\$ -	\$ 338,162
Buildings and improvements	1,053,937	-	1,053,937
Infrastructure and equipment	53,324,180	73,885	53,398,065
Vehicles	<u>392,102</u>	<u>(19,977)</u>	<u>372,125</u>
Total Capital Assets	55,108,381	53,908	55,162,289
Less: Accumulated depreciation	<u>(23,992,684)</u>	<u>(1,196,233)</u>	<u>(25,188,917)</u>
Total Capital Assets, Net	<u>\$ 31,115,697</u>	<u>\$ (1,142,325)</u>	<u>\$ 29,973,372</u>

Component Unit School Board

	<u>Balance</u> <u>July 1, 2020</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Land and land improvements	\$ 1,362,200	\$ -	\$ 1,362,200
Buildings and improvements	2,764,630	-	2,764,630
Furniture, equipment, and vehicles	<u>25,036,552</u>	<u>(758,541)</u>	<u>24,278,011</u>
Total Capital Assets	29,163,382	(758,541)	28,404,841
Less: Accumulated depreciation	<u>(16,683,540)</u>	<u>(5,972)</u>	<u>(16,689,512)</u>
Total Capital Assets, Net	<u>\$ 12,479,842</u>	<u>\$ (764,513)</u>	<u>\$ 11,715,329</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, 2020, the County's long-term obligations, excluding the Component Unit, total \$72,408,276.

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Governmental Activities			
Long-term debt	\$ 30,215,906	\$ 11,514,176	\$ 41,730,082
<i>Compensated absences</i>			
General Fund	371,612	26,710	398,322
Social Services Fund	<u>235,439</u>	<u>(15,201)</u>	<u>220,238</u>
Total Long-Term Indebtedness - Primary Government	30,822,957	11,525,685	42,348,642
Business-Type Activities			
Long-term debt	31,180,815	(1,227,872)	29,952,943
<i>Compensated absences</i>			
Water and Sewer Fund	<u>113,221</u>	<u>(6,530)</u>	<u>106,691</u>
Total Business-Type Activities	<u>31,294,036</u>	<u>(1,234,402)</u>	<u>30,059,634</u>
Total Primary Government	<u>\$ 62,116,993</u>	<u>\$ 10,291,283</u>	<u>\$ 72,408,276</u>
Component Unit School Board			
Long-term debt	\$ 1,206,960	\$ (297,765)	\$ 909,195
Compensated absences	<u>318,852</u>	<u>(48,028)</u>	<u>270,824</u>
Total Component Unit School Board	<u>\$ 1,525,812</u>	<u>\$ (345,793)</u>	<u>\$ 1,180,019</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 County's elected and appointed officials considered many factors when setting the fiscal-year 2022 budget.

The average unemployment rate for the County of Southampton, Virginia in June 2021 was 3.8%, a decrease of 2.5% from June 2020. This compares favorably to the state's rate of 6.1% and the national rate of 4.5%.

The latest estimate by the University of Virginia Weldon Cooper Center for Public Service is a population of 17,996 in 2020.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2022, which accounts for most of the County's operational costs. The fiscal year 2022 Adopted Budget anticipates General Fund revenues and expenditures to be \$31,777,731, a .62% increase over the fiscal year 2021 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, 2021

	Primary Government			Component Unit School Board
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash, cash equivalents, and investments	\$ 7,269,921	\$ 279,541	\$ 7,549,462	\$ 6,409,417
Restricted cash	19,020,697	20,087	19,040,784	-
Receivables, net	2,914,370	148,325	3,062,695	97,681
Internal balances	429,909	(429,909)	-	-
Due from other governments	1,293,749	-	1,293,749	1,470,613
Capital Assets				
Land and construction in progress	3,786,117	338,162	4,124,279	1,362,200
Other capital assets, net of accumulated depreciation	44,515,507	29,635,210	74,150,717	10,353,129
Capital Assets, Net	48,301,624	29,973,372	78,274,996	11,715,329
Total Assets	79,230,270	29,991,416	109,221,686	19,693,040
Other Assets				
Net OPEB asset - HIC	7,797	743	8,540	-
Net OPEB asset - HI	463,044	-	463,044	476,377
Total Other Assets	470,841	743	471,584	476,377
Deferred Outflows of Resources				
VRS group life	124,712	10,599	135,311	254,059
VRS health insurance credit	6,861	595	7,456	217,263
VRS Virginia Local Disability Program (VLDP)	-	-	-	28,654
Retiree health insurance	142,507	-	142,507	151,049
VRS Pension	2,061,780	176,052	2,237,832	5,654,286
Loss on refunding	-	231,844	231,844	-
Total Deferred Outflows of Resources	2,335,860	419,090	2,754,950	6,305,311
Total Assets and Deferred Outflows of Resources	\$ 82,036,971	\$ 30,411,249	\$ 112,448,220	\$ 26,474,728
Liabilities				
Accounts payable and accrued expenses	\$ 883,034	\$ 53,145	\$ 936,179	\$ 5,813,362
Customer deposits	-	86,686	86,686	-
Unearned revenue	41,550	-	41,550	792,629
Long-Term Liabilities				
<i>OPEB liabilities</i>				
VRS group life	568,050	48,692	616,742	1,188,712
VRS health insurance credit	-	-	-	2,145,689
VRS Virginia Local Disability Program (VLDP)	-	-	-	6,359
Retiree health insurance	-	-	-	-
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	1,714,573	1,135,137	2,849,710	240,774
Compensated absences	61,856	10,669	72,525	27,082
<i>Due in more than one year</i>				
Bonds, loans, and capital leases payable	40,015,509	28,817,806	68,833,315	668,421
Compensated absences	556,704	96,022	652,726	243,742
Net pension liability	6,424,129	556,561	6,980,690	22,480,971
Total Liabilities	50,265,405	30,804,718	81,070,123	33,607,741
Deferred Inflows of Resources				
VRS group life	34,460	3,030	37,490	79,684
VRS health insurance credit	9,762	907	10,669	107,272
Retiree health insurance	617,392	-	617,392	2,118,666
Virginia local disability plan	-	-	-	1,625
VRS pension	217,345	13,578	230,923	1,994,688
Unavailable revenue - property taxes and landfill fees	145,543	-	145,543	-
Refunding of debt	221,937	-	221,937	-
Total Deferred Inflows of Resources	1,246,439	17,515	1,263,954	4,301,935
Net Position				
Net investment in capital assets	6,571,542	20,429	6,591,971	10,806,134
Restricted for capital projects	19,020,697	20,087	19,040,784	-
Unrestricted	4,932,888	(451,500)	4,481,388	(22,241,082)
Total Net Position (Deficit)	30,525,127	(410,984)	30,114,143	(11,434,948)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 82,036,971	\$ 30,411,249	\$ 112,448,220	\$ 26,474,728

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, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Component Unit School Board
Primary Government						
Governmental Activities						
General government administration	\$ 2,626,774	\$ 315,087	\$ 413,213	\$ (1,898,474)		\$ (1,898,474)
Judicial administration	879,146	41,627	883,515	45,996		45,996
Public safety	12,309,188	940,632	6,534,336	(4,834,220)		(4,834,220)
Public works	2,381,832	1,267,137	1,279	(1,113,416)		(1,113,416)
Health and welfare	3,428,309	-	2,392,705	(1,035,604)		(1,035,604)
Education - local school system	12,785,038	-	-	(12,785,038)		(12,785,038)
Parks, recreation, and cultural	746,528	-	337,156	(409,372)		(409,372)
Community development	927,471	-	-	(927,471)		(927,471)
Interest and debt issuance costs	2,492,110	-	-	(2,492,110)		(2,492,110)
Total Governmental Activities	38,576,396	2,564,483	10,562,204	(25,449,709)		(25,449,709)
Business-Type Activities						
Water and Sewer Fund	4,126,436	950,179	-		\$ (3,176,257)	(3,176,257)
Total Business-Type Activities	4,126,436	950,179	-		(3,176,257)	(3,176,257)
Total Primary Government	\$ 42,702,832	\$ 3,514,662	\$ 10,562,204			(28,625,966)
Component Unit						
Southampton County School Board	\$ 38,671,782	\$ 188,591	\$ 24,722,935			\$ (13,760,256)
General Revenues						
Taxes						
General property taxes, real and personal				22,764,185	-	22,764,185
Other local taxes				2,779,250	-	2,779,250
Payment from County of Southampton, VA						
Education				-	-	12,785,038
Unrestricted grants and contributions						
not restricted to specific programs				2,882,473	-	2,882,473
Unrestricted revenues from use of property				82,585	73	82,658
Miscellaneous				1,019,963	112,588	1,132,551
				(3,102,701)	3,102,701	-
Total General Revenues and Transfers				26,425,755	3,215,362	29,641,117
Change in Net Position				976,046	39,105	1,015,151
Net Position (Deficit) - Beginning of Year				29,549,081	(450,089)	29,098,992
Net Position (Deficit) - End of Year				\$ 30,525,127	\$ (410,984)	\$ 30,114,143

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, 2021

	General Fund	Public Assistance Fund	Capital Projects Utility Tax Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 8,735,906	\$ -	\$ -	\$ 371,138	\$ 9,107,044
Restricted cash	-	-	19,020,697	-	19,020,697
Property taxes receivable, net	1,360,243	-	-	-	1,360,243
Accounts receivable	1,495,618	-	52,343	6,166	1,554,127
Due from other funds	429,909	-	-	-	429,909
Due from other governments	<u>1,127,755</u>	<u>165,994</u>	<u>-</u>	<u>-</u>	<u>1,293,749</u>
Total Assets	<u>\$13,149,431</u>	<u>\$ 165,994</u>	<u>\$ 19,073,040</u>	<u>\$ 377,304</u>	<u>\$ 32,765,769</u>
Liabilities					
Pooled cash deficit	\$ -	\$ 160,943	\$ 1,637,825	\$ 38,355	\$ 1,837,123
Accounts payable and accrued liabilities	760,414	5,051	114,238	3,331	883,034
Unearned revenue	<u>41,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,550</u>
Total Liabilities	801,964	165,994	1,752,063	41,686	2,761,707
Deferred Inflows of Resources					
Unavailable revenue - taxes and landfill fees	<u>2,468,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,468,537</u>
Total Deferred Inflows of Resources	2,468,537	-	-	-	2,468,537
Fund Balance					
Restricted	-	-	19,020,697	335,618	19,356,315
Unassigned	<u>9,878,930</u>	<u>-</u>	<u>(1,699,720)</u>	<u>-</u>	<u>8,179,210</u>
Total Fund Balance	<u>9,878,930</u>	<u>-</u>	<u>17,320,977</u>	<u>335,618</u>	<u>27,535,525</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$13,149,431</u>	<u>\$ 165,994</u>	<u>\$ 19,073,040</u>	<u>\$ 377,304</u>	<u>\$ 32,765,769</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, 2021

Total Fund Balances for Governmental Funds \$ 27,535,525

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 2,322,994

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	1,396,360
Buildings and improvements, net of accumulated depreciation	41,574,126
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>2,941,381</u>

Total Capital Assets 48,301,624

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	2,061,780
Deferred inflows of resources related to pensions	(217,345)
Deferred outflows of resources related to OPEB	274,080
Deferred inflows of resources related to OPEB	(661,614)
Deferred inflows of resources related to debt refunding	<u>(221,937)</u>

Total Deferred Outflows and Inflows of Resources 1,234,964

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	(41,730,082)
Net pension liability	(6,424,129)
OPEB obligations	(97,209)
Compensated absences	<u>(618,560)</u>

Total (48,869,980)

Total Net Position of Governmental Activities \$ 30,525,127

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, 2021

	<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	\$ 23,114,015	\$ -	\$ -	\$ -	\$ 23,114,015
Other local taxes	2,055,938	-	723,312	-	2,779,250
Permits, privilege fees, and regulatory licenses	148,023	-	-	-	148,023
Fines and forfeitures	433,198	-	-	-	433,198
Use of money and property	9,253	-	73,183	149	82,585
Charges for services	2,053,316	-	-	77,969	2,131,285
Miscellaneous	912,837	-	-	107,126	1,019,963
Recovered costs	658,774	-	-	-	658,774
<i>Intergovernmental</i>					
Revenue from the Commonwealth of Virginia	8,177,016	597,459	-	344	8,774,819
Revenue from the Federal Government	3,158,697	1,358,049	-	5,089	4,521,835
Total Revenues	<u>40,721,067</u>	<u>1,955,508</u>	<u>796,495</u>	<u>190,677</u>	<u>43,663,747</u>
Expenditures					
Current					
General government administration	2,371,796	-	-	-	2,371,796
Judicial administration	2,012,263	-	1,751	-	2,014,014
Public safety	11,379,182	-	275,177	107,790	11,762,149
Public works	2,210,522	-	8,958	-	2,219,480
Health and welfare	1,179,335	2,267,056	-	-	3,446,391
Education - public school system	14,633,749	-	96,300	-	14,730,049
Parks, recreation, and cultural	733,806	-	-	-	733,806
Community development	986,601	-	-	-	986,601
Debt service	5,691	-	15,217,876	-	15,223,567
Total Expenditures	<u>35,512,945</u>	<u>2,267,056</u>	<u>15,600,062</u>	<u>107,790</u>	<u>53,487,853</u>
Excess (Deficiency) of Revenues Over Expenditures	5,208,122	(311,548)	(14,803,567)	82,887	(9,824,106)
Other Financing Sources (Uses)					
Issuance of debt	-	-	26,700,657	-	26,700,657
Transfers in	80,000	311,548	874,539	-	1,266,087
Transfers out	<u>(4,288,788)</u>	<u>-</u>	<u>-</u>	<u>(80,000)</u>	<u>(4,368,788)</u>
Total Other Financing Sources (Uses)	<u>(4,208,788)</u>	<u>311,548</u>	<u>27,575,196</u>	<u>(80,000)</u>	<u>23,597,956</u>
Net Change in Fund Balance	999,334	-	12,771,629	2,887	13,773,850
Fund Balance - Beginning of Year	<u>8,879,596</u>	<u>-</u>	<u>4,549,348</u>	<u>332,731</u>	<u>13,761,675</u>
Fund Balance - End of Year	<u>\$ 9,878,930</u>	<u>\$ -</u>	<u>\$ 17,320,977</u>	<u>\$ 335,618</u>	<u>\$ 27,535,525</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, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 13,773,850

**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	\$ 1,636,967	
Depreciation	<u>(2,198,639)</u>	(561,672)

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		(349,830)
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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	(37,967,789)	
Repayments on debt	26,453,613	
Gain/loss on refunding	<u>35,307</u>	
Net Adjustment		(11,478,869)

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	(11,509)	
Net pension liability	(1,399,207)	
Deferred inflows - VRS pension	235,535	
Deferred outflows - VRS pension	578,487	
Deferred outflows - OPEB	55,842	
Deferred inflows - OPEB	(266,280)	
Other postemployment benefits	<u>399,699</u>	
Net Adjustment		<u>(407,433)</u>

Change in Net Position of Governmental Activities \$ 976,046

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, 2021

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Assets	
Current Assets	
Cash	\$ 279,541
Restricted cash	20,087
Receivables, net	<u>148,325</u>
Total Current Assets	447,953
Noncurrent Assets	
Capital assets, net	<u>29,973,372</u>
Total Noncurrent Assets	29,973,372
Other Assets	
Net OPEB asset - health insurance credit	<u>743</u>
Total Other Assets	<u>743</u>
Total Assets	30,422,068
Deferred Outflows of Resources	
VRS group life	10,599
VRS health insurance credit	595
VRS pension	176,052
Refunding of debt	<u>231,844</u>
Total Deferred Outflows of Resources	<u>419,090</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 30,841,158</u>
Liabilities	
Current Liabilities	
Accounts payable and accrued expenses	\$ 53,145
Due to General Fund	429,909
Current portion of compensated absences	10,669
Current maturities of long-term liabilities	<u>1,135,137</u>
Total Current Liabilities	1,628,860
Noncurrent Liabilities	
Customer deposits	86,686
Net OPEB liability - VRS group life	48,692
Net pension liability	556,561
Compensated absences, net of current portion	96,022
Long-term debt, net of unamortized premium	<u>28,817,806</u>
Total Noncurrent Liabilities	<u>29,605,767</u>
Total Liabilities	31,234,627
Deferred Inflows of Resources	
VRS group life	3,030
VRS health insurance credit	907
VRS pension	<u>13,578</u>
Total Deferred Inflows of Resources	17,515
Net Position	
Net investment in capital assets	20,429
Restricted for construction	20,087
Unrestricted	<u>(451,500)</u>
Total Net Position (Deficit)	<u>(410,984)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 30,841,158</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, 2021

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Operating Revenues	
Charges for services, net	\$ 950,179
Miscellaneous	<u>112,588</u>
Total Operating Revenues	1,062,767
Operating Expenses	
Personal services	676,129
Fringe benefits	383,966
Repairs and maintenance	299,997
Professional fees	16,402
Utilities	261,923
Chemicals, lab, permits	111,288
Vehicle and power equipment	21,398
Insurance	26,910
Miscellaneous	62,789
Depreciation	<u>1,215,204</u>
Total Operating Expenses	<u>3,076,006</u>
Operating Loss	(2,013,239)
Nonoperating Revenues (Expenses)	
Interest income	73
Interest expense	<u>(1,050,430)</u>
Total Nonoperating Revenues (Expenses)	<u>(1,050,357)</u>
Loss Before Transfers	(3,063,596)
Operating Transfers In	<u>3,102,701</u>
Net Operating Transfers	<u>3,102,701</u>
Change in Net Position	39,105
Total Net Position (Deficit) - Beginning of Year	<u>(450,089)</u>
Total Net Position (Deficit) - End of Year	<u>\$ (410,984)</u>

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, 2021

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 924,618
Other receipts	112,588
Payments for personnel and related costs	(1,025,208)
Payments to suppliers and other operating costs	<u>(788,289)</u>
Net Cash Used in Operating Activities	(776,291)
Cash Flows from Noncapital Financing Activities	
Net transfers from other funds	<u>3,102,701</u>
Net Cash Provided by Noncapital Financing Activities	3,102,701
Cash Flows from Capital and Related Financing Activities	
Purchase and construction of capital assets	(73,885)
Gain/loss on asset	1,006
Proceeds of debt	875,788
Principal paid on capital debt	(2,103,660)
Interest paid on capital debt	<u>(1,037,549)</u>
Net Cash Used in Capital and Related Financing Activities	(2,338,300)
Cash Flows from Investing Activities	
Interest income	<u>73</u>
Net Cash Provided by Investing Activities	<u>73</u>
Net Decrease in Cash and Cash Equivalents	(11,817)
Cash and Cash Equivalents - Beginning of Year	<u>311,445</u>
Cash and Cash Equivalents - End of Year	<u>\$ 299,628</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (2,013,239)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities</i>	
Depreciation expense	1,215,204
<i>Changes in assets and liabilities</i>	
Receivables, net	(27,832)
Deferred outflows - OPEB group life	(948)
Deferred outflows - OPEB health insurance credit	(219)
Deferred outflows - pension	(57,869)
Net OPEB health insurance credit	(461)
Accounts payable and accrued expenses	12,418
Compensated absences	(6,530)
Customer deposits	2,271
Net OPEB group life	331
Net pension liability	121,670
Deferred inflows - OPEB group life	(1,132)
Deferred inflows - OPEB health insurance credit	526
Deferred inflows - pension	<u>(20,481)</u>
Net Cash Used in Operating Activities	<u>\$ (776,291)</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, 2021

	OPEB Trust Accounts	Custodial Funds
Assets		
Cash and investments	\$ 4,590,506	\$ 2,982,808
Due from primary government	<u>-</u>	<u>345,931</u>
 Total Assets	 <u>\$ 4,590,506</u>	 <u>\$ 3,328,739</u>
Liabilities		
Accounts payable and accrued liabilities	\$ <u>-</u>	\$ <u>2,267</u>
 Total Liabilities	 <u>-</u>	 <u>2,267</u>
Net Position		
Restricted for:		
Other postemployment benefits	4,590,506	-
Individuals, organizations, and other governments	<u>-</u>	<u>3,326,472</u>
 Total Net Position	 <u>4,590,506</u>	 <u>3,326,472</u>
 Total Liabilities and Fiduciary Net Position	 <u>\$ 4,590,506</u>	 <u>\$ 3,328,739</u>

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

County of Southampton, Virginia

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2021

	<u>OPEB Trust Accounts</u>	<u>Custodial Funds</u>
Additions		
Contributions from employer	\$ 50,000	\$ -
Miscellaneous income	-	13,438
Revenue from Commonwealth of Virginia	-	488,590
Revenue from Federal Government	-	58,658
Revenue from County of Southampton	-	277,912
Charges for services	-	38,571
Local grant funds and other donations	-	1,524,610
Investment earnings:		
Dividends and interest	86,986	575,481
Realized gain on sale of assets	<u>685,740</u>	<u>-</u>
Total investment earnings	772,726	575,481
 Total Additions	 822,726	 2,977,260
Deductions		
Program and administrative expenses	<u>30,907</u>	<u>2,479,785</u>
 Net Increase (Decrease) in Fiduciary Net Position	 791,819	 497,475
 Net Position - Beginning	 <u>3,798,687</u>	 <u>2,828,997</u>
 Net Position - Ending	 <u>\$ 4,590,506</u>	 <u>\$ 3,326,472</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, 2021

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 17,996 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 \$277,912 in operating funds in fiscal year 2021. 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 (Custodial 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. Custodial 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. Custodial 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.

School Activity Fund – This fund accounts for funds used to support co-curricular and extracurricular student activities.

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>\$ 695,283</u>
Water and Sewer Fund - receivables	<u>\$ 260,368</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 fiduciary net 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 Unearned Revenues

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

1-E-20 Adoption of New GASB Statement

The County adopted the following GASB statement during the year ended June 30, 2021:

Statement No. 84, *Fiduciary Activities* – This statement requires fiduciary activities to be reported in the basic financial statements because (a) their related assets are controlled by the government or (b) fiduciary component units have been identified through the component unit evaluation. This statement clarifies the definitions of the three existing fiduciary fund categories associated with trusts that meet specific criteria, and establishes a new custodial fund category for all other fiduciary activity not required to be reported within a trust fund. The County's

previously reported Agency Fund has been eliminated and is now reported in the fund financial statements because 1) the assets associated with the activity are controlled by the County, 2) the assets associated with the activity are not derived from the County's own-source revenues, and 3) the assets are for the benefit of individuals and the County does not have administrative involvement with the assets or direct financial involvement with the assets.

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 20.53% 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	\$ 8,112,204	1-3
	<u>\$ 8,112,204</u>	

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

	Rating (Moody's or S&P)	Fair Value
AA or higher		\$ 8,112,204
		<u>\$ 8,112,204</u>

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

	Governmental Activities	Business-Type Activities	Fiduciary Responsibilities	Component Unit School Board	Total
Cash on hand	\$ 1,000	\$ -	\$ -	\$ -	\$ 1,000
Demand deposits	(843,283)	279,541	2,982,808	5,394,610	7,813,676
Municipal bonds	8,112,204	-	-	-	8,112,204
Restricted cash	19,020,697	20,087	-	-	19,040,784
OPEB Trust	-	-	4,590,506	-	4,590,506
	<u>26,290,618</u>	<u>299,628</u>	<u>7,573,314</u>	<u>5,394,610</u>	<u>39,558,170</u>

Statement of Net Position

Deposits and Investments

Cash and cash equivalents	26,290,618	299,628	-	5,394,610	31,984,856
Fiduciary fund cash	-	-	7,573,314	-	7,573,314
	<u>\$ 26,290,618</u>	<u>\$ 299,628</u>	<u>\$ 7,573,314</u>	<u>\$ 5,394,610</u>	<u>\$ 39,558,170</u>

4 Receivables

Receivables at June 30, 2021 consist of the following:

Primary Government

	Governmental Activities						
	Capital Projects			Total Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit School Board
	General	Utility Tax Building Fund	Other Nonmajor				
Property taxes	\$ 2,055,526	\$ -	\$ -	2,055,526	\$ -	\$ 2,055,526	\$ -
Landfill fees	1,300,223	-	-	1,300,223	-	1,300,223	-
Utility taxes	-	52,343	-	52,343	-	52,343	-
Other miscellaneous	195,395	-	6,166	201,561	-	201,561	97,681
Water and sewer	-	-	-	-	408,693	408,693	-
Total	<u>3,551,144</u>	<u>52,343</u>	<u>6,166</u>	<u>3,609,653</u>	<u>408,693</u>	<u>4,018,346</u>	<u>97,681</u>
Allowance for uncollectibles	<u>(695,283)</u>	<u>-</u>	<u>-</u>	<u>(695,283)</u>	<u>(260,368)</u>	<u>(955,651)</u>	<u>-</u>
Net Receivables	<u>\$ 2,855,861</u>	<u>\$ 52,343</u>	<u>\$ 6,166</u>	<u>\$ 2,914,370</u>	<u>\$ 148,325</u>	<u>\$ 3,062,695</u>	<u>\$ 97,681</u>

5 Interfund Transfers

Interfund transfers for the year ended June 30, 2021 consisted of the following:

Primary Government	<u>Transfer to</u>	<u>Transfer from</u>
General Fund		
To Public Assistance for operating costs	\$ 311,548	\$ -
To Enterprise Fund for operating costs and debt service	3,102,701	-
To Utility Tax Building Fund for operating costs and debt service	874,539	-
From Inmate Fund for operating costs	-	<u>80,000</u>
Total General Fund	<u>4,288,788</u>	<u>80,000</u>
Public Assistance Fund		
From General Fund for operating costs	-	311,548
Inmate Fund		
To General Fund for operating costs	80,000	-
Enterprise Fund		
From General Fund for operating costs and debt service	-	3,102,701
Utility Tax Building Fund		
From General Fund for operating costs and debt service	-	<u>874,539</u>
Total	<u>\$ 4,368,788</u>	<u>\$ 4,368,788</u>

6 Transfer to Component Unit/Transfer from Primary Government

Details of the primary government transfers to component unit as of June 30, 2021 are as follows:

	<u>Transfer to</u>	<u>Transfer from</u>
General Fund		
To School Fund for local appropriation	\$ 14,633,749	\$ -
School Fund		
From General Fund for local appropriation	-	<u>14,633,749</u>
Total	<u>\$ 14,633,749</u>	<u>\$ 14,633,749</u>

7 Interfund Receivables and Payables

Details of the primary government interfund receivables and payables as of June 30, 2021 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	-	<u>429,909</u>
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, 2021, are as follows:

	<u>Governmental Activities</u>				<u>Total</u>	<u>Component Unit School Board</u>
	<u>General Fund</u>	<u>Public Assistance Fund</u>	<u>Capital Projects Utility Tax Building Fund</u>	<u>Other Governmental Funds</u>		
Commonwealth of Virginia						
Local and State sales taxes	\$ 171,714	\$ -	\$ -	\$ -	\$ 171,714	\$ 251,939
Compensation board - salaries	335,059	-	-	-	335,059	-
Comprehensive services funds	68,054	-	-	-	68,054	-
Communication sales tax	63,984	-	-	-	63,984	-
PSAP grants	10,965	-	-	-	10,965	-
Historical Society	266,369	-	-	-	266,369	-
911 Grant	127,265	-	-	-	127,265	-
Victim witness	6,661	-	-	-	6,661	-
Emergency services	17,679	-	-	-	17,679	-
Other	33,958	-	-	-	33,958	34,012
Federal Government						
Victim witness	19,983	-	-	-	19,983	-
CARES Act	6,064	-	-	-	6,064	-
Public assistance funds	-	165,994	-	-	165,994	-
Title I	-	-	-	-	-	260,134
Opportunity fund	-	-	-	-	-	18,308
Preschool initiative	-	-	-	-	-	4,492
Child and adult care	-	-	-	-	-	10,964
Summer food	-	-	-	-	-	335,855
Title VIB flow-through	-	-	-	-	-	165,816
CARES ESSER	-	-	-	-	-	354,692
Title IIIA	-	-	-	-	-	1,490
Title II Part A	-	-	-	-	-	32,911
Total	<u>\$ 1,127,755</u>	<u>\$ 165,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,293,749</u>	<u>\$ 1,470,613</u>

9 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 2,389,757	\$ -	\$ -	\$ 2,389,757
Construction in progress	<u>143,215</u>	<u>1,253,145</u>	<u>-</u>	<u>1,396,360</u>
Total Capital Assets Not Being Depreciated	2,532,972	1,253,145	-	3,786,117
Other Capital Assets				
Buildings and improvements	71,391,053	-	-	71,391,053
Furniture, equipment, and vehicles	<u>9,384,258</u>	<u>406,535</u>	<u>132,045</u>	<u>9,658,748</u>
Total Other Capital Assets	80,775,311	406,535	132,045	81,049,801
Less: Accumulated depreciation for				
Buildings and improvements	28,155,191	1,661,736	-	29,816,927
Furniture, equipment, and vehicles	<u>6,289,796</u>	<u>536,903</u>	<u>109,332</u>	<u>6,717,367</u>
Total Accumulated Depreciation	<u>34,444,987</u>	<u>2,198,639</u>	<u>109,332</u>	<u>36,534,294</u>
Other Capital Assets, Net	<u>46,330,324</u>	<u>(1,792,104)</u>	<u>22,713</u>	<u>44,515,507</u>
Net Capital Assets	<u>\$ 48,863,296</u>	<u>\$ (538,959)</u>	<u>\$ 22,713</u>	<u>\$ 48,301,624</u>

Depreciation expense was allocated as follows:

General government administration	\$ 784,707
Judicial administration	2,992
Public safety	474,436
Public works	126,608
Health and welfare	16,421
Education	545,320
Parks, recreation, and cultural	12,722
Community development	<u>235,433</u>
Total Depreciation Expense	<u>\$ 2,198,639</u>

Business-Type Activities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 338,162	\$ -	\$ -	\$ 338,162
Total Capital Assets Not Being Depreciated	338,162	-	-	338,162
Other Capital Assets				
Buildings and improvements	1,053,937	-	-	1,053,937
Infrastructure and equipment	53,324,180	73,885	-	53,398,065
Vehicles	392,102	-	19,977	372,125
Total Other Capital Assets	54,770,219	73,885	19,977	54,824,127
Less: Accumulated depreciation for				
Buildings and improvements	397,822	27,369	-	425,191
Infrastructure and equipment	23,378,027	1,158,084	-	24,536,111
Vehicles	216,835	29,751	18,971	227,615
Total Accumulated Depreciation	23,992,684	1,215,204	18,971	25,188,917
Other Capital Assets, Net	30,777,535	(1,141,319)	1,006	29,635,210
Net Capital Assets	<u>\$31,115,697</u>	<u>\$ (1,141,319)</u>	<u>\$ 1,006</u>	<u>\$29,973,372</u>
Depreciation expense was allocated as follows:				
Water and sewer expense	\$ 1,215,204			
Total Depreciation Expense	<u>\$ 1,215,204</u>			

Component Unit School Board

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
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	2,764,630	-	-	2,764,630
Furniture, equipment, and vehicles	25,036,552	575,120	1,333,661	24,278,011
Total Other Capital Assets	27,801,182	575,120	1,333,661	27,042,641
Less: Accumulated depreciation for				
Buildings and improvements	2,288,513	102,104	-	2,390,617
Furniture, equipment, and vehicles	14,395,027	1,232,407	1,328,539	14,298,895
Total Accumulated Depreciation	16,683,540	1,334,511	1,328,539	16,689,512
Other Capital Assets, Net	11,117,642	(759,391)	5,122	10,353,129
Net Capital Assets	<u>\$12,479,842</u>	<u>\$ (759,391)</u>	<u>\$ 5,122</u>	<u>\$11,715,329</u>
Depreciation expense was allocated as follows:				
Education	\$ 1,334,511			
Total Depreciation Expense	<u>\$ 1,334,511</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 \$618,560 for the governmental activities, \$106,691 for the business-type activities, and \$270,824 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
2022	\$ 1,714,573	\$ 1,477,323	\$ 1,135,137	\$ 1,134,648	\$ 240,774	\$ 21,346
2023	2,093,194	1,176,393	1,186,280	1,069,397	213,951	15,656
2024	2,191,222	1,083,420	1,231,898	997,871	156,920	10,842
2025	2,261,614	985,443	1,287,544	936,493	131,434	6,997
2026	2,295,937	883,455	7,121,036	4,313,546	99,715	3,297
2027-2031	10,110,000	2,908,594	8,241,584	2,598,606	66,401	1,189
2032-2036	4,825,000	1,474,725	7,500,713	1,031,609	-	-
2037-2041	5,325,000	934,226	20,956	1,330	-	-
2042-2046	4,710,000	417,870	-	-	-	-
2047-2048	1,900,000	38,200	-	-	-	-
Compensated absences	<u>618,560</u>	<u>-</u>	<u>106,691</u>	<u>-</u>	<u>270,824</u>	<u>-</u>
Total	38,045,100	11,379,649	27,831,839	12,083,500	1,180,019	59,327
Add						
Unamortized premium	<u>4,303,542</u>	<u>-</u>	<u>2,227,795</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$42,348,642</u>	<u>\$11,379,649</u>	<u>\$30,059,634</u>	<u>\$12,083,500</u>	<u>\$1,180,019</u>	<u>\$59,327</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, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2021</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.	\$ 10,521,000	\$ -	\$ 10,521,000	\$ -	\$ -
Capital lease with 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.	80,223	-	80,223	-	-
Rolloff trash truck lease with US Bancorp due May 2025; payable in annual installments of \$34,327 with a rate of 2.222 percent.	161,600	-	30,907	130,693	31,598
Moral Obligation Bond, Series 2015, for jail farm kitchen, due August 2025; payable in annual installments of \$23,500 with a rate of 3.35 percent.	60,062	-	10,105	49,957	10,455
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.	499,509	-	499,509	-	-
General Obligation Bond, Series 2019B, for courthouse project due December 2020; payable in semi-annual interest only installments with a rate of 2.48 percent. Principal due at maturity.	2,186,000	-	2,186,000	-	-
Lease Revenue and Refunding Bonds, Series 2021 issued March 2021 with final maturity of December 2047; semi-annual payments are due December and June. Interest varies from 5 percent to 2 percent.	-	24,660,000	-	24,660,000	930,000
School Fund - School Bonds and School Related					
Literary Loan with the Virginia Department of Treasury, issued December 15, 2009, with interest payable annually at 2.00 percent. Principal is due annually for 20 years.	3,750,000	-	375,000	3,375,000	375,000
General Obligation Bonds (Virginia Public School Authority, Series 2000B) due in various installments ranging from \$218,266 to \$304,970; rate of 5.10 percent. Interest due semiannually, July 15 and January 15, with U.S. Bank.	609,940	-	609,940	-	-

	<u>Balance</u> <u>July 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>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.	219,150	-	71,828	147,322	73,000
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.	271,881	-	58,313	213,568	59,520
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.	5,906,541	-	5,906,541	-	-
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	-	-
General Obligation Bonds (Virginia Public School Authority, 2021 Spring Pool) due in various installments ranging from \$135,000 to \$280,000 and rates from 2.05 percent to 5.05 percent. Interest due semiannually, July 15 and January 15.	-	4,270,000	-	4,270,000	-
Lease Revenue and Refunding Bonds, Series 2021 issued March 2021 with final maturity of December 2047; semi-annual payments are due December and June. Interest varies from 5 percent to 2 percent.	-	4,580,000	-	4,580,000	235,000
Compensated Absences - General Fund	371,612	357,227	330,517	398,322	39,832
Compensated Absences - Social Services Fund	235,439	167,269	182,470	220,238	22,024
Subtotal	30,822,957	34,034,496	26,812,353	38,045,100	1,776,429
Add: Unamortized Premium on Series 2021 Bonds	-	3,856,169	154,247	3,701,922	-
Add: Unamortized Premium on Series 2021 Spring Pool	-	601,620	-	601,620	-
Total Long-Term Indebtedness-Governmental Activities	30,822,957	38,492,285	26,966,600	42,348,642	1,776,429
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.	18,986,000	-	637,000	18,349,000	668,500
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.	8,104,000	-	273,000	7,831,000	286,500
Virginia Resources Authority, Wastewater Revolving Loan Fund issued March 2012 for \$880,502 at 0.00 percent interest. Payable over 20 years.	650,253	-	52,196	598,057	52,196
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. Per the Bond Agreement, the interest rate was reduced to 2.90 percent in August 2019.	960,850	-	960,850	-	-

	<u>Balance</u> <u>July 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>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.	90,092	-	15,158	74,934	15,685
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.	73,087	-	28,604	44,483	29,474
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.	90,388	-	2,714	87,674	2,782
Lease Revenue and Refunding Bonds, Series 2021 issued March 2021 with final maturity of December 2047; semi-annual payments are due December and June. Interest varies from 5 percent to 2 percent.	-	740,000	-	740,000	80,000
Compensated Absences - Water and Sewer Fund	113,221	75,447	81,977	106,691	10,669
Subtotal	29,067,891	815,447	2,051,499	27,831,839	1,145,806
Add: Unamortized Premium on Series 2018 Bonds	2,226,145	-	117,165	2,108,980	-
Add: Unamortized Premium on Series 2021 Bonds	-	135,788	16,973	118,815	-
 Total Business-Type Activities	 <u>31,294,036</u>	 <u>951,235</u>	 <u>2,185,637</u>	 <u>30,059,634</u>	 <u>1,145,806</u>
 Total Primary Government	 <u>\$ 62,116,993</u>	 <u>\$ 39,443,520</u>	 <u>\$ 29,152,237</u>	 <u>\$ 72,408,276</u>	 <u>\$ 2,922,235</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.	\$ 62,542	\$ -	\$ 62,542	\$ -	\$ -
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.	157,619	-	62,071	95,548	63,368
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.	198,494	-	55,516	142,978	56,465
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.	354,889	-	60,030	294,859	61,955
School bus lease, purchase of five buses, with US Bancorp; due May 2027; payable in semi-annual installments of \$33,795 with a rate of 2.382 percent.	433,416	-	57,606	375,810	58,986
Compensated Absences - School Board	318,852	131,234	179,262	270,824	27,082
 Total Component Unit School Board	 <u>\$ 1,525,812</u>	 <u>\$ 131,234</u>	 <u>\$ 477,027</u>	 <u>\$ 1,180,019</u>	 <u>\$ 267,856</u>

Advance Refunding – March 2017

The County issued \$15,126,100 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 did not exceed 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 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.

Current Refunding – March 2021

The County issued \$13,795,000 of revenue 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 \$17,058,810 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 exceed the net carrying amount of the old debt of \$17,395,709. This amount is being amortized over the remaining life of the old debt issued. This refunding was undertaken to reduce total debt service payments over the next 11 years by \$1,139,101 and resulted in an economic gain of \$1,051,143.

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, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Revenue anticipation note	\$ _____ -	\$ 2,500,000	\$ (2,500,000)	\$ _____ -

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, 2021 is determined as follows:

	Governmental Activities	Business- Type Activities	Component Unit School Board
Net Investment in Capital Assets			
Cost of capital assets	\$ 84,835,918	\$55,162,289	\$ 28,404,841
Less: Accumulated depreciation	<u>(36,534,294)</u>	<u>(25,188,917)</u>	<u>(16,689,512)</u>
Book value	48,301,624	29,973,372	11,715,329
Less: Capital related debt	(37,426,540)	(27,725,148)	(909,195)
Less: Unamortized premium	<u>(4,303,542)</u>	<u>(2,227,795)</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 6,571,542</u>	<u>\$ 20,429</u>	<u>\$ 10,806,134</u>

14 Deferred Inflows of Resources

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

	Primary Government - General Fund
Delinquent taxes not collected within 60 days	\$ 1,022,771
Prepaid property taxes - property taxes paid in advance	140,045
Prepaid landfill fees - landfill fees paid in advance	5,498
Delinquent landfill fees not collected within 60 days	<u>1,300,223</u>
Totals	<u>\$ 2,468,537</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, 2021:

Division of Risk Management/AON

Richard L. Francis, Clerk of Circuit Court	\$ 500,000
Cynthia Edwards, Treasurer	400,000
Amy B. Carr, Commissioner of Revenue	3,000
J. A. Wyche, Sr., 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
Dr. Alan W. Edwards, Chairman	250,000
William H. Gillette, Vice Chairman	250,000
Carl J. Faison, Supervisor	250,000
Christopher D. Cornwell, Sr., Supervisor	250,000
Dallas O. Jones, Supervisor	250,000
Lynda T. Updike, Supervisor	250,000
Robert White, 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, 2021, 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>\$ 2,074,766,934</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 207,476,693
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross Debt	<u>64,762,944</u>
Legal Debt Margin - June 30, 2021	<u>\$ 142,713,749</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>\$ 14,633,749</u>
Total Appropriation per Fund Financial Statements	14,633,749
Net fixed asset and depreciation adjustment on the school buildings still owned by the County until the debt is paid off	545,320
Debt on school buildings belonging to General Fund paid by School Fund	<u>(2,394,031)</u>
Appropriation to School Fund per Government-Wide Financial Statements	<u>\$ 12,785,038</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, 2021.

<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>
Hampton Farms	Machinery and tools tax	50%	\$ 163,825
Belmont Peanuts	Permit fees	100%	\$ 11,192
	Utility (local tax)	100%	1,189

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:

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, service credit, and average final compensation at retirement using a formula.

Eligible Members

Members 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, service credit, and average final compensation at retirement using a formula.

Eligible Members

Members 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. *Teachers:* Members are in Plan 2 if their membership date is from July 1, 2010, to December 31, 2013, and they have not taken a refund. Members are covered under Plan 2 if they have a membership date prior to July 1, 2010, and they were not vested before 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, service credit, 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

Members 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

Members 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.

Service Credit

Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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 service credit. 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.

Service Credit

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.

Service Credit

Defined Benefit Component:

Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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, service credit 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 service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit 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 determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

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 service credit 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.

Distributions not required, except as governed by law .

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 service credit or at age 50 with at least 30 years of service credit.

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

Earliest Reduced Retirement Eligibility

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

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

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 service credit, 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 service credit, 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 service credit or when their age plus service credit 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 service credit.

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 service credit 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 service credit.

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.
- 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 service credit in their plan. Prior service credit 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, 2019 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	141
Inactive members:	
Vested	30
Non-vested	48
LTD	0
Active elsewhere in VRS	<u>73</u>
Total inactive members	151
Active members	<u>167</u>
Total covered employees	<u>459</u>

School Board

Inactive members or their beneficiaries currently receiving benefits	41
Inactive members:	
Vested inactive members	12
Non-vested inactive members	26
LTD	0
Inactive members active elsewhere in VRS	<u>12</u>
Total inactive members	50
Active members	<u>42</u>
Total covered employees	<u>133</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 County of Southampton, Virginia's contractually required contribution rate for the year ended June 30, 2021 was 12.34% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 County of Southampton, Virginia were \$807,051 and \$765,066 for the years ended June 30, 2021 and June 30, 2020, respectively.

County of Southampton, Virginia’s school board – general employees’ contribution rate was 0.00%. Contributions to the pension plan were \$-0- and \$4,442 for the years ended June 30, 2021 and June 30, 2020, respectively.

Each school division’s contractually required contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 County of Southampton, Virginia’s school division were \$2,138,164 and \$2,163,956 for the years ended June 30, 2021 and June 30, 2020, 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 County of Southampton, Virginia, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

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, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 51,001,855
Plan Fiduciary Net Position	36,449,229
Employer's Net Pension Liability (Asset)	\$ 14,552,626
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 71.47%

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, 2019, 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, 2020.

	<u>General Employees</u>	<u>Teacher</u>
Inflation	2.50%	2.50%
Salary increases, including inflation	3.50% - 5.35%	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.*

Political Subdivisions

Mortality 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 2021; 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 2021; 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 2021; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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 2021.

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 2021; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
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
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.*

Mortality rates:

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 2021; 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 2021; 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 2021; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.14%</u>

**The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the Fiscal Year 2020 actuarial valuations, provide a median return of 6.81%.*

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. Through the fiscal year ending June 30, 2020, 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, 2020 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

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 42,149,655	\$ 36,689,842	\$ 5,459,813
Changes for the Year			
Service cost	893,408	-	893,408
Interest	2,788,671	-	2,788,671
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	(241,484)	-	(241,484)
Contributions - employer	-	865,707	(865,707)
Contributions - employee	-	370,889	(370,889)
Net investment income	-	708,063	(708,063)
Benefit payments, including refunds of employee contributions	(2,083,484)	(2,083,484)	-
Administrative expenses	-	(24,113)	24,113
Other changes	-	(828)	828
Net Changes	<u>1,357,111</u>	<u>(163,766)</u>	<u>1,520,877</u>
Balances at June 30, 2020	<u>\$ 43,506,766</u>	<u>\$ 36,526,076</u>	<u>\$ 6,980,690</u>

School Board

		<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>	
Balances at June 30, 2019	\$ 4,397,266	\$ 5,201,159	\$ (803,893)	
Changes for the Year				
Service cost	79,640	-	79,640	
Interest	288,794	-	288,794	
Benefit changes	-	-	-	
Assumption changes	-	-	-	
Differences between expected and actual experience	(74,383)	-	(74,383)	
Contributions - employer	-	2,656	(2,656)	
Contributions - employee	-	38,538	(38,538)	
Net investment income	-	98,600	(98,600)	
Benefit payments, including refunds of employee contributions	(237,668)	(237,668)	-	
Administrative expenses	-	(3,458)	3,458	
Other changes	-	(115)	115	
Net Changes	<u>56,383</u>	<u>(101,447)</u>	<u>157,830</u>	
Balances at June 30, 2020	<u>\$ 4,453,649</u>	<u>\$ 5,099,712</u>	<u>\$ (646,063)</u>	

Sensitivity of the County of Southampton, Virginia 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 County of Southampton, Virginia political subdivision's and school division's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the County of Southampton, Virginia's 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 5.75% or one percentage point higher 7.75% than the current rate:

	<u>1.00% Decrease 5.75%</u>	<u>Current Discount Rate 6.75%</u>	<u>1.00% Increase 7.75%</u>
Political Subdivision			
Net Pension Liability	\$ 12,230,267	\$ 6,980,690	\$ 2,588,125
School Board			
Net Pension Liability	(182,163)	(646,063)	(1,041,391)
School Division's Proportionate			
Share of the VRS Teacher Employee Retirement Plan Net Pension Liability	33,932,553	23,127,034	14,189,504

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

For the year ended June 30, 2021, the County of Southampton, Virginia recognized pension expense of \$1,536,197.

For the year ended June 30, 2021, the County of Southampton, Virginia's school board – general employees recognized pension expense of \$17,989.

At June 30, 2021, the County of Southampton, Virginia's school division reported a liability of \$23,127,034 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The County of Southampton, Virginia school division's proportion of the Net Pension Liability was based on the County of Southampton, Virginia school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the County of Southampton, Virginia school division's proportion was 0.15892% as compared to 0.16297% at June 30, 2019.

For the year ended June 30, 2021, the County of Southampton, Virginia's school division recognized pension expense of \$2,322,143. 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, 2021, the County of Southampton, Virginia's 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	\$ -	\$ 230,923	\$ -	\$ 33,957
Changes of assumptions	332,521	-	-	-
Net difference between projected and actual earnings on pension plan investments	1,098,260	-	152,049	-
Employer contributions subsequent to the measurement date	<u>807,051</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,237,832</u>	<u>\$ 230,923</u>	<u>\$ 152,049</u>	<u>\$ 33,957</u>

At June 30, 2021, 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	\$ -	\$ 1,355,601
Change in assumptions	1,578,710	-
Net difference between projected and actual earnings on pension plan investments	1,759,067	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	26,296	605,130
Employer contributions subsequent to the measurement date	<u>2,138,164</u>	<u>-</u>
Total	<u>\$ 5,502,237</u>	<u>\$ 1,960,731</u>

\$807,051, \$-0-, and \$2,138,164 reported as deferred outflows of resources related to pensions resulting from the County of Southampton, Virginia’s 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, 2022. 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>Political Subdivision</u>	<u>School Board</u>	<u>Teacher</u>
<u>Year Ended June 30.</u>			
2022	\$ 196,553	\$ (32,552)	\$ (204,921)
2023	280,793	48,521	487,679
2024	371,919	52,977	674,593
2025	350,593	49,146	495,288
2026	-	-	(49,297)
Thereafter	-	-	-

Payables to the Pension Plan

The County of Southampton, Virginia’s political subdivision, school division – general employees, and school division – teacher recognize \$123,337, \$3,148, and \$262,787, respectively of payables to a defined benefit pension plan outstanding at the end of the reporting period. This amount represents the June 2021 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 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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">• <i>Natural Death Benefit:</i> The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.• <i>Accidental Death Benefit:</i> The accidental death benefit is double the natural death benefit.• <i>Other Benefit Provisions:</i> 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 benefitSafety belt benefitRepatriation benefitFelonious assault benefitAccelerated 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 in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.</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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% 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, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$42,837 and \$39,050 for the years ended June 30, 2021 and June 30, 2020, respectively.

For the school board – general employees, contributions to the Group Life Insurance Program were \$4,243 and \$4,435 for the years ended June 30, 2021 and June 30, 2020, respectively.

For the school board – teacher, contributions to the Group Life Insurance Program were \$71,744 and \$71,799 for the years ended June 30, 2021 and June 30, 2020, 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, 2021, the entities reported a liability of \$616,742 for the political subdivision, \$69,090 for the school board – general employees, and \$1,119,622 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, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.04017% for the political subdivision, 0.00414% for the school board – general employees, and 0.06709% for the school board – teacher as compared to 0.04092 % for the political subdivision, 0.00407% for the school board – general employees, and 0.06944% for the school board – teacher at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expenses of \$21,555 for the political subdivision, \$1,467 for the school board – general employees, and \$36,944 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, 2021, 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	\$ 39,558	\$ 5,538
Net difference between projected and actual earnings on GLI OPEB program investments	18,526	-
Change in assumptions	30,844	12,878
Changes in proportionate share	3,546	19,074
Employer contributions subsequent to the measurement date	<u>42,837</u>	<u>-</u>
Total	<u>\$ 135,311</u>	<u>\$ 37,490</u>

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
School Board		
Differences between expected and actual experience	\$ 4,431	\$ 619
Net difference between projected and actual earnings on GLI OPEB program investments	2,075	-
Change in assumptions	3,455	1,443
Changes in proportionate share	3,095	8,232
Employer contributions subsequent to the measurement date	<u>4,243</u>	<u>-</u>
Total	<u>\$ 17,299</u>	<u>\$ 10,294</u>

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Teacher		
Differences between expected and actual experience	\$ 71,813	\$ 10,055
Net difference between projected and actual earnings on GLI OPEB program investments	33,632	-
Change in assumptions	55,994	23,378
Changes in proportionate share	3,577	35,957
Employer contributions subsequent to the measurement date	<u>71,744</u>	<u>-</u>
Total	<u>\$ 236,760</u>	<u>\$ 69,390</u>

\$42,837 for the political subdivision, \$4,243 for school board – general employees, and \$71,744 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, 2022. 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>			
2022	\$ 7,325	\$ (127)	\$ 11,112
2023	12,557	459	20,610
2024	16,536	499	29,773
2025	16,097	1,273	31,253
2026	2,502	582	3,560
Thereafter	(34)	76	(682)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation -	
General state employees	3.50% - 5.35%
Teachers	3.50% - 5.95%
SPORS employees	3.50% - 4.75%
VaLORS employees	3.50% - 4.75%
JRS employees	4.50%
Locality - General employees	3.50% - 5.35%
Locality - Hazardous Duty employees	3.50% - 4.75%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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 2021; 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 2021; 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 2021; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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 2021.

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 2021; 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 2021; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
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
Discount Rate	Decrease rate from 7.00% to 6.75%

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 2021; 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 2021; 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 2021; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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 2021; 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 2021; 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 2021; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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 2021; 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 2021; 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 2021; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

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 2021; 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 2021; 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 2021; males set forward 2 years, 110% of rates; females 125% of rates

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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 2021; 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 2021; 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 2021; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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 2021; 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 2021; 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 2021; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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 2021; 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 2021; 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 2021; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2020, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,523,937
Plan Fiduciary Net Position	<u>1,855,102</u>
GLI Net OPEB Liability (Asset)	<u>\$ 1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%

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>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the Fiscal Year 2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. 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, 2020, 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, 2020 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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease 5.75%	Current Discount Rate 6.75%	1.00% Increase 7.75%
State Agency's Proportionate Share of the Group Life Insurance Plan			
Net OPEB Liability - Political Subdivision	\$ 810,755	\$ 616,742	\$ 459,186
Net OPEB Liability - School Division	90,824	69,090	51,440
Net OPEB Liability - Teacher	1,471,829	1,119,622	833,597

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 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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 \$9,830, \$951, and \$17,018, respectively of payables to a group life insurance OPEB plan outstanding at the end of the reporting period. This amount represents the June 2021 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

Eligible Employees

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.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

Benefit Amounts

The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- *At Retirement:* 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.
- *Disability Retirement:* 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.

Health Insurance Credit Program Notes:

- 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, 2019 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Political Subdivision	
Inactive members or their beneficiaries currently receiving benefits	25
Inactive members:	
Vested inactive members	0
Non-vested inactive members	0
Inactive members active elsewhere in the System	<u>0</u>
Total inactive members	25
Active members	<u>53</u>
Total covered employees	78
Component Unit School Board General Employees	
Inactive members or their beneficiaries currently receiving benefits	0
Inactive members:	
Vested inactive members	0
Non-vested inactive members	0
Inactive members active elsewhere in the System	<u>0</u>
Total inactive members	0
Active members	<u>42</u>
Total covered employees	<u>42</u>

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 County of Southampton, Virginia’s contractually required employer contribution rate for the year ended June 30, 2021 was 0.09% of covered employee compensation and 0.90% for the component unit school board-general employees. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 County of Southampton, Virginia to the Political Subdivision Health Insurance Credit Program were \$1,650 and \$2,578 for the years ended June 30, 2021 and June 30, 2020, respectively.

For the component unit school board – general employees, contributions to the Health Insurance Credit Program were \$7,017 and \$0- for the years ended June 30, 2021 and 2020, respectively.

Net HIC OPEB Liability

The County of Southampton, Virginia’s net Health Insurance Credit OPEB liability was measured as of June 30, 2020. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	
Locality - General Employees	3.50% - 5.35%
Locality - Hazardous Duty Employees	3.50% - 4.75%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.*

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 2021; 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 2021; 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 2021; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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 2021; 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 2021; 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 2021; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the Fiscal Year 2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. 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, 2020, 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, 2020 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)	<u>Increase (Decrease)</u> Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Political Subdivision			
Balances at June 30, 2019	\$ 137,939	\$ 140,722	\$ (2,783)
Changes for the Year			
Service cost	2,252	-	2,252
Interest	8,801	-	8,801
Benefit changes	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	(11,955)	-	(11,955)
Contributions - employer	-	2,371	(2,371)
Net investment income	-	2,732	(2,732)
Benefit payments	(15,119)	(15,119)	-
Administrative expenses	-	(247)	247
Other changes	-	(1)	1
Net Changes	<u>(16,021)</u>	<u>(10,264)</u>	<u>(5,757)</u>
Balances at June 30, 2020	<u>\$ 121,918</u>	<u>\$ 130,458</u>	<u>\$ (8,540)</u>

**Component Unit School Board
General Employees**

	Total Pension Liability (a)	<u>Increase (Decrease)</u> Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ -	\$ -	\$ -
Changes for the Year			
Service cost	-	-	-
Interest	-	-	-
Benefit changes	92,119	-	92,119
Changes of assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Contributions - employer	-	-	-
Net investment income	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	-	-
Other changes	-	-	-
Net Changes	<u>92,119</u>	<u>-</u>	<u>92,119</u>
Balances at June 30, 2020	<u>\$ 92,119</u>	<u>\$ -</u>	<u>\$ 92,119</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 6.75%, 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 5.75% or one percentage point higher 7.75% than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Political subdivision's			
Net HIC OPEB Liability/(Asset)	\$ 2,938	\$ (8,540)	\$ (18,443)
School Board General Employees			
Net HIC OPEB Liability	\$ 101,051	\$ 92,119	\$ 84,367

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, 2021, the County of Southampton, Virginia recognized Health Insurance Credit Program OPEB expense of \$(495) for the political subdivision and \$92,119 for the component unit school board-general employees. At June 30, 2021, the County of Southampton, Virginia reported deferred outflows of resources and deferred inflows of resources related to the County of Southampton, Virginia's Health Insurance Credit Program from the following sources:

Political Subdivision

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,355
Net difference between projected and actual earnings on HIC OPEB program investments	1,520	314
Change in assumptions	4,286	-
Changes in proportionate share	-	-
Employer contributions subsequent to the measurement date	<u>1,650</u>	<u>-</u>
Total	<u>\$ 7,456</u>	<u>\$ 10,669</u>

**Component Unit School Board
General Employees**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on HIC OPEB program investments	-	-
Change in assumptions	-	-
Changes in proportionate share	-	-
Employer contributions subsequent to the measurement date	<u>7,017</u>	<u>-</u>
Total	<u>\$ 7,017</u>	<u>\$ -</u>

\$1,650 for the political subdivision and \$7,017 for the component unit school board-general employees reported as deferred outflows of resources related to the HIC OPEB resulting from the County of Southampton, Virginia'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, 2022. 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.**

Political Subdivision

2022	\$	(2,436)
2023		(784)
2024		(792)
2025		(851)
2026		-
Thereafter		-

**Component Unit School Board
General Employees**

2022	\$	-
2023		-
2024		-
2025		-
2026		-
Thereafter		-

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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 and component unit school board-general employees recognize \$6,475 and \$624, respectively of payables to a health insurance credit program OPEB plan outstanding at the end of the reporting period. This amount represents the June 2021 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
<p>Eligible Employees</p> <p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts</p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• <i>At Retirement:</i> 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.• <i>Disability Retirement:</i> For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:<ul style="list-style-type: none">○ \$4.00 per month, multiplied by twice the amount of service credit, or○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none">• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.• Employees who retire after being on long-term disability under VLDP must have at least 15 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, 2021 was 1.21% 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, 2019. 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 County of Southampton, Virginia's school division to the VRS Teacher Employee Health Insurance Credit Program were \$160,549 and \$165,609 for the years ended June 30, 2021 and June 30, 2020, 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, 2021, the County of Southampton, Virginia's school division reported a liability of \$2,053,570 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, 2020 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 performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The County of Southampton, Virginia school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the County of Southampton, Virginia school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the County of Southampton, Virginia's school division proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.15742% as compared to 0.16207% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$157,070. 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, 2021, the County of Southampton, Virginia's 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	\$ -	\$ 27,425
Net difference between projected and actual earnings on Teacher HIC OPEB program investments	9,101	-
Change in assumptions	40,596	11,220
Changes in proportionate share	-	68,627
Employer contributions subsequent to the measurement date	<u>160,549</u>	<u>-</u>
Total	<u>\$ 210,246</u>	<u>\$ 107,272</u>

\$160,549 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	
2022	\$ (11,104)
2023	(10,202)
2024	(10,504)
2025	(8,229)
2026	(5,595)
Thereafter	(11,941)

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, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation Teacher Employees	3.50% - 5.95%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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 2021.

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 2021; 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 2021; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2021
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
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2020 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	\$ 1,448,676
Plan Fiduciary Net Position	<u>144,160</u>
Teacher Employee net HIC OPEB Liability (Asset)	<u>\$ 1,304,516</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	9.95%

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:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the Fiscal Year 2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. 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, 2020, 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, 2020 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 County of Southampton, Virginia School Division’s Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the County of Southampton, Virginia school division’s proportionate share of the VRS Teacher Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the County of Southampton, Virginia 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
School division's proportionate			
share of the VRS Teacher Employee			
HIC OPEB Plan			
Net HIC OPEB Liability	\$ 2,298,757	\$ 2,053,570	\$ 1,845,178

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 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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 \$15,325 of payables to a teacher health insurance program OPEB plan outstanding at the end of the reporting period. This amount represents the June 2021 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
<p>Eligible Employees</p> <p>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</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"> • 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.
<p>Benefit Amounts</p> <p>The Political Subdivision Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:</p> <p><i>Short-Term Disability:</i></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><i>Long-Term Disability:</i></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 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 plan 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, 2021 was 0.83% 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, 2019. 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 \$2,866 and \$2,428 for the years ended June 30, 2021 and June 30, 2020, 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, 2021, the school board – general employees reported a liability of \$904 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, 2020 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 June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school board – general employees' proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was 0.09050% as compared to 0.06845% at June 30, 2019.

For the year ended June 30, 2021, the school board – general employees recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of \$2,638. 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, 2021, 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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 732	\$ 1,061
Net difference between projected and actual earnings on Political Subdivision VLDP OPEB program investments	96	-
Change in assumptions	42	60
Changes in proportionate share	262	-
Employer contributions subsequent to the measurement date	<u>2,866</u>	<u>-</u>
Total	<u>\$ 3,998</u>	<u>\$ 1,121</u>

\$2,866 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, 2022. 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:

School Board

**Year Ended
June 30,**

2022	\$	122
2023		121
2024		122
2025		113
2026		(99)
Thereafter		(368)

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, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation - Political subdivision employees	3.50% - 5.95%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.*

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 2021; 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 2021; 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 2021; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2020, 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 Employee VLDP OPEB Liability	\$	4,317
Plan Fiduciary Net Position		<u>3,317</u>
Political Subdivision Employee VLDP Net OPEB Liability (Asset)	\$	<u><u>1,000</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision Employee VLDP OPEB Liability		76.84%

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>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for Fiscal Year 2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total Political Subdivision Employee VLDP OPEB was 6.75%. 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, 2020, 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, 2020 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 6.75%, 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 5.75% or one percentage point higher 7.75% than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Covered Employers Proportionate			
Share of the VRS School Board			
VLDP OPEB Plan			
Net OPEB Liability	\$ 1,212	\$ 904	\$ 635

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 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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 \$263 of payables to a Virginia local disability program OPEB plan outstanding at the end of the reporting period. This amount represents the June 2021 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

Eligible Employees

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 plan retirement benefits

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

- Teachers and other full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts

The Teacher 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 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 plan 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, 2021 was 0.47% 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, 2019. 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 \$20,434 and \$16,489 for the years ended June 30, 2021 and June 30, 2020, 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, 2021, the school division reported a liability of \$5,455 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, 2020 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 June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion of the VRS Teacher Employee Virginia Local Disability Program was 0.67992% as compared to 0.69595% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee Virginia Local Disability Program OPEB expense of \$14,902. 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, 2021, 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	\$ 2,579	\$ 422
Net difference between projected and actual earnings on Teacher VLDP OPEB program investments	589	-
Change in assumptions	612	-
Changes in proportionate share	442	82
Employer contributions subsequent to the measurement date	<u>20,434</u>	<u>-</u>
Total	<u>\$ 24,656</u>	<u>\$ 504</u>

\$20,434 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, 2022. 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,**

2022	\$	396
2023		383
2024		378
2025		384
2026		238
Thereafter		1,939

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, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation - Teacher employees	3.50% - 5.95%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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 2021.

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 2021; 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 2021; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2021
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
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2020, 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	\$ 3,687
Plan Fiduciary Net Position	<u>2,886</u>
Teacher Employee VLDP Net OPEB Liability (Asset)	<u>\$ 801</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee VLDP OPEB Liability	
	78.28%

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:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the Fiscal Year 2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total Teacher Employee VLDP OPEB was 6.75%. 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, 2020, 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, 2020 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 6.75%, 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 5.75% or one percentage point higher 7.75% than the current rate:

1.00% Decrease
5.75%

Current Discount
Rate 6.75%

1.00% Increase
7.75%

Covered Employers Proportionate

Share of the VRS Teacher
Employee VLDP OPEB Plan
Net VLDP OPEB Liability

\$	8,493	\$	5,455	\$	2,833
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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 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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 \$1,998 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 2021 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, 2021.

	<u>County</u>
Number of participants	
Active	185
Spouses	63
Retired/Beneficiaries	39
Spouses	_____ -
Total Participants	<u>287</u>

Plan Description

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

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

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

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

**Premium for 2021
(annual amount)**

<u>Age</u>	<u>KA250 Plan</u>	<u>Expanded Plan</u>
<65		
Retiree \$	10,848	\$ 11,892
Spouse	9,216	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>Total</u>	<u>Increase (Decrease)</u>	<u>Net</u>
	<u>OPEB Retiree HI</u>	<u>Plan</u>	<u>OPEB Retiree HI</u>
	<u>Liability</u>	<u>Fiduciary</u>	<u>Liability (Asset)</u>
	<u>(a)</u>	<u>Net Position</u>	<u>(a) - (b)</u>
		<u>(b)</u>	
Balances at July 1, 2020	\$ 1,691,248	\$ 1,756,086	\$ (64,838)
Changes for the Year			
Service cost	40,614	-	40,614
Interest	119,810	-	119,810
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(218,428)	-	(218,428)
Changes in assumptions	171,009	-	171,009
Contributions - employer, including benefits paid	-	91,278	(91,278)
Contributions - member	-	-	-
Net investment income	-	419,933	(419,933)
Benefit payments	(41,278)	(41,278)	-
Administrative expenses	-	-	-
Net Changes	<u>71,727</u>	<u>469,933</u>	<u>(398,206)</u>
Balances at June 30, 2021	<u>\$ 1,762,975</u>	<u>\$ 2,226,019</u>	<u>\$ (463,044)</u>

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 6.00%, as well as what each 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:

	<u>1.00%</u>	<u>Current</u>	<u>1.00%</u>
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
	<u>5.00%</u>	<u>6.00%</u>	<u>7.00%</u>
Employer's Net OPEB Retiree Health Insurance Liability	\$ (292,036)	\$ (463,044)	\$ (612,897)

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 5.75% to an ultimate rate of 4.25%, as well as what each 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 <u>3.25%</u>	Current Ultimate Trend Rate <u>4.25%</u>	1.00% Increase <u>5.25%</u>
Employer's Net OPEB Retiree Health Insurance Liability	\$ (630,527)	\$ (463,044)	\$ (267,354)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement.

Investment Return: 6.00%, net of investment expense and including inflation
 Healthcare Trend: 5.75% 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.

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

Changes in Actuarial Assumptions

The expected investment return and salary increase assumptions were updated since the prior year. (Please refer to the County January 1, 2021 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 closed amortization of the unfunded liability (24 years remaining as of 1/1/2021).

Discount Rate

The discount rate used to measure the total OPEB liability is 6.00%. 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, 2021, 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	6.10%	45.00%
Non-US Equity	6.40%	19.00%
US Fixed Income - Investment	1.35%	35.00%
Cash Equivalents	0.20%	<u>1.00%</u>
Total Weighted Average Real Return	4.44%	<u>100.00%</u>
Plus Inflation	<u>2.50%</u>	
Total Return w/o Adjustment	6.94%	
Risk Adjustment	<u>-0.94%</u>	
Total Expected Return	<u>6.00%</u>	

Deferred Inflow/Outflow Summary

For the year ended June 30, 2021, the County recognized OPEB expense of \$(76,079). As of June 30, 2021, 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	\$ -	\$ 364,575
Changes in actuarial assumptions	142,507	74,914
Net difference between projected and actual earnings on OPEB plan investments	-	<u>177,903</u>
Total	<u>\$ 142,507</u>	<u>\$ 617,392</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.	
2022	\$ (129,845)
2023	(132,385)
2024	(134,191)
2025	(70,560)
2026	(7,904)
Thereafter	-

School Board

Plan Membership

The following is a summary of plan members as of January 1, 2021.

	<u>School Board</u>
Number of participants	
Active	299
Spouses	73
Retired/Beneficiaries	13
Spouses	<u>1</u>
Total Participants	<u>386</u>

Plan Description

Medical/Drug Plan	Key Advantage 250, Key Advantage 500, or Optima Vantage.
Eligibility	Southampton County Public Schools employees are eligible to continue group insurance coverage after retirement provided that: <ul style="list-style-type: none"> a. Retiring employees have coverage in effect when they stop working. b. Retirement commences on the first of the month, following the last day they are employed. c. An employee must have been a permanent active employee. d. Employee must be eligible to retire under the VRS requirements. e. Eligibility for coverage stops at age 65.
Retiree Payment	Retiree pays the full blended Active/Retiree premium amount.

Premiums (annual, 2021 basis)

	<u>KA 250</u>		<u>KA 500</u>		<u>Optima</u>
Employee	\$ 11,952	\$	10,596	\$	9,432
Employee/Spouse	22,116		19,608		17,448

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:

	Total OPEB Retiree HI Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Retiree HI Liability (Asset) (a) - (b)
Balances at July 1, 2020	\$ 2,437,876	\$ 2,042,600	\$ 395,276
Changes for the Year			
Service cost	89,460	-	89,460
Interest	175,938	-	175,938
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(956,742)	-	(956,742)
Changes in assumptions	169,930	-	169,930
Contributions - employer, including benefits paid	-	28,352	(28,352)
Contribution - member	-	-	-
Net investment income	-	321,887	(321,887)
Benefit payments	(28,352)	(28,352)	-
Administrative expenses	-	-	-
Net Changes	<u>(549,766)</u>	<u>321,887</u>	<u>(871,653)</u>
Balances at June 30, 2021	<u>\$ 1,888,110</u>	<u>\$ 2,364,487</u>	<u>\$ (476,377)</u>

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 6.00%, as well as what each 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 5.00%	Current Discount Rate 6.00%	1.00% Increase 7.00%
Employer's Net OPEB Retiree Health Insurance Liability	\$ (306,447)	\$ (476,377)	\$ (629,314)

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 5.75% to an ultimate rate of 4.25%, as well as what each 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	Current Ultimate Trend Rate	1.00% Increase
	<u>3.25%</u>	<u>4.25%</u>	<u>5.25%</u>

Employer's Net OPEB Retiree Health Insurance Liability	\$ (663,300)	\$ (476,377)	\$ (259,244)
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Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement.

Investment Return:	6.00%, net of investment expense and including inflation
Healthcare Trend:	5.75% 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.

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

Changes in Actuarial Assumptions

The expected investment return and salary increase assumptions were updated since the prior year. (Please refer to the School's January 1, 2021 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 closed amortization of the unfunded liability (24 years remaining as of 1/1/2021).

Discount Rate

The discount rate used to measure the total OPEB liability is 6.00%. 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, 2021, 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	6.10%	45.00%
Non-US Equity	6.40%	19.00%
US Fixed Income - Investment	1.35%	35.00%
Cash Equivalents	0.20%	<u>1.00%</u>
Total Weighted Average Real Return	4.44%	<u>100.00%</u>
Plus Inflation	<u>2.50%</u>	
Total Return w/o Adjustment	6.94%	
Risk Adjustment	<u>-0.94%</u>	
Total Expected Return	<u>6.00%</u>	

Deferred Inflow/Outflow Summary

For the year ended June 30, 2021, the Schools recognized OPEB expense of \$(152,122). As of June 30, 2021, 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	\$ -	\$ 1,793,375
Changes in assumptions	151,049	230,899
Net difference between projected and actual earnings on OPEB plan investments	-	<u>94,392</u>
Total	<u>\$ 151,049</u>	<u>\$ 2,118,666</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	
<u>June 30.</u>	
2022	\$ (304,390)
2023	(304,392)
2024	(309,767)
2025	(327,878)
2026	(273,177)
Thereafter	(448,013)

28 Fund Balances – Governmental Funds

As of June 30, 2021, 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	\$ 19,020,697
Forfeiture Fund	Subsequent years' appropriations	67,633
Law Library Fund	Subsequent years' appropriations	27,062
Canteen Fund	Subsequent years' appropriations	(326)
Inmate Fund	Subsequent years' appropriations	<u>241,249</u>
Total Restricted Funds		<u>\$ 19,356,315</u>
Component Unit School Board		
<u>Fund</u>	<u>Restricted for</u>	<u>Amount</u>
School Endowment Fund	School use only	<u>\$ 24,220</u>
Total Restricted Funds		<u>\$ 24,220</u>
<u>Fund</u>	<u>Assigned for</u>	<u>Amount</u>
School Food Fund	School cafeteria operations	<u>\$ 332,693</u>

29 Restatement

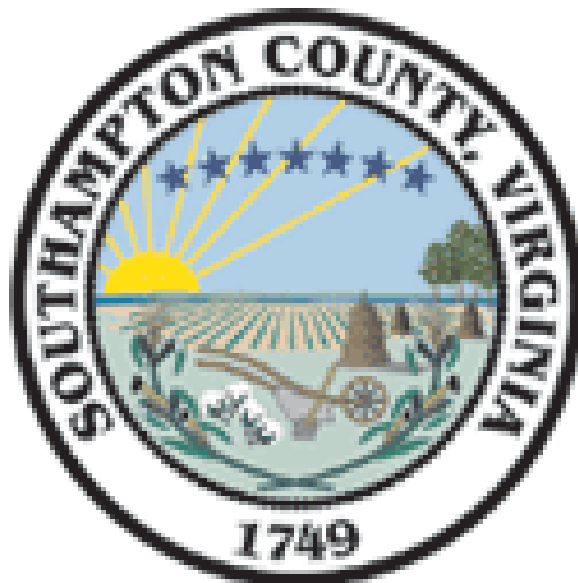
The following adjustments were made to beginning net position:

	<u>Component Unit School Board</u>
	<u>Net Position</u>
Beginning Balance as previously reported - July 1, 2020	\$(11,908,479)
Implementation of GASB 84 to record School Activity Funds	<u>897,325</u>
Restated Balance - beginning of the year - July 1, 2020	<u>\$ (11,011,154)</u>

30 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2021 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2021. Management has performed their analysis through December 14, 2021.

REQUIRED SUPPLEMENTARY INFORMATION



County of Southampton, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2021

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues				
General Property Taxes				
Real property taxes	\$ 12,293,653	\$ 12,293,653	\$ 12,619,915	\$ 326,262
Mobile home taxes	72,940	72,940	68,553	(4,387)
Personal property taxes	7,101,217	7,101,217	4,661,660	(2,439,557)
Public service corporation property taxes	2,117,641	2,117,641	2,130,816	13,175
Machinery and tools taxes	996,407	1,172,612	1,208,402	35,790
Farm implement/machinery seasonal taxes	486,313	486,313	509,510	23,197
Merchants' capital and contractors' equipment	340,531	340,531	356,842	16,311
Delinquent taxes	595,000	595,000	892,223	297,223
Interest on taxes	165,000	184,000	264,819	80,819
Penalties and fees on late taxes	314,000	336,500	401,275	64,775
Total General Property Taxes	24,482,702	24,700,407	23,114,015	(1,586,392)
Other Local Taxes				
Local sales and use taxes	630,000	630,000	900,400	270,400
Consumption tax	71,000	71,000	65,558	(5,442)
Bank stock tax	35,000	35,000	43,187	8,187
Transient occupancy tax	11,500	11,500	6,232	(5,268)
Business license taxes	172,500	172,500	290,866	118,366
Motor vehicle licenses	539,000	539,000	547,535	8,535
Tax on recordation and wills	127,500	127,500	202,160	74,660
Total Other Local Taxes	1,586,500	1,586,500	2,055,938	469,438
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	10,000	10,000	7,630	(2,370)
Other permits, licenses, and fees	171,300	171,300	140,393	(30,907)
Total Permits, Privilege Fees, and Regulatory Licenses	181,300	181,300	148,023	(33,277)
Fines and Forfeitures	730,827	742,827	433,198	(309,629)
Revenue from Use of Money and Property	45,000	45,000	9,253	(35,747)
Charges for Services				
Miscellaneous	21,900	22,800	34,930	12,130
Service charges - tax exempt	8,329	8,329	7,168	(1,161)
School resource officer reimbursement	84,255	84,255	76,296	(7,959)
Reimbursements for utilities and salaries	60,000	241,429	253,368	11,939
Courthouse maintenance fees	16,000	16,000	15,396	(604)

	<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	1,032,000	1,032,000	1,267,137	235,137
Ambulance transfers	300,000	303,400	357,400	54,000
Collection fee account	4,650	14,766	19,621	4,855
Total Charges for Services	<u>1,549,134</u>	<u>1,744,979</u>	<u>2,053,316</u>	<u>308,337</u>
Recovered Costs				
City of Franklin shared costs	276,465	276,465	276,465	-
Expenditure refunds	-	157,343	188,134	30,791
Insurance claims	-	70,168	67,381	(2,787)
Home program funds	-	110,000	110,000	-
Miscellaneous recoveries	6,700	17,000	16,794	(206)
Total Recovered Costs	<u>283,165</u>	<u>630,976</u>	<u>658,774</u>	<u>27,798</u>
Miscellaneous				
Gifts, donations, contributions	-	16,063	16,652	589
Franklin-Southampton charities	-	100,000	100,000	-
Miscellaneous	3,750	3,750	5,620	1,870
Industrial corridor tax revenue	652,000	652,000	700,565	48,565
Camp Campbell Foundation	-	90,000	90,000	-
Total Miscellaneous	<u>655,750</u>	<u>861,813</u>	<u>912,837</u>	<u>51,024</u>
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	73,500	73,500	99,486	25,986
Communication sales tax	468,000	468,000	410,225	(57,775)
Personal property tax relief act	-	-	2,346,261	2,346,261
Mobile home titling tax	20,000	20,000	8,501	(11,499)
Games of skill	-	-	18,000	18,000
Recordation and grantors' tax	26,000	26,000	-	(26,000)
Total Noncategorical Aid	<u>587,500</u>	<u>587,500</u>	<u>2,882,473</u>	<u>2,294,973</u>
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Commonwealth's Attorney	437,375	437,375	433,974	(3,401)
Sheriff and Sheriff's auto	3,016,099	3,022,838	2,986,950	(35,888)
Commissioner of the Revenue	113,609	113,609	112,342	(1,267)
Treasurer	110,650	110,650	80,929	(29,721)
Electoral Board and General Registrar	37,399	39,383	39,383	-
Clerk of Court	334,022	341,412	341,462	50
Jail operations	195,200	195,200	150,384	(44,816)
Miscellaneous state grants	-	32,145	32,536	391
PSAP grants	60,000	60,000	65,000	5,000
Litter Control Grant	-	1,279	1,279	-

Variance
With
Final Budget
Positive
(Negative)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Emergency Medical Services	-	17,679	17,679	-
911 Grant	-	127,265	127,265	-
Fire program allocation	-	60,145	60,145	-
Victim Witness Grant	27,020	27,020	27,020	-
Virginia Commission for the Arts	-	4,500	4,500	-
Historical Society	-	330,053	332,656	2,603
School Resource Officer	45,000	45,000	43,842	(1,158)
Children's Services Act	<u>375,787</u>	<u>504,417</u>	<u>437,197</u>	<u>(67,220)</u>
Total Categorical Aid	<u>4,752,161</u>	<u>5,469,970</u>	<u>5,294,543</u>	<u>(175,427)</u>
Total Revenue from the Commonwealth of Virginia	5,339,661	6,057,470	8,177,016	2,119,546
Revenue from the Federal Government				
Victim witness	81,059	81,059	81,059	-
Coronavirus Relief Fund	<u>-</u>	<u>3,113,124</u>	<u>3,077,638</u>	<u>(35,486)</u>
Total Revenue from the Federal Government	<u>81,059</u>	<u>3,194,183</u>	<u>3,158,697</u>	<u>(35,486)</u>
Total Intergovernmental Revenues	<u>5,420,720</u>	<u>9,251,653</u>	<u>11,335,713</u>	<u>2,084,060</u>
Total Revenues	34,935,098	39,745,455	40,721,067	975,612

Expenditures

Current

General Government Administration

Board of Supervisors	247,762	247,762	229,974	17,788
County Administrator	447,428	414,132	385,065	29,067
Commissioner of Revenue	389,341	390,564	341,464	49,100
Treasurer	357,068	403,365	383,021	20,344
Data processing	402,766	405,566	384,114	21,452
Insurance	322,225	232,172	160,645	71,527
Accounting	235,374	269,661	246,036	23,625
Delinquent taxes	56,788	56,842	28,472	28,370
Board of Assessors	13,500	13,500	11,177	2,323
Board of Elections	<u>236,482</u>	<u>240,713</u>	<u>201,828</u>	<u>38,885</u>
Total General Government Administration	2,708,734	2,674,277	2,371,796	302,481

Judicial Administration

Circuit Court	43,199	50,641	47,608	3,033
General District Court	41,471	41,477	14,117	27,360
Magistrate	760	760	705	55
Victim Witness Assistance Program	142,341	142,501	138,644	3,857
Clerk of the Circuit Court	578,117	612,015	604,953	7,062
Sheriff - Bailiff	451,109	457,287	399,426	57,861
Courthouse Security	174,968	174,968	160,397	14,571
Commonwealth's Attorney	<u>632,806</u>	<u>657,277</u>	<u>646,413</u>	<u>10,864</u>
Total Judicial Administration	2,064,771	2,136,926	2,012,263	124,663

Variance
With
Final Budget
Positive
(Negative)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<i>Public Safety</i>				
Sheriff's Department	2,317,394	2,445,079	2,267,655	177,424
Project Life Saver	-	9,673	-	9,673
School resource officer	129,255	129,255	121,138	8,117
Fire departments	420,574	485,556	471,031	14,525
Camp Campbell funds	-	90,000	90,000	-
Rescue squads	2,307,018	2,346,470	2,345,842	628
911	234,371	367,311	365,699	1,612
Wireless 911	55,187	58,187	58,113	74
Emergency services	156,661	1,789,798	1,738,204	51,594
Forestry	22,493	22,493	22,493	-
Detention	3,430,762	3,505,430	3,434,729	70,701
Probation	184,303	126,750	80,147	46,603
Inspections	323,944	330,115	265,884	64,231
Animal control	124,924	125,583	117,927	7,656
Medical Examiner	360	360	320	40
Total Public Safety	9,707,246	11,832,060	11,379,182	452,878
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	54,150	54,150	51,980	2,170
Refuse collection	838,241	868,094	819,608	48,486
Refuse disposal	692,000	692,000	689,557	2,443
Maintenance of buildings and grounds	537,533	721,650	649,377	72,273
Total Public Works	2,121,924	2,335,894	2,210,522	125,372
<i>Health and Welfare</i>				
Health Department	322,320	322,320	322,320	-
Mental health	73,950	73,950	73,950	-
Children's services	616,059	806,135	772,967	33,168
Welfare and Social Services	10,098	10,098	10,098	-
Total Health and Welfare	1,022,427	1,212,503	1,179,335	33,168
<i>Education</i>				
Appropriation to public school system	13,055,575	14,672,421	14,633,749	38,672
Total Education	13,055,575	14,672,421	14,633,749	38,672
<i>Parks, Recreation, and Cultural</i>				
Regional library	277,912	277,912	277,912	-
Miscellaneous contributions	28,000	465,922	455,894	10,028
Total Parks, Recreation, and Cultural	305,912	743,834	733,806	10,028
<i>Community Development</i>				
Planning and community development	342,784	556,850	491,556	65,294
Economic development	100,000	210,000	210,000	-
Revenue sharing agreement	65,400	65,400	63,775	1,625
Soil and Water Conservation District and Chowan	10,415	177,479	177,479	-
Cooperative Extension Program	69,665	71,315	43,791	27,524
Total Community Development	588,264	1,081,044	986,601	94,443

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Debt Service</i>	6,493	6,493	5,691	802
Total Expenditures	<u>31,581,346</u>	<u>36,695,452</u>	<u>35,512,945</u>	<u>1,182,507</u>
Excess (Deficiency) of Revenues Over Expenditures	3,353,752	3,050,003	5,208,122	2,158,119
Other Financing Sources (Uses)				
Transfers in	472,110	1,319,062	80,000	(1,239,062)
Transfers out	<u>(3,825,862)</u>	<u>(4,369,065)</u>	<u>(4,288,788)</u>	<u>80,277</u>
Total Other Financing Sources (Uses)	<u>(3,353,752)</u>	<u>(3,050,003)</u>	<u>(4,208,788)</u>	<u>(1,158,785)</u>
Net Change in Fund Balance before Transfer from Surplus	-	-	999,334	999,334
Transfer from Surplus Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance after Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	999,334	<u>\$ 999,334</u>
Fund Balance - Beginning of Year			<u>8,879,596</u>	
Fund Balance - End of Year			<u>\$ 9,878,930</u>	

Public Assistance Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues				
Intergovernmental				
Revenue from the Commonwealth of Virginia	\$ 687,178	\$ 709,000	\$ 597,459	\$ (111,541)
Revenue from the Federal Government	<u>1,561,983</u>	<u>1,611,586</u>	<u>1,358,049</u>	<u>(253,537)</u>
Total Intergovernmental Revenues	<u>2,249,161</u>	<u>2,320,586</u>	<u>1,955,508</u>	<u>(365,078)</u>
Total Revenues	2,249,161	2,320,586	1,955,508	(365,078)
Expenditures				
Current				
<i>Health and Welfare</i>				
Welfare and Social Services	<u>2,640,985</u>	<u>2,712,410</u>	<u>2,267,056</u>	<u>445,354</u>
Total Expenditures	<u>2,640,985</u>	<u>2,712,410</u>	<u>2,267,056</u>	<u>445,354</u>
Excess (Deficiency) of Revenues Over Expenditures	(391,824)	(391,824)	(311,548)	80,276
Other Financing Sources (Uses)				
Transfers in (out)	<u>391,824</u>	<u>391,824</u>	<u>311,548</u>	<u>(80,276)</u>
Total Other Financing Sources (Uses)	<u>391,824</u>	<u>391,824</u>	<u>311,548</u>	<u>(80,276)</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

Political Subdivision

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability							
Service cost	\$ 893,408	\$ 826,221	\$ 819,632	\$ 838,689	\$ 860,119	\$ 848,777	\$ 838,854
Interest	2,788,671	2,717,106	2,580,380	2,494,292	2,376,240	2,257,442	2,153,662
Changes in benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(241,484)	(272,495)	300,847	(316,935)	(121,657)	90,888	-
Changes of assumptions	-	1,153,564	-	(64,282)	-	-	-
Benefit payments	(2,083,484)	(1,769,621)	(1,725,638)	(1,630,525)	(1,603,459)	(1,518,202)	(1,490,645)
Net change in total pension liability	1,357,111	2,654,775	1,975,221	1,321,239	1,511,243	1,678,905	1,501,871
Total pension liability - beginning	42,149,655	39,494,880	37,519,659	36,198,420	34,687,177	33,008,272	31,506,401
Total pension liability - ending (a)	\$ 43,506,766	\$ 42,149,655	\$ 39,494,880	\$ 37,519,659	\$ 36,198,420	\$ 34,687,177	\$ 33,008,272
Plan fiduciary net position							
Contributions - employer	\$ 865,707	\$ 846,616	\$ 856,555	\$ 838,656	\$ 973,723	\$ 964,986	\$ 939,439
Contributions - employee	370,889	362,024	359,871	357,750	355,165	340,481	325,312
Net investment income	708,063	2,333,218	2,446,998	3,648,825	515,466	1,300,962	3,902,466
Benefit payments	(2,083,484)	(1,769,621)	(1,725,638)	(1,630,525)	(1,551,599)	(1,518,202)	(1,490,645)
Administrator charges	(24,113)	(23,064)	(21,099)	(21,061)	(18,322)	(17,759)	(21,022)
Other	(828)	(1,473)	(2,183)	(3,247)	(218)	(275)	(206)
Net change in plan fiduciary net position	(163,766)	1,747,700	1,914,504	3,190,398	274,215	1,070,193	3,655,344
Plan fiduciary net position - beginning	36,689,842	34,942,142	33,027,638	29,837,240	29,563,025	28,492,832	24,837,488
Plan fiduciary net position - ending (b)	\$ 36,526,076	\$ 36,689,842	\$ 34,942,142	\$ 33,027,638	\$ 29,837,240	\$ 29,563,025	\$ 28,492,832
Political subdivision's net pension liability - ending (a) - (b)	\$ 6,980,690	\$ 5,459,813	\$ 4,552,738	\$ 4,492,021	\$ 6,361,180	\$ 5,124,152	\$ 4,515,440
Plan fiduciary net position as a percentage of the total Pension liability	83.95%	87.05%	88.47%	88.03%	82.43%	85.23%	86.32%
Covered payroll	\$ 7,492,965	\$ 7,244,809	\$ 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	93.16%	75.36%	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

School Board

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability							
Service cost	\$ 79,640	\$ 78,234	\$ 88,683	\$ 90,337	\$ 91,354	\$ 91,346	\$ 97,716
Interest	288,794	289,566	277,084	265,997	277,238	269,920	258,784
Changes in benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(74,383)	(69,556)	78,322	62,984	(279,435)	(19,733)	-
Changes of assumptions	-	110,587	-	(39,267)	-	-	-
Benefit payments	(237,668)	(296,458)	(235,079)	(208,242)	(291,241)	(182,762)	(212,055)
Net change in total pension liability	56,383	112,373	209,010	171,809	(202,084)	158,771	144,445
Total pension liability - beginning	4,397,266	4,284,893	4,075,883	3,904,074	4,106,158	3,947,387	3,802,942
Total pension liability - ending (a)	\$ 4,453,649	\$ 4,397,266	\$ 4,284,893	\$ 4,075,883	\$ 3,904,074	\$ 4,106,158	\$ 3,947,387
Plan fiduciary net position							
Contributions - employer	\$ 2,656	\$ 3,065	\$ (159)	\$ 990	\$ 34,570	\$ 36,915	\$ 39,274
Contributions - employee	38,538	37,380	37,881	44,104	40,774	43,491	44,554
Net investment income	98,600	330,858	362,999	550,617	77,553	210,034	642,147
Benefit payments	(237,668)	(296,458)	(235,079)	(208,242)	(291,241)	(182,762)	(212,055)
Administrator charges	(3,458)	(3,465)	(3,236)	(3,276)	(2,979)	(2,931)	(3,538)
Other	(115)	(208)	(318)	(486)	597	(44)	33
Net change in plan fiduciary net position	(101,447)	71,172	162,088	383,707	(140,726)	104,703	510,415
Plan fiduciary net position - beginning	5,201,159	5,129,987	4,967,899	4,584,192	4,724,918	4,620,215	4,109,800
Plan fiduciary net position - ending (b)	\$ 5,099,712	\$ 5,201,159	\$ 5,129,987	\$ 4,967,899	\$ 4,584,192	\$ 4,724,918	\$ 4,620,215
Political subdivision's net pension liability - ending (a) - (b)	\$ (646,063)	\$ (803,893)	\$ (845,094)	\$ (892,016)	\$ (680,118)	\$ (618,760)	\$ (672,828)
Plan fiduciary net position as a percentage of the total Pension liability	114.51%	118.28%	119.72%	121.89%	117.42%	115.07%	117.04%
Covered payroll	\$ 838,205	\$ 789,917	\$ 787,207	\$ 912,137	\$ 838,366	\$ 888,407	\$ 913,012
Political subdivision's net pension liability as a percentage of covered payroll	-77.08%	-101.77%	-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 Employee Retirement Plan

For the Measurement Dates of June 30, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

	<u>2020</u>	<u>2019</u>	<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%	0.16%	0.16%	0.17%	0.16%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$23,127,034	\$21,447,778	\$19,208,000	\$20,036,000	\$23,053,000	\$21,760,000	\$20,310,000
Employer's Covered Payroll	13,800,741	13,593,915	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	168%	158%	146%	156%	184%	169%	158%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.47%	73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Since 2020 is the seventh year for this presentation, there are only seven 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 pages 116 and 117 of the VRS 2020 Annual Report.

County of Southampton, Virginia

Schedule of Employer Contributions

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution 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					
2021	\$ 807,051	\$ 807,051	\$ -	\$ 7,926,888	10.18%
2020	765,066	765,066	-	7,492,965	10.21%
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%
Component Unit School Board - General Employees					
2021	\$ -	\$ -	\$ -	\$ 779,716	0.00%
2020	4,442	4,442	-	838,205	0.53%
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%
Component Unit School Board - Teachers					
2021	\$ 2,138,164	\$ 2,138,164	\$ -	\$ 13,268,489	16.11%
2020	2,163,956	2,163,956	-	13,800,741	15.68%
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%

For Reference Only:

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

Column 2 – Employer contributions as referenced in covered Payroll and Contributions report on VRS website.

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, 2021

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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

School Division

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
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
Discount Rate	Decrease rate from 7.00% to 6.75%

County of Southampton, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Plan (GLI)
For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

Political Subdivision	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.04017%	0.04092%	0.04195%	0.04217%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 616,742	\$ 612,608	\$ 586,040	\$ 584,200
Employer's Covered Payroll	\$ 7,513,039	\$ 8,021,313	\$ 7,281,983	\$ 7,101,956
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.21%	7.64%	8.05%	8.23%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year of presentation, only four 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 128 of the VRS 2020 Annual Report.

County of Southampton, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Plan (GLI)
For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

School Board	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.00414%	0.00407%	0.00425%	0.00501%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 69,090	\$ 66,230	\$ 64,000	\$ 75,000
Employer's Covered Payroll	\$ 852,977	\$ 797,814	\$ 808,026	\$ 924,815
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.10%	8.30%	7.92%	8.11%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year of presentation, only four 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 128 of the VRS 2020 Annual Report.

County of Southampton, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Plan (GLI)
For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

Teacher	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.06709%	0.06944%	0.06911%	0.06950%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 1,119,622	\$ 1,129,974	\$ 1,050,000	\$ 1,046,000
Employer's Covered Payroll	\$ 13,807,502	\$ 13,612,623	\$ 13,141,574	\$ 12,819,622
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.11%	8.30%	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year of presentation, only four 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 128 of the VRS 2020 Annual Report.

County of Southampton, Virginia

Schedule of Employer Contributions

Group Life Insurance OPEB Plan

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution 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					
2021	\$ 42,837	\$ 42,837	\$ -	\$ 7,932,644	0.54% *
2020	39,050	39,050	-	7,513,039	0.52% *
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%
School Board					
2021	\$ 4,243	\$ 4,243	\$ -	\$ 785,796	0.54%
2020	4,435	4,435	-	852,977	0.52%
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%
Teacher					
2021	\$ 71,744	\$ 71,744	\$ -	\$ 13,285,960	0.54%
2020	71,799	71,799	-	13,807,502	0.52%
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%

* 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 – Employer contributions as referenced in Covered Payroll and Contributions report on VRS website

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

County of Southampton, Virginia

Notes to Required Supplementary Information for OPEB Group Life Insurance Plan

For the Year Ended June 30, 2021

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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General State Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

Teachers

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2021
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
Discount Rate	Decrease rate from 7.00% to 6.75%

SPORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2021 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

VaLORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2021 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

JRS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

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 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2020, 2019, 2018 and 2017

Political Subdivision	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total HIC OPEB liability				
Service cost	\$ 2,252	\$ 2,007	\$ 1,949	\$ 2,153
Interest	8,801	9,171	9,433	9,676
Changes in benefit terms	-	-	-	-
Changes of assumptions	-	2,731	-	(2,773)
Difference between expected and actual experience	(11,955)	(808)	(1,216)	-
Benefit payments	<u>(15,119)</u>	<u>(12,380)</u>	<u>(15,399)</u>	<u>(9,655)</u>
Net change in total HIC OPEB liability	(16,021)	721	(5,233)	(599)
Total HIC OPEB liability - beginning	<u>137,939</u>	<u>137,218</u>	<u>142,451</u>	<u>143,050</u>
Total HIC OPEB liability - ending (a)	<u>\$ 121,918</u>	<u>\$ 137,939</u>	<u>\$ 137,218</u>	<u>\$ 142,451</u>
Plan fiduciary net position				
Contributions - employer	\$ 2,371	\$ 2,356	\$ 2,408	\$ 2,271
Net investment income	2,732	8,681	10,036	15,450
Benefit payments	(15,119)	(12,380)	(15,399)	(9,655)
Administrator charges	(247)	(186)	(223)	(241)
Other	<u>(1)</u>	<u>(10)</u>	<u>(812)</u>	<u>812</u>
Net change in plan fiduciary net position	(10,264)	(1,539)	(3,990)	8,637
Plan fiduciary net position - beginning	<u>140,722</u>	<u>142,261</u>	<u>146,251</u>	<u>137,614</u>
Plan fiduciary net position - ending (b)	<u>\$ 130,458</u>	<u>\$ 140,722</u>	<u>\$ 142,261</u>	<u>\$ 146,251</u>
Political subdivision's net HIC OPEB liability - ending (a) - (b)	<u>\$ (8,540)</u>	<u>\$ (2,783)</u>	<u>\$ (5,043)</u>	<u>\$ (3,800)</u>
Plan fiduciary net position as a percentage of the total HIC OPEB liability	107.00%	102.02%	103.68%	102.67%
Covered payroll	\$ 2,343,339	\$ 2,328,080	\$ 1,498,197	\$ 1,403,551
Political subdivision's net HIC OPEB liability as a percentage of covered payroll	-0.3644%	-0.1195%	-0.3366%	-0.2707%

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, 2020, 2019, 2018 and 2017

Component Unit School Board General Employees	2020	2019	2018	2017
Total HIC OPEB liability				
Service cost	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Changes in benefit terms	92,119	-	-	-
Changes of assumptions	-	-	-	-
Difference between expected and actual experience	-	-	-	-
Benefit payments	-	-	-	-
Net change in total HIC OPEB liability	92,119	-	-	-
Total HIC OPEB liability - beginning	-	-	-	-
Total HIC OPEB liability - ending (a)	\$ 92,119	\$ -	\$ -	\$ -
Plan fiduciary net position				
Contributions - employer	\$ -	\$ -	\$ -	\$ -
Net investment income	-	-	-	-
Benefit payments	-	-	-	-
Administrator charges	-	-	-	-
Other	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending (b)	\$ -	\$ -	\$ -	\$ -
Political subdivision's net HIC OPEB liability - ending (a) - (b)	\$ 92,119	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total HIC OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ -	\$ -	\$ -	\$ -
Political subdivision's net HIC OPEB liability as a percentage of covered payroll	0.0000%	0.0000%	0.0000%	0.0000%

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, 2020, 2019, 2018 and 2017

	<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
Employer's Proportion of the Net HIC OPEB Liability (Asset)	0.15742%		0.16207%		0.16246%		0.16244%
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	\$ 2,053,570	\$	2,121,654	\$	2,063,000	\$	2,061,000
Employer's Covered Payroll	\$ 13,800,741	\$	13,593,915	\$	13,138,974	\$	12,819,622
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	14.88%		15.61%		15.70%		16.08%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	9.95%		8.97%		8.08%		7.04%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year of presentation, only four 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 134 of the VRS 2020 Annual Report.

County of Southampton, Virginia

Schedule of Employer Contributions

Health Insurance Credit - Political Subdivision and Teacher

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution 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					
2021	\$ 1,650	\$ 1,650	\$ -	\$ 1,846,971	0.09% *
2020	2,578	2,578	-	2,343,339	0.11% *
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%
School Board - General Employees					
2021	\$ 7,017	\$ 7,017	\$ -	\$ 779,716	0.90%
2020	n/a	n/a	n/a	n/a	n/a
2019	n/a	n/a	n/a	n/a	n/a
2018	n/a	n/a	n/a	n/a	n/a
2017	n/a	n/a	n/a	n/a	n/a
2016	n/a	n/a	n/a	n/a	n/a
2015	n/a	n/a	n/a	n/a	n/a
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
Teacher					
2021	\$ 160,549	\$ 160,549	\$ -	\$ 13,268,489	1.21%
2020	165,609	165,609	-	13,800,741	1.20%
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%

* 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 – Employer contributions as referenced in Covered Payroll and Contributions report on VRS website

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, 2021

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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

Teacher

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2021
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
Discount Rate	Decrease rate from 7.00% to 6.75%

County of Southampton, Virginia

Schedule of Employer's Share of Net OPEB Liability
Virginia Local Disability Program (VLDP) - Political Subdivision
For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	0.09050%	0.06845%	0.06094%	0.08183%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ 904	\$ 1,387	\$ 1,000	\$ 1,000
Employer's Covered Payroll	\$ 337,233	\$ 211,592	\$ 147,960	\$ 150,265
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	0.27%	0.66%	0.68%	0.67%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	76.84%	49.19%	51.22%	38.40%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year of presentation, only four 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 131 of the VRS 2020 Annual Report.

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, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	0.67992%	0.69595%	0.62396%	0.72418%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ 5,455	\$ 4,045	\$ 5,000	\$ 4,000
Employer's Covered Payroll	\$4,021,811	\$3,337,339	\$2,326,563	\$2,043,646
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	0.14%	0.12%	0.21%	0.20%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	78.28%	74.12%	46.18%	31.96%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year of presentation, only four 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 130 of the VRS 2020 Annual Report.

County of Southampton, Virginia

Schedule of Employer Contributions

Virginia Local Disability Program

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution 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)
2021	\$ 2,866	\$ 2,866	\$ -	\$ 345,318	0.83%
2020	2,428	2,428	-	337,233	0.72%
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

For Reference Only:

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

Column 2 – Employer contributions as referenced in Covered Payroll and Contributions report on VRS website

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

County of Southampton, Virginia

Schedule of Employer Contributions

Virginia Local Disability Program - Teacher

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution 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)
2021	\$ 20,434	\$ 20,434	\$ -	\$ 4,347,658	0.47%
2020	16,489	16,489	-	4,021,811	0.41%
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

For Reference Only:

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

Column 2 – Employer contributions as referenced in Covered Payroll and Contributions report on VRS website

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

County of Southampton, Virginia

Notes to Required Supplementary Information OPEB VLDP

For the Year Ended June 30, 2021

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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 2021
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

Teacher

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2021
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
Discount Rate	Decrease rate from 7.00% to 6.75%

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability					
Service cost	\$ 40,614	\$ 39,623	\$ 41,366	\$ 52,228	\$ 50,707
Interest	119,810	114,634	141,434	134,828	128,355
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	(218,428)	-	(365,102)	-	-
Changes in assumptions	171,009	-	(139,649)	(15,270)	-
Benefit payments	(41,278)	(119,996)	(81,467)	(99,765)	(70,661)
Net change in total OPEB liability	71,727	34,261	(403,418)	72,021	108,401
Total OPEB liability - beginning	1,691,248	1,656,987	2,060,405	1,988,384	1,879,983
Total OPEB liability - ending (a)	<u>\$ 1,762,975</u>	<u>\$ 1,691,248</u>	<u>\$ 1,656,987</u>	<u>\$ 2,060,405</u>	<u>\$ 1,988,384</u>
Plan fiduciary net position					
Contributions - employer, including benefits paid	\$ 91,278	\$ 294,996	\$ 206,467	\$ 299,765	\$ 258,661
Contributions - member	-	-	-	-	-
Net investment income	419,933	12,580	78,988	72,125	97,469
Benefit payments	(41,278)	(119,996)	(81,467)	(99,765)	(70,661)
Administrative expense	-	-	-	-	-
Other	-	-	-	-	-
Net change in plan fiduciary net position	469,933	187,580	203,988	272,125	285,469
Plan fiduciary net position - beginning	1,756,086	1,568,506	1,364,518	1,092,393	806,924
Plan fiduciary net position - ending (b)	<u>\$ 2,226,019</u>	<u>\$ 1,756,086</u>	<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>\$ (463,044)</u>	<u>\$ (64,838)</u>	<u>\$ 88,481</u>	<u>\$ 695,887</u>	<u>\$ 895,991</u>
Plan fiduciary net position as a percentage of the total OPEB liability	126.26%	103.83%	94.66%	66.23%	54.94%
Covered employee-payroll	\$ 7,938,503	\$ 6,325,590	\$ 6,678,465	\$ 6,407,641	\$ 7,783,279
Political subdivision's net OPEB liability as a percentage of covered payroll	-5.83%	-1.03%	1.32%	10.86%	11.51%

County of Southampton, Virginia

Schedule of Employer Contributions - OPEB Retiree Health Insurance

Last 10 Fiscal Years

Date	Actuarially Determined Employer Contribution (1)	Actual Employer Contribution* (2)	Contribution Deficiency (Excess) (3)	Covered Payroll (4)	Contribution as a % of Payroll (5)
2021	\$ 55,375	\$ 50,000	\$ 5,375	\$7,938,503	0.63%
2020	57,036	175,000	(117,964)	6,325,590	2.77%
2019	55,375	125,000	(69,625)	6,678,465	1.87%
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		

* 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability					
Service cost	\$ 89,460	\$ 86,854	\$ 91,976	\$ 136,451	\$ 132,477
Interest	175,938	163,649	243,258	225,542	215,687
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	(956,742)	-	(1,414,409)	-	-
Changes in assumptions	169,930	-	(257,360)	(133,482)	-
Benefit payments	<u>(28,352)</u>	<u>(125,119)</u>	<u>(106,303)</u>	<u>(213,556)</u>	<u>(161,873)</u>
Net change in total OPEB liability	(549,766)	125,384	(1,442,838)	14,955	186,291
Total OPEB liability - beginning	2,437,876	2,312,492	3,755,330	3,740,375	3,554,084
Total OPEB liability - ending (a)	<u>\$ 1,888,110</u>	<u>\$ 2,437,876</u>	<u>\$ 2,312,492</u>	<u>\$ 3,755,330</u>	<u>\$ 3,740,375</u>
Plan fiduciary net position					
Contributions - employer, including benefits paid	\$ 28,352	\$ 125,119	\$ 376,303	\$ 463,556	\$ 440,423
Contributions - member	-	-	-	-	-
Net investment income	321,887	49,012	89,423	48,166	77,815
Benefit payments	(28,352)	(125,119)	(106,303)	(213,556)	(161,873)
Administrative expense	-	-	-	-	-
Other	-	-	-	-	-
Net change in plan fiduciary net position	321,887	49,012	359,423	298,166	356,365
Plan fiduciary net position - beginning	2,042,600	1,993,588	1,634,165	1,335,999	979,634
Plan fiduciary net position - ending (b)	<u>\$ 2,364,487</u>	<u>\$ 2,042,600</u>	<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>\$ (476,377)</u>	<u>\$ 395,276</u>	<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	125.23%	83.79%	86.21%	43.52%	35.72%
Covered employee-payroll	\$ 15,425,893	\$ 16,267,929	\$ 15,652,246	\$ 11,125,737	\$ 15,981,786
Political subdivision's net OPEB liability as a percentage of covered payroll	-3.09%	2.43%	2.04%	19.07%	15.04%

County of Southampton, Virginia

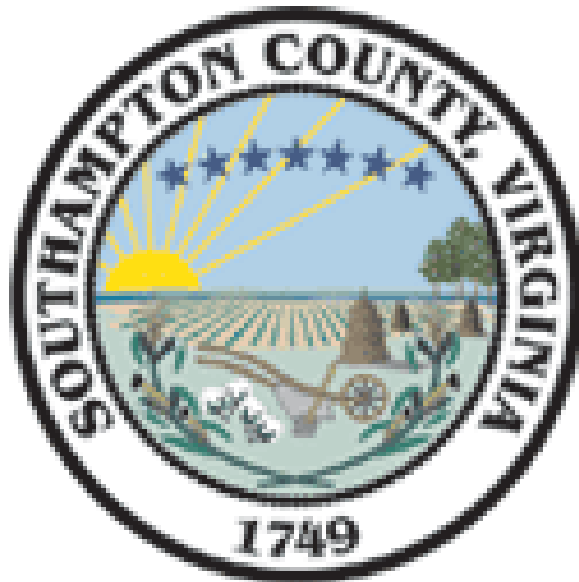
Schedule of Employer Contributions - OPEB Retiree Health Insurance School Board

Last 10 Fiscal Years

Date	Actuarially Determined Employer Contribution (1)	Actual Employer Contribution* (2)	Contribution Deficiency (Excess) (3)	Covered Payroll (4)	Contribution as a % of Payroll (5)
2021	\$ 134,087	\$ -	\$ 134,087	\$ 15,425,893	0.00%
2020	138,109	-	138,109	16,267,929	0.00%
2019	134,086	270,000	(135,914)	15,652,246	1.72%
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%

* 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, 2021

	<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	\$ 67,633	\$ 26,462	\$ 40,842	\$ 236,201	\$ 371,138
Accounts receivable	<u>-</u>	<u>600</u>	<u>-</u>	<u>5,566</u>	<u>6,166</u>
Total Assets	<u>\$ 67,633</u>	<u>\$ 27,062</u>	<u>\$ 40,842</u>	<u>\$ 241,767</u>	<u>\$ 377,304</u>
Liabilities					
Pooled cash deficit	\$ -	\$ -	\$ 38,355	\$ -	\$ 38,355
Accounts payable and accrued liabilities	<u>-</u>	<u>-</u>	<u>2,813</u>	<u>518</u>	<u>3,331</u>
Total Liabilities	-	-	41,168	518	41,686
Fund Balance					
Restricted fund balance	<u>67,633</u>	<u>27,062</u>	<u>(326)</u>	<u>241,249</u>	<u>335,618</u>
Total Fund Balance	<u>67,633</u>	<u>27,062</u>	<u>(326)</u>	<u>241,249</u>	<u>335,618</u>
Total Liabilities and Fund Balance	<u>\$ 67,633</u>	<u>\$ 27,062</u>	<u>\$ 40,842</u>	<u>\$ 241,767</u>	<u>\$ 377,304</u>

County of Southampton, Virginia

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

Other Governmental Funds

At June 30, 2021

	<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	\$ 123	\$ 26	\$ -	\$ -	\$ 149
Charges for services	-	4,231	73,738	-	77,969
Miscellaneous	-	-	-	107,126	107,126
Intergovernmental					
From the Commonwealth of Virginia	344	-	-	-	344
From the Federal Government	5,089	-	-	-	5,089
Total Revenues	<u>5,556</u>	<u>4,257</u>	<u>73,738</u>	<u>107,126</u>	<u>190,677</u>
Expenditures					
Current					
Public safety	<u>2,054</u>	<u>-</u>	<u>84,921</u>	<u>20,815</u>	<u>107,790</u>
Total Expenditures	<u>2,054</u>	<u>-</u>	<u>84,921</u>	<u>20,815</u>	<u>107,790</u>
Excess (Deficiency) of Revenues Over Expenditures	3,502	4,257	(11,183)	86,311	82,887
Other Financing Sources (Uses)					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80,000)</u>	<u>(80,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80,000)</u>	<u>(80,000)</u>
Net Change in Fund Balances	3,502	4,257	(11,183)	6,311	2,887
Fund Balance - Beginning of Year	<u>64,131</u>	<u>22,805</u>	<u>10,857</u>	<u>234,938</u>	<u>332,731</u>
Fund Balance (Deficit) - End of Year	<u>\$ 67,633</u>	<u>\$ 27,062</u>	<u>\$ (326)</u>	<u>\$ 241,249</u>	<u>\$ 335,618</u>

County of Southampton, Virginia

Combining Statement of Fiduciary Assets and Liabilities

Custodial Funds

At June 30, 2021

	<u>Special Welfare Fund</u>	<u>Cypress Escrow Fund</u>	<u>Enviva Escrow Fund</u>	<u>Blackwater Regional Library Fund</u>	<u>Totals</u>
Assets					
Cash and investments	\$ 111,554	\$ 8,092	\$ 170,045	\$ 2,693,117	\$ 2,982,808
Due from primary government	<u>-</u>	<u>-</u>	<u>-</u>	<u>345,931</u>	<u>345,931</u>
Total Assets	<u>\$ 111,554</u>	<u>\$ 8,092</u>	<u>\$ 170,045</u>	<u>\$ 3,039,048</u>	<u>\$ 3,328,739</u>
Liabilities					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 2,267	\$ 2,267
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,267</u>	<u>2,267</u>
Net Position					
Restricted for:					
Individuals, organizations, and other governments	<u>111,554</u>	<u>8,092</u>	<u>170,045</u>	<u>3,036,781</u>	<u>3,326,472</u>
Total Net Position	<u>111,554</u>	<u>8,092</u>	<u>170,045</u>	<u>3,036,781</u>	<u>3,326,472</u>
Total Liabilities and Fiduciary Net Position	<u>\$ 111,554</u>	<u>\$ 8,092</u>	<u>\$ 170,045</u>	<u>\$ 3,039,048</u>	<u>\$ 3,328,739</u>

County of Southampton, Virginia

Combining Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2021

	<u>Special Welfare Fund</u>	<u>Cypress Escrow Fund</u>	<u>Enviva Escrow Trust Fund</u>	<u>Blackwater Regional Library Fund</u>	<u>All Custodial Funds</u>
Additions					
Miscellaneous income	\$ -	\$ -	\$ -	\$ 13,438	\$ 13,438
Revenue from Commonwealth of Virginia	-	-	-	488,590	488,590
Revenue from Federal Government	-	-	-	58,658	58,658
Revenue from County of Southampton	-	-	-	277,912	277,912
Charges for services	-	-	-	38,571	38,571
Local grant funds and other donations	28,153	-	-	1,496,457	1,524,610
Investment earnings	-	5	93	575,383	575,481
	<u>-</u>	<u>5</u>	<u>93</u>	<u>575,383</u>	<u>575,481</u>
Total Additions	28,153	5	93	2,949,009	2,977,260
Deductions					
Program and administrative expenses	<u>22,609</u>	<u>-</u>	<u>-</u>	<u>2,457,176</u>	<u>2,479,785</u>
Total Deductions	<u>22,609</u>	<u>-</u>	<u>-</u>	<u>2,457,176</u>	<u>2,479,785</u>
Net Increase (Decrease) in Fiduciary Net Position	5,544	5	93	491,833	497,475
Net Position - Beginning	<u>106,010</u>	<u>8,087</u>	<u>169,952</u>	<u>2,544,948</u>	<u>2,828,997</u>
Net Position - Ending	<u>\$ 111,554</u>	<u>\$ 8,092</u>	<u>\$ 170,045</u>	<u>\$ 3,036,781</u>	<u>\$ 3,326,472</u>

County of Southampton, Virginia

Component Unit School Board

Combining Balance Sheet

At June 30, 2021

	<u>School Operating Fund</u>	<u>School Food Services Fund</u>	<u>School Endowment Fund</u>	<u>School Activity Fund</u>	<u>Total Governmental Funds</u>
Assets					
Cash and investments	\$ 5,308,444	\$ 61,946	\$ 24,220	\$ 1,014,807	\$ 6,409,417
Accounts receivable	42,594	55,087	-	-	97,681
Due from other governments	1,123,795	346,818	-	-	1,470,613
	<u>6,474,833</u>	<u>463,851</u>	<u>24,220</u>	<u>1,014,807</u>	<u>7,977,711</u>
Total Assets	<u>\$ 6,474,833</u>	<u>\$ 463,851</u>	<u>\$ 24,220</u>	<u>\$ 1,014,807</u>	<u>\$ 7,977,711</u>
Liabilities					
Pooled cash deficit	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	2,901,494	77,493	-	-	2,978,987
Accrued liabilities	2,780,710	53,665	-	-	2,834,375
Unearned revenue	792,629	-	-	-	792,629
	<u>6,474,833</u>	<u>131,158</u>	<u>-</u>	<u>-</u>	<u>6,605,991</u>
Total Liabilities	<u>6,474,833</u>	<u>131,158</u>	<u>-</u>	<u>-</u>	<u>6,605,991</u>
Deferred Inflows of Resources					
	-	-	-	-	-
Fund Balance					
Restricted Fund Balance					
Endowment	-	-	24,220	-	24,220
School activity funds	-	-	-	1,014,807	1,014,807
Assigned Fund Balance					
Food services	-	332,693	-	-	332,693
	<u>-</u>	<u>332,693</u>	<u>24,220</u>	<u>1,014,807</u>	<u>1,371,720</u>
Total Fund Balance	<u>-</u>	<u>332,693</u>	<u>24,220</u>	<u>1,014,807</u>	<u>1,371,720</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 6,474,833</u>	<u>\$ 463,851</u>	<u>\$ 24,220</u>	<u>\$ 1,014,807</u>	<u>\$ 7,977,711</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, 2021

Total Fund Balances for Governmental Funds \$ 1,371,720

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	374,013
Furniture, equipment, and vehicles, net of depreciation	<u>9,979,116</u>

Total Capital Assets 11,715,329

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	651,025
Deferred inflows related to OPEBs	(2,307,247)
Deferred outflows of resources related to pensions	5,654,286
Deferred inflows of resources related to pensions	<u>(1,994,688)</u>

Total Deferred Outflows and Inflows of Resources 2,003,376

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	(909,195)
Net pension liability	(22,480,971)
Other post employment benefits obligation	(2,864,383)
Compensated absences	<u>(270,824)</u>

Total Liabilities (26,525,373)

Total Net Position of Governmental Activities \$ (11,434,948)

County of Southampton, Virginia

Component Unit School Board

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

Year Ended June 30, 2021

	<u>School Operating Fund</u>	<u>School Food Services Fund</u>	<u>School Endowment Fund</u>	<u>School Activity Fund</u>	<u>Total School Funds</u>
Revenues					
Use of money and property	\$ 11,150	\$ 1,514	\$ 44	\$ 53	\$ 12,761
Charges for services	131,193	57,398	-	-	188,591
Miscellaneous	79,559	-	-	459,104	538,663
Recovered costs	362,397	-	-	-	362,397
Intergovernmental					
From County of Southampton, Virginia	14,633,749	-	-	-	14,633,749
From the Commonwealth of Virginia	20,848,799	11,752	-	-	20,860,551
From the Federal Government	<u>2,209,367</u>	<u>1,653,017</u>	<u>-</u>	<u>-</u>	<u>3,862,384</u>
Total Revenues	38,276,214	1,723,681	44	459,157	40,459,096
Expenditures					
Education	35,525,759	1,731,035	-	341,675	37,598,469
Debt service	<u>11,364,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,364,344</u>
Total Expenditures	<u>46,890,103</u>	<u>1,731,035</u>	<u>-</u>	<u>341,675</u>	<u>48,962,813</u>
Excess of Revenues over Expenditures before Other Financing Sources (Uses)	<u>(8,613,889)</u>	<u>(7,354)</u>	<u>44</u>	<u>117,482</u>	<u>(8,503,717)</u>
Other Financing Sources (Uses)					
Issuance of debt	<u>8,613,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,613,889</u>
Total Other Financing Sources (Uses)	<u>8,613,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,613,889</u>
Net Change in Fund Balances	-	(7,354)	44	117,482	110,172
Fund Balances - Beginning of Year	<u>-</u>	<u>340,047</u>	<u>24,176</u>	<u>897,325</u>	<u>1,261,548</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ 332,693</u>	<u>\$ 24,220</u>	<u>\$ 1,014,807</u>	<u>\$ 1,371,720</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, 2021

Net Change in Fund Balances \$ 110,172

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. (764,513)

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	\$ (8,613,889)	
Repayments on debt	<u>8,911,654</u>	
Net Adjustment		297,765

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	48,028	
Net pension liability	(1,837,086)	
Deferred inflows - VRS pension	360,529	
Deferred outflows - VRS pension	1,218,941	
Deferred outflows - OPEB	78,187	
Deferred inflows - OPEB	(790,000)	
Other postemployment benefits	<u>854,183</u>	
		<u>(67,218)</u>

Change in Net Position of Governmental Activities \$ (423,794)

County of Southampton, Virginia

Component Unit School Board

Budgetary Comparison Schedule

Year Ended June 30, 2020

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	\$ 131,193	\$ 131,193	\$ -
Revenue from use of money and property	-	11,150	11,150	-
Miscellaneous	-	246,183	79,559	(166,624)
Recovered costs	-	362,211	362,397	186
Intergovernmental				
From County of Southampton, Virginia	13,055,575	14,672,421	14,633,749	(38,672)
From the Commonwealth of Virginia	21,087,559	22,306,983	20,848,799	(1,458,184)
From the Federal Government	1,818,343	2,920,014	2,209,367	(710,647)
Total Revenues	36,021,477	40,650,155	38,276,214	(2,373,941)
Expenditures				
Current				
<i>Education</i>				
Instruction	23,985,089	25,054,997	23,655,742	1,399,255
Administration, attendance, and health	1,462,606	1,523,494	1,510,190	13,304
Transportation	3,351,400	3,063,528	3,053,121	10,407
Operation and maintenance	3,124,876	3,379,840	3,331,931	47,909
School food services	193,448	144,848	144,848	-
Facilities	230,000	1,088,606	1,079,546	9,060
Technology	890,431	3,611,215	2,750,381	860,834
Debt service	2,783,627	11,397,516	11,364,344	33,172
Total Expenditures	36,021,477	49,264,044	46,890,103	2,373,941
Excess of Revenues over Expenditures before Other Financing Sources (Uses)	-	(8,613,889)	(8,613,889)	-
Other Financing Sources (Uses)				
Proceeds of long-term debt	-	8,613,889	8,613,889	-
Total Other Financing Sources (Uses)	-	8,613,889	8,613,889	-
Net Change in Fund Balance	\$ -	\$ -	-	\$ -
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

School Food Services Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,514	\$ 1,514
Charges for services	292,604	292,604	57,398	(235,206)
Intergovernmental				
Revenue from the Commonwealth of Virginia	32,089	32,089	11,752	(20,337)
Revenue from the Federal Government	<u>925,828</u>	<u>1,425,828</u>	<u>1,653,017</u>	<u>227,189</u>
Total Intergovernmental Revenues	<u>957,917</u>	<u>1,457,917</u>	<u>1,664,769</u>	<u>206,852</u>
Total Revenues	1,250,521	1,750,521	1,723,681	(26,840)
Expenditures				
Cafeteria	<u>1,250,521</u>	<u>1,760,521</u>	<u>1,731,035</u>	<u>29,486</u>
Total Expenditures	<u>1,250,521</u>	<u>1,760,521</u>	<u>1,731,035</u>	<u>29,486</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(10,000)	(7,354)	2,646
Other Financing Sources (Uses)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	(10,000)	(7,354)	2,646
Transfer from Surplus Funds	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Net Change after Reserve	<u>\$ -</u>	<u>\$ -</u>	<u>(7,354)</u>	<u>\$ (7,354)</u>
Fund Balance - Beginning of Year			<u>340,047</u>	
Fund Balance - End of Year			<u>\$ 332,693</u>	

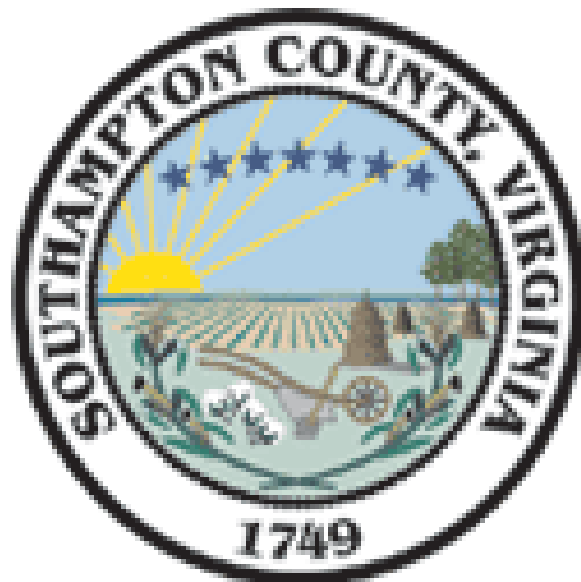
School Endowment Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Revenue from the use of money and property	\$ -	\$ -	\$ 44	\$ 44
Total Revenues	-	-	44	44
Expenditures				
Education	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	44	44
Other Financing Sources (Uses)				
Transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	44	44
Transfer from Surplus Funds	-	-	-	-
Net Change after Reserve	<u>\$ -</u>	<u>\$ -</u>	44	<u>\$ 44</u>
Fund Balance - Beginning of Year			24,176	
Fund Balance - End of Year			<u>\$ 24,220</u>	

School Activity Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Miscellaneous	-	-	459,104	459,104
Revenue from use of money and property	-	-	53	53
Intergovernmental				
From County of Southampton, Virginia	-	-	-	-
From the Commonwealth of Virginia	-	-	-	-
From the Federal Government	-	-	-	-
Total Revenues	-	-	459,157	459,157
Expenditures				
Current				
<i>Education</i>				
Instruction	-	-	341,675	(341,675)
Total Expenditures	-	-	341,675	(341,675)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	117,482	<u>\$ 117,482</u>
Fund Balance - Beginning of Year			897,325	
Fund Balance - End of Year			<u>\$ 1,014,807</u>	

OTHER INFORMATION SECTION



County of Southampton, Virginia

Jail Canteen and Other Revenue and Expense Information

Year Ended June 30, 2021

	<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	\$ 73,738	\$ 84,921	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,738	\$ 84,921
Inmate Enterprise Fund #737	-	-	48,954	4,500	6,556	-	51,616	16,314	107,126	20,814
Total	<u>\$ 73,738</u>	<u>\$ 84,921</u>	<u>\$ 48,954</u>	<u>\$ 4,500</u>	<u>\$ 6,556</u>	<u>\$ -</u>	<u>\$ 51,616</u>	<u>\$ 16,314</u>	<u>\$ 180,864</u>	<u>\$ 105,735</u>

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>
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
2020	22,445,184	2,415,804	17,189	535,541	301,838	2,277,624	1,212,120	1,316,293	32,256,420	62,778,013
2021	23,114,015	2,779,250	148,023	433,198	95,293	2,319,876	1,099,522	1,021,171	38,019,589	69,029,937

⁽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.

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>
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
2020	2,623,664	2,120,705	9,804,901	2,486,849	3,494,308	36,310,978	326,876	1,066,735	-	4,072,902	62,307,918
2021	2,371,796	2,014,014	11,762,149	2,219,480	3,446,391	37,353,094	733,806	986,601	-	26,587,911	87,475,242

⁽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

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools ⁽¹⁾	Merchant's Capital	Public Service Corporation		Total
						Real Estate	Personal Property	
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
2020	1,822,303,200	163,901,664	8,367,515	95,676,535	15,568,139	237,475,553	82,171	2,343,374,777
2021	1,835,069,719	154,820,140	8,647,303	91,731,420	15,866,742	239,697,215	63,319	2,345,895,858

⁽¹⁾ Includes farm machinery and contractor's equipment.

Property Tax Rates - Last Ten Fiscal Years

Tax Rates per Hundred Dollars of Assessed Valuation

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Farm Machinery and Seasonal	Merchant's Capital	Public Service Corporation	
							Real Estate	Personal Property
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
2020	.895	5.00	.895	2.40	1.95/1.25	.50	.895	5.00
2021	.89	5.00	.89	2.40	1.95/1.25	.50	.89	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⁽¹⁾</u>	<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>
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%
2020	24,426,512	23,660,919	96.87%	605,894	24,266,813	99.35%	2,070,653	8.48%
2021	25,111,286	23,901,959	95.18%	892,223	24,794,182	98.74%	2,055,526	8.19%

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

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>
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
2020	18,570	2,343,375	58,583,785	.0250	3,155
2021	17,996	2,345,896	64,762,944	.0276	3,599

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.

County of Southampton, Virginia

Revenue Bond Debt Service Coverage

Last Ten Fiscal Years

Water and Sewer Revenue Bonds

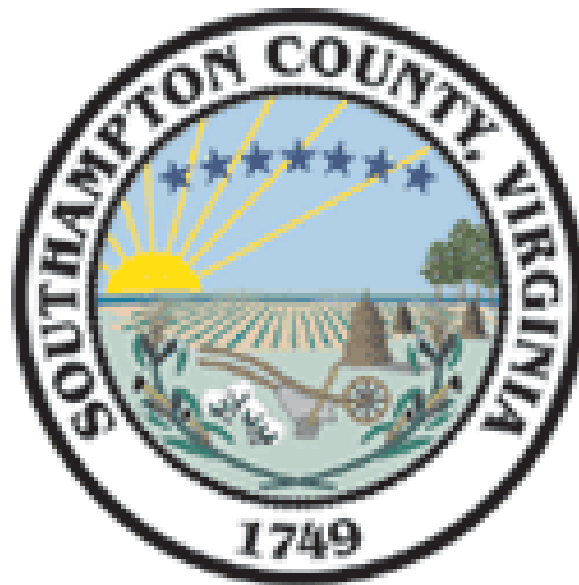
<u>Fiscal Years Ended June 30</u>	<u>Gross Revenues*</u>	<u>Direct Operating Expenses**</u>	<u>Net Available</u>	<u>Principal***</u>	<u>Interest</u>	<u>Total Debt</u>	<u>Coverage</u>
2021	\$ 4,165,541	\$ 1,860,802	2,304,739	\$ 1,112,182	\$ 1,050,430	\$ 2,162,612	1.07
2020	4,133,161	1,710,615	2,422,546	1,066,669	1,104,708	2,171,377	1.12
2019	3,954,455	1,691,355	2,263,100	1,101,298	945,387	2,046,685	1.11
2018	4,464,157	1,593,999	2,870,158	985,343	1,645,074	2,630,417	1.09
2017	4,270,582	1,625,884	2,644,698	854,133	1,671,372	2,525,505	1.05
2016	4,233,454	1,643,035	2,590,419	828,035	1,691,129	2,519,164	1.03
2015	3,966,750	1,615,116	2,351,634	552,441	1,706,159	2,258,600	1.04
2014	3,868,135	1,678,220	2,189,915	473,014	1,715,051	2,188,065	1.00
2013	3,734,684	1,515,777	2,218,907	451,656	1,723,448	2,175,104	1.02
2012	2,588,796	1,738,864	849,932	272,558	1,729,732	2,002,290	0.42

*Operating revenues, interest income and transfers from general government.

**Excluding depreciation, interest, and amortization.

***Excludes debt refinancing payoffs.

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
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, 2021, 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 December 14, 2021.

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) as a basis for designing 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.

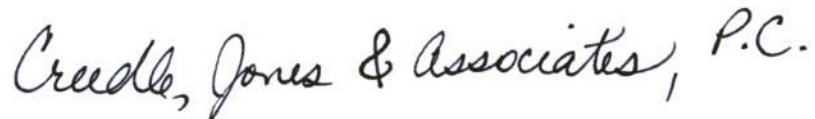
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 financial statements. 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 black ink that reads "Creedle, Jones & Associates, P.C." in a cursive script.

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

South Hill, Virginia
December 14, 2021



**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, 2021. 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, 2021.

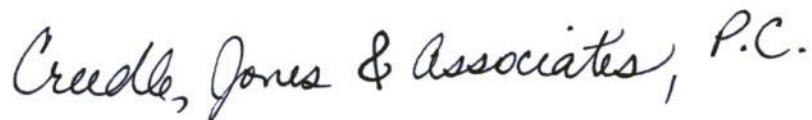
Report on Internal Control Over Compliance

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
December 14, 2021



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, 2021, and have issued our report thereon dated December 14, 2021.

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

Compliance with Commonwealth of Virginia's laws, regulations, contracts, and grants applicable to the County of Southampton, Virginia, is the responsibility of the County of Southampton, Virginia's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Southampton, Virginia's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property
- Personal Property Tax Relief Act

State Agency Requirements

- Social Services
- Education
- Comprehensive Services Act Funds
- Economic Development Opportunity Fund

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the County of Southampton, Virginia had not complied, in all material respects, with those provisions.

This report is intended solely for the information of the Board of Supervisors, County of Southampton, Virginia's management, Auditor of Public Accounts of the Commonwealth of Virginia, and applicable state agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

Creedle, Jones & Associates, P.C.

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

South Hill, Virginia
December 14, 2021

County of Southampton, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

<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	\$ 368,917
Total SNAP Cluster			368,917
<i>Child Nutrition Cluster</i>			
<i>State Department of Agriculture</i>			
National School Lunch Program - Food Distribution - Schools	10.555	301	219,841
<i>Department of Education</i>			
Summer Food Service Program for Children (SFSPC)	10.559	197	1,281,453
Summer Food Service Program for Children (SFSPC) (CARES Act)	10.559	197	358,764
Total Child Nutrition Cluster			1,860,058
Child and Adult Care Food Program	10.558	197	12,800
Subtotal - U. S. Department of Agriculture			2,241,775
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	49,737
Total CCDF Cluster			49,737
TANF Cluster			
Temporary Assistance for Needy Families (TANF)	93.558	765	236,133
Total TANF Cluster			236,133
Medicaid Cluster			
Medical Assistance Program	93.778	765	275,560
Total Medicaid Cluster			275,560
Promoting Safe and Stable Families	93.556	765	15,529
Refugee and Entrant Assistance - State Administered Programs	93.566	765	553
Low-Income Home Energy Assistance	93.568	765	38,696
Stephanie Tubbs Jones Child Welfare Services Program	93.645	765	123
Foster Care - Title IV-E	93.658	765	103,647
Adoption Assistance	93.659	765	57,230
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	765	2,393
Social Services Block Grant	93.667	765	206,147
Children's Health Insurance Program (CHIP)	93.767	765	3,384
Subtotal - U. S. Department of Health and Human Services			989,132

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			
Equitable Sharing	21.016	N/A	5,089
Pass-Through Payments			
<i>Department of Accounts</i>			
Coronavirus Relief Fund	21.019	151	<u>3,471,677</u>
Subtotal - U. S. Department of Treasury			3,476,766
U. S. Election Assistance Commission			
Pass-Through Payments			
<i>Department of Elections</i>			
2020 Supplemental COVID-19 Election Security Grants	90.404	132	46,935
U. S. Department of Justice			
Direct Payments			
Coronavirus Emergency Supplemental Funding Program	16.034	N/A	12,311
Pass-Through Payments			
<i>Department of Criminal Justice Services</i>			
Crime Victim Assistance	16.575	140	<u>81,059</u>
Subtotal - U. S. Department of Justice			93,370
U. S. Department of Education			
Pass-Through Payments			
<i>Department of Education</i>			
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	197	509,652
Special Education - Preschool Grants	84.173	197	<u>13,878</u>
Total Special Education Cluster (IDEA)			523,530
Education Stabilization Fund under the Coronavirus Aid, Relief, and Economic Security Act	84.425	197	390,114
Title I Grants to Local Educational Agencies	84.010	197	625,773
Higher Education Institutional Aid	84.031	197	1,490
Twenty-First Century Community Learning Centers	84.287	197	130
Career and Technical Education Basic Grants to States	84.048	197	12,331
Improving Teacher Quality State Grants	84.367	197	95,906
Adult Education - Basic Grants to States	84.002	197	<u>17,324</u>
Subtotal - U. S. Department of Education - School			1,666,598
U. S. Department of Labor			
Direct Payments			
WIOA Cluster			
WIA/WIOA Youth Activities	17.259	N/A	<u>89,484</u>
Subtotal - U. S. Department of Labor			<u>89,484</u>
Grand Totals			<u>\$ 8,604,060</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, 2021

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, 2021. 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 \$219,841 at the time received were consumed during the year ended June 30, 2021. These commodities were included in the determination of federal awards expended during the year ended June 30, 2021.

5. Subrecipients

No awards were passed through to subrecipients.

County of Southampton, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555; 10.553; 10.559	Child Nutrition Cluster
21.019	Coronavirus Relief Fund

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.