

County of Cumberland, Virginia

Financial Report

Year Ended June 30, 2018

County of Cumberland, Virginia

Financial Report
June 30, 2018

BOARD OF SUPERVISORS

Kevin Ingle, Chair
Parker Wheeler, Vice-Chair
David Meinhard
William F. Osl, Jr.
Lloyd Banks, Jr.

COUNTY SCHOOL BOARD

Ginger Sanderson, Chair

George Lee Dowdy
Eurika Tyree

Dr. Christine Ross
George Reid, Jr.

OTHER OFFICIALS

Chief Circuit Court Judge
Judge of the Circuit Court
Judge of the Circuit Court
Judge of the Circuit Court
Clerk of the Circuit Court
Judge of the General District Court
Judge of the Juvenile Domestic Relations Court
Commonwealth's Attorney
Commissioner of the Revenue
Treasurer
Sheriff
Superintendent of Schools
Director of Social Services
County Administrator

Leslie M. Osborn
Donald C. Blessing
Kimberley S. White
S. Anderson Nelson
Deidre Martin
Robert G. Woodson, Jr.
Marvin Dunkum
Patricia D. Scales
Julie A. Phillips
L.O. Pfeiffer, Jr.
Darrell Hodges
Amy Griffin
Elizabeth "Liz" Donnelly
Vivian Seay Giles

COUNTY OF CUMBERLAND, VIRGINIA

Financial Report
Year Ended June 30, 2018

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Cumberland, Virginia, as of June 30, 2018, 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 18 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 19 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. The County also restated balances to record additional prior year accruals, and to reclassify jointly owned asset balances. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-9, 101 and 102-114 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Cumberland, Virginia's basic financial statements. The other supplementary information and other statistical information are presented for purposes of additional analysis and are not a required part of the 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.

Other Information (Continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018, on our consideration of the County of Cumberland, 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 Cumberland, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Cumberland, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Cumberland, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2018.

Financial Highlights

Government-wide Financial Statements

- The net position of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,016,940 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing (uses) by \$109,787 (Exhibit 5). General Fund contributions to the School Board totaled \$4,049,997 for the current fiscal year.

- As of the close of the current fiscal year; the County's governmental funds reported ending fund balances of \$6,388,253 an increase of \$109,787 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,321,926 or 37.94% of total general fund expenditures.
- Governmental term obligations decreased \$3,014,452 during the current fiscal year.

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 are comprised of three components:

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

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

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

Overview of the Financial Statements: (Continued)

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

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

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

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

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

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

Proprietary funds—Proprietary funds consist of enterprise funds. Enterprise funds are established to account for the delivery of goods and services to the general public and use the accrual basis of accounting, similar to private sector business.

The Water and Sewer Fund provides a centralized source for water and sewer services to County residents.

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

Overview of the Financial Statements: (Continued)

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

Other information—In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component units - School Board and IDA. The School Board and IDA do not issue separate financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County’s financial position. In the case of the County, assets exceeded liabilities by \$9,016,940 at the close of the most recent fiscal year.

County of Cumberland's Net Position

	Governmental		Business-type		Totals	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Current assets	\$ 11,338,620	\$ 10,518,245	\$ 17,396	\$ 36,609	\$ 11,356,016	\$ 10,554,854
Deferred outflows of resources	500,842	945,471	6,183	-	507,025	945,471
Noncurrent assets	<u>27,556,399</u>	<u>22,588,988</u>	<u>8,036,537</u>	<u>8,376,623</u>	<u>35,592,936</u>	<u>30,965,611</u>
Total assets and deferred outflows	<u>\$ 39,395,861</u>	<u>\$ 34,052,704</u>	<u>\$ 8,060,116</u>	<u>\$ 8,413,232</u>	<u>\$ 47,455,977</u>	<u>\$ 42,465,936</u>
Long-term liabilities outstanding	\$ 31,435,808	\$ 32,109,329	\$ 2,132,941	\$ 2,104,630	\$ 33,568,749	\$ 34,213,959
Deferred inflows of resources	3,961,600	3,351,895	14,065	-	3,975,665	3,351,895
Current liabilities	<u>885,511</u>	<u>2,940,965</u>	<u>9,112</u>	<u>77,604</u>	<u>894,623</u>	<u>3,018,569</u>
Total liabilities and deferred inflows	<u>\$ 36,282,919</u>	<u>\$ 38,402,189</u>	<u>\$ 2,156,118</u>	<u>\$ 2,182,234</u>	<u>\$ 38,439,037</u>	<u>\$ 40,584,423</u>
Net position:						
Net investment in capital assets	\$ (2,097,052)	\$ (9,364,039)	\$ 5,792,273	\$ 6,072,698	\$ 3,695,221	\$ (3,291,341)
Restricted	-	397,841	145,191	143,030	145,191	540,871
Unrestricted	<u>5,209,994</u>	<u>4,616,713</u>	<u>(33,466)</u>	<u>15,270</u>	<u>5,176,528</u>	<u>4,631,983</u>
Total net position	<u>\$ 3,112,942</u>	<u>\$ (4,349,485)</u>	<u>\$ 5,903,998</u>	<u>\$ 6,230,998</u>	<u>\$ 9,016,940</u>	<u>\$ 1,881,513</u>

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

Overview of the Financial Statements: (Continued)

Government-wide Financial Analysis: (Continued)

Governmental Activities—Governmental activities increased the County’s net position by \$1,308,190. Key elements of this decrease are as follows:

County of Cumberland, Virginia's Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 444,230	\$ 305,384	\$ 434,126	\$ 414,608	\$ 878,356	\$ 719,992
Operating grants and contributions	3,139,010	2,887,084	-	-	3,139,010	2,887,084
Capital grants and contributions	1,131,900	1,131,900	-	-	1,131,900	1,131,900
General revenues:						
General property taxes	9,432,189	9,270,856	-	-	9,432,189	9,270,856
Other local taxes	1,138,808	1,036,014	-	-	1,138,808	1,036,014
Grants and other contributions not restricted	1,369,472	1,289,257	-	-	1,369,472	1,289,257
Other general revenues	155,664	101,658	2,171	1,159	157,835	102,817
Total revenues	\$ 16,811,273	\$ 16,022,153	\$ 436,297	\$ 415,767	\$ 17,247,570	\$ 16,437,920
Expenses:						
General government administration						
General government administration	\$ 1,478,516	\$ 1,509,663	\$ -	\$ -	\$ 1,478,516	\$ 1,509,663
Judicial administration	538,262	611,572	-	-	538,262	611,572
Public safety	2,915,478	2,790,135	-	-	2,915,478	2,790,135
Public works	1,478,367	1,398,307	-	-	1,478,367	1,398,307
Health and welfare	2,391,382	2,265,269	-	-	2,391,382	2,265,269
Education	5,291,812	8,217,856	-	-	5,291,812	8,217,856
Parks, recreation, and cultural	183,975	164,143	-	-	183,975	164,143
Community development	294,050	183,331	-	-	294,050	183,331
Interest and other fiscal charges	931,241	1,262,892	-	-	931,241	1,262,892
Water and sewer	-	-	758,193	733,133	758,193	733,133
Total expenses	\$ 15,503,083	\$ 18,403,168	\$ 758,193	\$ 733,133	\$ 16,261,276	\$ 19,136,301
Change in net position	\$ 1,308,190	\$ (2,381,015)	\$ (321,896)	\$ (317,366)	\$ 986,294	\$ (2,698,381)
Net position, beginning	1,804,752	(1,968,470)	6,225,894	6,548,364	8,030,646	4,579,894
Net position, ending	\$ 3,112,942	\$ (4,349,485)	\$ 5,903,998	\$ 6,230,998	\$ 9,016,940	\$ 1,881,513

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

Overview of the Financial Statements: (Continued)

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$6,388,253, an increase of \$109,787 in comparison with the prior year. Approximately 99% of this total amount constitutes unassigned undesignated fund balance, which is available for spending at the County's discretion. The remainder of fund balance is segregated to indicate that is not available for new spending because it has already been committed.

Proprietary funds

The County's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$550,870 and can be mostly summarized as follows:

- \$228,597 in increases for public safety
- \$293,697 in increases for health and welfare

Capital Asset and Debt Administration

- Capital assets—The County's investment in capital assets for its governmental and enterprise operations as of June 30, 2018 totals \$35,447,745 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

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

Long-term debt—At the end of the current fiscal year, the County had total bonded debt outstanding of \$29,692,266 which is backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). The County's total debt decreased \$1,617,253 during the current fiscal year.

Additional information on the County of Cumberland, Virginia's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the County was 3.4 percent in June 2018.

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

All of these factors were considered in preparing the County's budget for the 2019 fiscal year.

The fiscal year 2019 General Fund's budget increased from \$14,253,654 to \$15,084,519.

Requests for Information

This financial report is designed to provide a general overview of the County of Cumberland, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, P.O. Box 110, Cumberland, Virginia 23040.

Statement of Net Position
At June 30, 2018

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	School Board	IDA
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 5,155,380	\$ 44,050	\$ 5,199,430	\$ 762,291	\$ -
Receivables (net of allowance for uncollectibles):					
Property taxes	4,699,471	-	4,699,471	-	-
Accounts receivable	71,001	43,346	114,347	32,335	-
Prepaid items	-	-	-	7,233	-
Due from component units	640,212	-	640,212	-	-
Due from other governments	702,556	-	702,556	321,065	-
Inventory held for resale	-	-	-	-	804,005
Internal balances	70,000	(70,000)	-	-	-
Total Current Assets	<u>\$ 11,338,620</u>	<u>\$ 17,396</u>	<u>\$ 11,356,016</u>	<u>\$ 1,122,924</u>	<u>\$ 804,005</u>
Noncurrent Assets:					
Net pension asset	\$ -	\$ -	\$ -	\$ 505,022	\$ -
Restricted assets	-	145,191	145,191	-	83,908
Capital assets (net of accumulated depreciation):					
Land	146,089	22,458	168,547	121,421	535,846
Equipment	774,465	58,163	832,628	1,065,845	-
Infrastructure	-	7,292,418	7,292,418	-	-
Buildings and improvements	3,738,652	518,307	4,256,959	3,603,802	1,366,761
Jointly owned assets	22,897,193	-	22,897,193	6,768,079	-
Total Noncurrent Assets	<u>\$ 27,556,399</u>	<u>\$ 8,036,537</u>	<u>\$ 35,592,936</u>	<u>\$ 12,064,169</u>	<u>\$ 1,986,515</u>
Total Assets	<u>\$ 38,895,019</u>	<u>\$ 8,053,933</u>	<u>\$ 46,948,952</u>	<u>\$ 13,187,093</u>	<u>\$ 2,790,520</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 405,335	\$ 5,878	\$ 411,213	\$ 1,758,878	\$ -
OPEB related items	17,303	305	17,608	135,140	-
Accumulated decrease in fair value of hedging derivatives	78,204	-	78,204	-	-
Total deferred outflows of resources	<u>\$ 500,842</u>	<u>\$ 6,183</u>	<u>\$ 507,025</u>	<u>\$ 1,894,018</u>	<u>\$ -</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 300,889	\$ 6,886	\$ 307,775	\$ 11,737	\$ -
Accrued liabilities	-	-	-	680,313	-
Due to primary government	-	-	-	348,896	291,316
Customer deposits	-	2,226	2,226	-	-
Accrued interest payable	506,418	-	506,418	-	-
Derivative instrument - rate swap	78,204	-	78,204	-	-
Long-term liabilities:					
Due within one year	2,077,317	69,256	2,146,573	155,894	28,160
Due in more than one year	29,358,491	2,063,685	31,422,176	14,483,129	1,780,622
Total Liabilities	<u>\$ 32,321,319</u>	<u>\$ 2,142,053</u>	<u>\$ 34,463,372</u>	<u>\$ 15,679,969</u>	<u>\$ 2,100,098</u>
DEFERRED INFLOWS OF RESOURCES:					
Pension related items	\$ 480,552	\$ 13,546	\$ 494,098	\$ 1,536,734	\$ -
OPEB related items	29,481	519	30,000	88,824	-
Deferred revenue	3,451,567	-	3,451,567	-	-
Total deferred inflows of resources	<u>\$ 3,961,600</u>	<u>\$ 14,065</u>	<u>\$ 3,975,665</u>	<u>\$ 1,625,558</u>	<u>\$ -</u>
NET POSITION					
Net investment in capital assets	\$ (2,097,052)	\$ 5,792,273	\$ 3,695,221	\$ 10,800,912	\$ 93,825
Restricted:					
Debt Service	-	145,191	145,191	-	-
Unrestricted	5,209,994	(33,466)	5,176,528	(13,025,328)	596,597
Total Net Position	<u>\$ 3,112,942</u>	<u>\$ 5,903,998</u>	<u>\$ 9,016,940</u>	<u>\$ (2,224,416)</u>	<u>\$ 690,422</u>

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

COUNTY OF CUMBERLAND, VIRGINIA

Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,478,516	\$ 10,479	\$ 213,564	\$ -
Judicial administration	538,262	193,696	373,509	-
Public safety	2,915,478	208,767	803,679	-
Public works	1,478,367	1,221	6,038	1,131,900
Health and welfare	2,391,382	-	1,742,220	-
Education	5,291,812	-	-	-
Parks, recreation, and cultural	183,975	25,609	-	-
Community development	294,050	4,458	-	-
Interest on long-term debt	931,241	-	-	-
Total governmental activities	<u>\$ 15,503,083</u>	<u>\$ 444,230</u>	<u>\$ 3,139,010</u>	<u>\$ 1,131,900</u>
Business-type activities:				
Water and Sewer	\$ 758,193	\$ 434,126	\$ -	\$ -
Total business-type activities	<u>\$ 758,193</u>	<u>\$ 434,126</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 16,261,276</u>	<u>\$ 878,356</u>	<u>\$ 3,139,010</u>	<u>\$ 1,131,900</u>
COMPONENT UNITS:				
School Board	\$ 15,266,556	\$ 124,163	\$ 10,879,423	\$ -
IDA	139,947	-	84,369	-
Total component units	<u>\$ 15,406,503</u>	<u>\$ 124,163</u>	<u>\$ 10,963,792</u>	<u>\$ -</u>
General revenues:				
General property taxes				
Local sales and use taxes				
Consumers' utility taxes				
Motor vehicle licenses				
Business license taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
County contribution to School Board				
Total general revenues				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

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

Changes in Net Position				
Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business- Type Activities	Total	School Board	IDA
\$ (1,254,473)	\$ -	\$ (1,254,473)	\$ -	\$ -
28,943	-	28,943	-	-
(1,903,032)	-	(1,903,032)	-	-
(339,208)	-	(339,208)	-	-
(649,162)	-	(649,162)	-	-
(5,291,812)	-	(5,291,812)	-	-
(158,366)	-	(158,366)	-	-
(289,592)	-	(289,592)	-	-
(931,241)	-	(931,241)	-	-
<u>\$ (10,787,943)</u>	<u>\$ -</u>	<u>\$ (10,787,943)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (324,067)	\$ (324,067)	\$ -	\$ -
\$ -	\$ (324,067)	\$ (324,067)	\$ -	\$ -
<u>\$ (10,787,943)</u>	<u>\$ (324,067)</u>	<u>\$ (11,112,010)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (4,262,970)	\$ -
-	-	-	-	(55,578)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,262,970)</u>	<u>\$ (55,578)</u>
\$ 9,432,189	\$ -	\$ 9,432,189	\$ -	\$ -
493,612	-	493,612	-	-
182,231	-	182,231	-	-
243,456	-	243,456	-	-
134,529	-	134,529	-	-
84,980	-	84,980	-	-
99,896	2,171	102,067	-	50,116
55,768	-	55,768	365,538	-
1,369,472	-	1,369,472	-	-
-	-	-	4,381,742	-
<u>\$ 12,096,133</u>	<u>\$ 2,171</u>	<u>\$ 12,098,304</u>	<u>\$ 4,747,280</u>	<u>\$ 50,116</u>
\$ 1,308,190	\$ (321,896)	\$ 986,294	\$ 484,310	\$ (5,462)
1,804,752	6,225,894	8,030,646	(2,708,726)	695,884
<u>\$ 3,112,942</u>	<u>\$ 5,903,998</u>	<u>\$ 9,016,940</u>	<u>\$ (2,224,416)</u>	<u>\$ 690,422</u>

Balance Sheet - Governmental Funds
At June 30, 2018

	General	Nonmajor County Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,089,053	\$ 66,327	\$ 5,155,380
Receivables (Net of allowance for uncollectibles):			
Property taxes, including penalties	4,699,471	-	4,699,471
Accounts receivable	71,001	-	71,001
Due from component units	640,212	-	640,212
Due from other funds	70,000	-	70,000
Due from other governmental units	702,556	-	702,556
Total assets	<u>\$ 11,272,293</u>	<u>\$ 66,327</u>	<u>\$ 11,338,620</u>
LIABILITIES			
Accounts payable	\$ 300,889	\$ -	\$ 300,889
Total liabilities	<u>\$ 300,889</u>	<u>\$ -</u>	<u>\$ 300,889</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	\$ 4,649,478	\$ -	\$ 4,649,478
Total deferred inflows of resources	<u>\$ 4,649,478</u>	<u>\$ -</u>	<u>\$ 4,649,478</u>
FUND BALANCES			
Unassigned	\$ 6,321,926	\$ -	\$ 6,321,926
Total fund balances	<u>\$ 6,321,926</u>	<u>\$ 66,327</u>	<u>\$ 6,388,253</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Year Ended June 30, 2018

		Primary Governmental Funds
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	6,388,253
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Land	\$ 146,089	
Equipment	774,465	
Buildings and improvements	3,738,652	
Jointly owned assets	22,897,193	27,556,399
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.</p>		
Unavailable revenue - property taxes		1,197,911
<p>Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.</p>		
Pension related items	\$ 405,335	
OPEB related items	17,303	422,638
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Compensated absences	\$ (321,166)	
Landfill closure and post-closure	(191,956)	
General obligation bonds	(22,573,196)	
VACO/VML direct loan program	(3,520,000)	
Bond premiums	(2,060,258)	
Net pension liability	(1,006,854)	
Net OPEB liability	(262,381)	
State literary fund loans	(1,499,997)	
Accrued interest payable	(506,418)	(31,942,226)
<p>Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Pension related items	\$ (480,552)	
OPEB related items	(29,481)	(510,033)
Net position of governmental activities	\$	3,112,942

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

Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds
 Year Ended June 30, 2018

	General	Nonmajor County Capital Projects	Total Governmental Funds
Revenues:			
General property taxes	\$ 9,393,834	\$ -	\$ 9,393,834
Other local taxes	1,138,808	-	1,138,808
Permits, privilege fees and regulatory licenses	102,103	-	102,103
Fines and forfeitures	147,244	-	147,244
Revenue from use of money and property	99,569	327	99,896
Charges for services	194,883	-	194,883
Miscellaneous	55,768	-	55,768
Intergovernmental:			
Local government	1,131,900	-	1,131,900
Commonwealth	3,708,008	-	3,708,008
Federal	800,474	-	800,474
Total revenues	\$ 16,772,591	\$ 327	\$ 16,772,918
Expenditures:			
Current:			
General government administration	\$ 1,555,263	\$ -	\$ 1,555,263
Judicial administration	462,981	-	462,981
Public safety	3,140,058	-	3,140,058
Public works	1,441,125	-	1,441,125
Health and welfare	2,419,759	-	2,419,759
Education	4,062,285	-	4,062,285
Parks, recreation, and cultural	184,439	-	184,439
Community development	295,323	-	295,323
Nondepartmental	8,070	-	8,070
Debt service:			
Principal retirement	1,663,527	-	1,663,527
Interest and other fiscal charges	1,430,301	-	1,430,301
Total expenditures	\$ 16,663,131	\$ -	\$ 16,663,131
Excess (deficiency) of revenues over (under) expenditures	\$ 109,460	\$ 327	\$ 109,787
Other financing sources (uses):			
Transfers in	\$ -	\$ 66,000	\$ 66,000
Transfers (out)	(66,000)	-	(66,000)
Total other financing sources (uses)	\$ (66,000)	\$ 66,000	\$ -
Net change in fund balances	\$ 43,460	\$ 66,327	\$ 109,787
Fund balances at beginning of year, as restated	6,278,466	-	6,278,466
Fund balances at end of year	\$ 6,321,926	\$ 66,327	\$ 6,388,253

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

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

	Primary Government Governmental Funds
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
Net change in fund balances - total governmental funds	\$ 109,787
<p>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 exceeded the capital outlays in the current period.</p>	
Capital outlay	\$ 420,659
Depreciation expense	(1,110,381)
Transfer of joint tenancy assets to Component Unit School Board from Primary Government	(331,745)
	(1,021,467)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Property taxes	38,355
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>	
	(14,325)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items the treatment of long-term debt and related items.</p>	
Principal retired on general obligation bonds	\$ 1,173,764
Principal retired on state literary fund loans	166,667
Principal retired on VACO/VML direct loan program	215,000
	1,555,431
<p>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.</p>	
Change in compensated absenses	\$ (22,608)
Pension expense	161,330
OPEB expense	15,337
Amortization of bond premiums	346,304
Change in landfill closure and post-closure	(12,710)
Change in accrued interest payable	152,756
	640,409
Change in net position of governmental activities	\$ 1,308,190

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

Statement of Net Position - Proprietary Funds
At June 30, 2018

	<u>Water & Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 44,050
Accounts receivable	43,346
Total current assets	<u>\$ 87,396</u>
Noncurrent assets:	
Restricted assets	\$ 145,191
Capital Assets:	
Land	22,458
Equipment, net of depreciation	58,163
Infrastructure, net of depreciation	7,292,418
Buildings and improvements, net of depreciation	518,307
Total noncurrent assets	<u>\$ 8,036,537</u>
Total assets	<u>\$ 8,123,933</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 5,878
OPEB related items	305
Total deferred outflows of resources	<u>\$ 6,183</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 6,886
Customer deposits	2,226
Due to other funds	70,000
Long-term obligations, current portion	69,256
Total current liabilities	<u>\$ 148,368</u>
Noncurrent liabilities:	
Long-term obligations, noncurrent portion	<u>2,063,685</u>
Total liabilities	<u>\$ 2,212,053</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 13,546
OPEB related items	519
Total deferred inflows of resources	<u>\$ 14,065</u>
Net Position	
Net investment in capital assets	\$ 5,792,273
Restricted:	
Debt Service	145,191
Unrestricted assets	<u>(33,466)</u>
Total Net Position	<u><u>\$ 5,903,998</u></u>

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

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 Year Ended June 30, 2018

	<u>Water & Sewer Fund</u>
Operating revenues:	
Water	\$ 129,322
Sewer	277,125
Other charges for services	<u>27,679</u>
Total revenues	<u>\$ 434,126</u>
Operating expenses:	
Salaries	\$ 78,839
Fringe benefits	67,706
Contracted services	3,729
Other operating expenses	170,744
Depreciation	<u>359,305</u>
Total operating expenses	<u>\$ 680,323</u>
Operating income (loss)	<u>\$ (246,197)</u>
Nonoperating revenues (expenses):	
Interest income	\$ 2,171
Interest expense	<u>(77,870)</u>
Total nonoperating revenues (expenses)	<u>\$ (75,699)</u>
Change in net position	\$ (321,896)
Net position, beginning of year, as restated	<u>6,225,894</u>
Net position, end of year	<u><u>\$ 5,903,998</u></u>

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

Statement of Cash Flows -
 Proprietary Funds
 Year Ended June 30, 2018

	Water & Sewer Fund
Cash flows from operating activities:	
Receipts from customers and users	\$ 441,512
Payments for salaries and fringe benefits	(120,205)
Payments for operating activities	<u>(176,394)</u>
Net cash provided by (used for) operating activities	<u>\$ 144,913</u>
Cash flows from capital and related financing activities:	
Retirement of indebtedness	\$ (61,822)
Purchase of capital assets	(17,058)
Interest paid on loans	<u>(77,870)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (156,750)</u>
Cash flows from investing activities:	
Interest income	<u>\$ 2,171</u>
Net cash provided by (used for) investing activities	<u>\$ 2,171</u>
Increase (decrease) in cash and cash equivalents	\$ (9,666)
Cash and cash equivalents - beginning - (including restricted amounts)	<u>198,907</u>
Cash and cash equivalents - ending - (including restricted amounts)	<u><u>\$ 189,241</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (246,197)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:	
Depreciation	359,305
Changes in operating assets and liabilities:	
(Increase)/decrease in accounts receivable	7,386
(Increase)/decrease in deferred outflows of resources	(5,889)
Increase/(decrease) in accounts payable	(1,921)
Increase/(decrease) in deferred inflows of resources	14,065
Increase/(decrease) in net pension liability	17,725
Increase/(decrease) in net OPEB liability	(779)
Increase/(decrease) in compensated absences	<u>1,218</u>
Net cash provided by (used for) operating activities	<u><u>\$ 144,913</u></u>

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

Statement of Fiduciary Net Position - Fiduciary Funds
 At June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 434,897
Accounts receivable	<u>62,331</u>
Total assets	<u><u>\$ 497,228</u></u>
LIABILITIES	
Accounts payable	\$ 3,744
Accrued liabilities	28,787
Unearned revenue	151,426
Amounts held for sheriff	77,294
Amounts held for others	801,030
Amounts held for social services clients	13,870
Amounts held for insurance benefits	<u>(578,923)</u>
Total liabilities	<u><u>\$ 497,228</u></u>

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 1—Summary of Significant Accounting Policies:

The County of Cumberland, Virginia was formed in 1749 and it is governed by an elected five member Board of Supervisors. The Board of Supervisors is responsible for appointing the County Administrator. The County provides a full range of services for its citizens. These services include police and volunteer fire protection; sanitation services; recreational activities; cultural events; education and social services.

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

Financial Statement Presentation

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

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

Budgetary Comparison Schedules—Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget, final budget and actual results.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit’s reporting entity for 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 Cumberland, Virginia (the primary government) and its component units. 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.

B. Individual Component Unit Disclosures

Blended Component Units—The County has no blended component units to be included for the fiscal year ended June 30, 2018.

Discretely Presented Component Units

Cumberland County School Board The School Board members are elected and are responsible for the operations of the County’s School System. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report and does not have separate taxing powers. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2018.

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

B. Individual Component Unit Disclosure (Continued)

Cumberland County Industrial Development Authority The IDA Board members are appointed by the Board of Supervisors and are responsible for the industrial development in the County. The IDA is fiscally dependent on the County. The primary funding is from the General Fund of the County. The IDA does not issue a separate financial report and does not have separate taxing powers. The financial statements of the IDA are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2018.

C. Other Related Organizations

The County's officials are also responsible for appointing the members of the board of other organizations, but the County's accountability for these organizations do not extend beyond making the appointment.

Included in the County's Annual Financial Report

None

Excluded from the County's Annual Financial Report

Crossroads Community Services Board

The Board was created by resolution pursuant to state statute and is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The board's service area includes the counties of Amelia, Buckingham, Charlotte, Cumberland, Lunenburg, and Nottoway. The Board is governed by a 15 member Board of Directors. One elected official and one consumer appointed by the County Board of Supervisors represents each County. The 15th member rotates between the Counties. Amelia County serves as the fiscal agent for the Board. The County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

Piedmont Regional Jail Board

The Board was created in 1986 to develop, construct, operate and maintain the regional jail known as the Piedmont Regional Jail. The Jail's service area includes the counties of Amelia, Buckingham, Cumberland, Lunenburg, Nottoway, and Prince Edward. The Board is governed by a Board of Directors appointed by the Board of Supervisors of each of the involved counties. The Board of Directors has appointed the Treasurer of the County of Nottoway to serve as fiscal agent. The Board is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

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

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

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

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

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

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.

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

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

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

1. Governmental Funds

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

a. General Fund

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

b. Capital Projects Fund

The Capital Projects Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The County Capital Projects Fund is considered a nonmajor fund.

2. Proprietary Funds

Proprietary Funds account for operations that are financed in a manner similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

Enterprise Funds

Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Water and Sewer Fund.

The County reports the following major enterprise funds:

The Water and Sewer Fund—This fund is used to account for the water system and the sewage treatment plant, sewage pumping stations and collection systems as well as the water distribution system.

3. Fiduciary Funds (Trust and Agency Funds) account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds, which consist of The Governor's School of Southside Virginia, the Special Welfare Fund, Sheriff's Forfeiture Fund, Erosion and Sediment Control Bond Escrow Fund and the Health Insurance Fund. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

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

E. Budgets and Budgetary Accounting

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating 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 department level or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and School Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. Several supplemental appropriations were necessary during the year and at year-end.
8. All budgetary data presented in the accompanying financial statements is the original budget at June 30.

F. Cash and Cash Equivalents

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

Restricted cash consists of reserve accounts established as required by Rural Development bond covenants.

G. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value. Investments in custody of others include unspent bond proceeds and accumulated interest that the County intends to use for the new government complex.

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

H. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

I. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$180,268 at June 30, 2018 and is comprised of property taxes in the amount of \$165,966 and utility accounts in the amount of \$14,302.

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are due in two installments, the first on June 15th and the second on November 15th. Personal property taxes are payable November 15th. The County bills and collects its own property taxes.

J. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the fiscal year ending June 30, 2018.

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

J. Capital Assets (Continued)

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	20-40
Vehicles	5
Infrastructure	40
Office and computer equipment	5
Buses	12

K. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has multiple items that qualify for reporting in this category. One is the deferred amount on property tax revenue. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset/liability and net OPEB asset/liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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

L. Pensions

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

M. Other Postemployment Benefits (OPEB)

Group Life Insurance

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

Teacher Employee Health Insurance Credit Program

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

N. Compensated Absences

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

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

O. Long-term Obligations

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

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

P. Fund Equity

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

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

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

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

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

Q. Use of Estimates

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

R. Net Position

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

S. Net Position Flow Assumption

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

T. Upcoming Pronouncements

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

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

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

T. Upcoming Pronouncements (Continued)

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

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

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

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 2—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 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 amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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

Credit Risk of Debt Securities

State statutes require that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investors Service, Standard & Poor’s and Fitch Investor’s Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investor Service. The County’s rated debt investments as of June 30, 2018 were rated by Standard & Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor’s rating scale.

<u>County's Rate Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ <u>1,818,727</u>
Total	\$ <u><u>1,818,727</u></u>

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COUNTY OF CUMBERLAND, VIRGINIA

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

Note 2—Deposits and Investments: (Continued)

Fair Value Measurements

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

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

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

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

Investment Type	Fair Value Measurement Using		
	Balance June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments in derivative instruments:			
Interest rate swap liability	\$ 78,204	\$ -	\$ 78,204
Total	\$ 78,204	\$ -	\$ 78,204
Investments measured at NAV:			
Virginia Investment Pool	\$ 805,372		
Total investments measured at NAV	\$ 805,372		
Total investments measured at fair value	\$ 883,576		

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 2—Deposits and Investments: (Continued)

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2018, there is no portion of the County's portfolio, excluding the LGIP that exceed 5% of the total portfolio. At present the County does not have a policy related to custodial credit risk.

External Investment Pools

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

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ 1,818,727	\$ 1,818,727
Total	\$ <u>1,818,727</u>	\$ <u>1,818,727</u>

Restricted Assets

Restricted assets at June 30, 2018 are comprised of the following:

	<u>Primary Government Business-type Activities</u>	<u>Component Unit IDA</u>
Debt service reserves	\$ 145,191	\$ 83,908
Total	\$ <u>145,191</u>	\$ <u>83,908</u>

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COUNTY OF CUMBERLAND, VIRGINIA

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

Note 3—Due From Other Governmental Units:

At June 30, 2018 the County and School Board had receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 191,322
Local sales taxes	90,507	-
Communication taxes	56,185	-
Public assistance	42,361	-
Comprehensive services	230,543	-
Shared expenses	94,343	-
Rolling stock tax	96	-
Mobile home titling taxes	23,342	-
Recordation tax	4,677	-
Rental tax	1,403	-
E-911 wireless	7,686	-
Payments in lieu of taxes	84,382	-
Other	2,386	-
Federal Government:		
School funds	-	129,743
Public assistance	64,645	-
Total	<u>\$ 702,556</u>	<u>\$ 321,065</u>

Note 4—Interfund Obligations/Due to/From Primary Government/Component Units:

Primary Government:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 70,000	\$ -
Sewer	-	70,000
Total	<u>\$ 70,000</u>	<u>\$ 70,000</u>

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COUNTY OF CUMBERLAND, VIRGINIA

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

Note 4—Interfund Obligations/Due to/From Primary Government/Component Units: (Continued)

Details of obligations between the primary government and its component units as of June 30, 2018 are as follows:

	<u>Due from Primary Government/ Component Unit</u>	<u>Due to Primary Government/ Component Unit</u>
Primary Government:		
General	\$ 640,212	\$ -
Component Unit-IDA	-	291,316
Component Unit-School Board:		
School Operating	-	348,896
Total	<u>\$ 640,212</u>	<u>\$ 640,212</u>

Note 5—Interfund Transfers:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 66,000
County Capital Projects	66,000	-
School Operating	-	744,764
School Cafeteria	744,764	-
Total	<u>\$ 810,764</u>	<u>\$ 810,764</u>

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

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COUNTY OF CUMBERLAND, VIRGINIA

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

Note 6—Capital Assets:

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

	Balance July 1, 2017, restated	Additions	Deletions	Balance June 30, 2018
Primary Government:				
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 146,089	\$ -	\$ -	\$ 146,089
Capital assets being depreciated:				
Buildings and improvements	\$ 6,966,587	\$ -	\$ 23,420	\$ 6,943,167
Equipment	3,135,260	420,659	860,783	2,695,136
Jointly owned assets	32,029,811	-	442,396	31,587,415
Total capital assets being depreciated	\$ 42,131,658	\$ 420,659	\$ 1,326,599	\$ 41,225,718
Accumulated depreciation:				
Buildings and improvements	\$ 3,033,329	\$ 183,482	\$ 12,296	\$ 3,204,515
Equipment	2,641,040	137,213	857,582	1,920,671
Jointly owned assets	8,011,187	789,686	110,651	8,690,222
Total accumulated depreciation	\$ 13,685,556	\$ 1,110,381	\$ 980,529	\$ 13,815,408
Total capital assets being depreciated, net	\$ 28,446,102	\$ (689,722)	\$ 346,070	\$ 27,410,310
Governmental activities capital assets, net	\$ 28,592,191	\$ (689,722)	\$ 346,070	\$ 27,556,399

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 6—Capital Assets: (Continued)

The following is a summary of changes in enterprise capital assets during the year:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Primary Government:				
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 22,458	\$ -	\$ -	\$ 22,458
Construction in progress	<u>310,732</u>	<u>-</u>	<u>310,732</u>	<u>-</u>
Total capital assets not being depreciated	\$ <u>333,190</u>	\$ <u>-</u>	\$ <u>310,732</u>	\$ <u>22,458</u>
Capital assets being depreciated:				
Equipment	\$ 305,167	\$ -	\$ 26,499	\$ 278,668
Infrastructure	11,161,108	327,790	-	11,488,898
Buildings and improvements	<u>1,511,814</u>	<u>-</u>	<u>-</u>	<u>1,511,814</u>
Total capital assets being depreciated	\$ <u>12,978,089</u>	\$ <u>327,790</u>	\$ <u>26,499</u>	\$ <u>13,279,380</u>
Accumulated depreciation:				
Equipment	\$ 221,494	\$ 25,510	\$ 26,499	\$ 220,505
Infrastructure	3,913,079	283,401	-	4,196,480
Buildings and improvements	<u>943,113</u>	<u>50,394</u>	<u>-</u>	<u>993,507</u>
Total accumulated depreciation	\$ <u>5,077,686</u>	\$ <u>359,305</u>	\$ <u>26,499</u>	\$ <u>5,410,492</u>
Total capital assets being depreciated, net	\$ <u>7,900,403</u>	\$ <u>(31,515)</u>	\$ <u>-</u>	\$ <u>7,868,888</u>
Business-type activities capital assets, net	\$ <u>8,233,593</u>	\$ <u>(31,515)</u>	\$ <u>310,732</u>	\$ <u>7,891,346</u>

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 6—Capital Assets: (Continued)

Component Unit - School Board:	July 1, 2017, <u>Restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2018</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 121,421	\$ -	\$ -	\$ 121,421
Total capital assets not being depreciated	\$ 121,421	\$ -	\$ -	\$ 121,421
Capital assets being depreciated:				
Buildings and improvements	\$ 7,120,130	\$ -	\$ 199,268	\$ 6,920,862
Equipment	3,960,479	275,658	1,472,168	2,763,969
Jointly owned assets	8,894,387	-	(442,396)	9,336,783
Total capital assets being depreciated	\$ 19,974,996	\$ 275,658	\$ 1,229,040	\$ 19,021,614
Accumulated depreciation:				
Buildings and improvements	\$ 3,319,121	\$ 158,488	\$ 160,549	\$ 3,317,060
Equipment	3,050,214	120,078	1,472,168	1,698,124
Jointly owned assets	2,224,634	233,419	(110,651)	2,568,704
Total accumulated depreciation	\$ 8,593,969	\$ 511,985	\$ 1,522,066	\$ 7,583,888
Total capital assets being depreciated, net	\$ 11,381,027	\$ (236,327)	\$ (293,026)	\$ 11,437,726
Governmental activities capital assets, net	\$ 11,502,448	\$ (236,327)	\$ (293,026)	\$ 11,559,147

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 6—Capital Assets: (Continued)

Component Unit - Industrial Development Authority:	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 535,846	\$ -	\$ -	\$ 535,846
Capital assets being depreciated:				
Buildings and improvements	\$ 1,705,691	\$ -	\$ -	\$ 1,705,691
Accumulated depreciation:				
Buildings and improvements	296,288	42,642	-	338,930
Total capital assets being depreciated, net	\$ 1,409,403	\$ (42,642)	\$ -	\$ 1,366,761
Business-type activities capital assets, net	\$ 1,945,249	\$ (42,642)	\$ -	\$ 1,902,607

Depreciation expense was charged to functions/programs of the primary government as follows:

Primary Government:	
Governmental activities:	
General government administration	\$ 24,408
Judicial administration	92,222
Public safety	163,168
Public works	30,307
Health and welfare	8,681
Education	789,686
Parks, recreation and cultural	784
Community development	1,125
Total	\$ 1,110,381
Business-type activities:	
Water and Sewer Fund	\$ 359,305
Component Unit-School Board	\$ 278,566
* Depreciation expense above	\$ 278,566
Depreciation expense - joint tenancy assets	233,419
Total depreciation expense prior page	\$ 511,985
Component Unit-Industrial Development Authority	\$ 42,642

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 7—Deferred Outflows/Inflows of Resources:

Deferred/unavailable revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Unearned/unavailable revenue totaling \$4,649,478 is comprised of the following:

	Government-wide Statements	Balance Sheet
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures.	\$ -	\$ 1,197,911
2nd half assessments due in December 2018	3,258,318	3,258,318
Prepaid property taxes due in December 2018, but paid in advance by the taxpayers.	<u>193,249</u>	<u>193,249</u>
Total deferred inflows of resources	<u>\$ 3,451,567</u>	<u>\$ 4,649,478</u>

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 8—Long-Term Obligations:

Primary Government:

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

	Restated Balance July 1, 2017	Issuances / Increases	Retirements / Decreases	Balance June 30, 2018	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	\$ 298,558	\$ 52,464	\$ 29,856	\$ 321,166	\$ 32,117
Landfill closure and post-closure	179,246	12,710	-	191,956	-
General obligations bonds	23,746,960	-	1,173,764	22,573,196	1,372,928
VACO/VML direct loan program	3,735,000	-	215,000	3,520,000	225,000
Bond premiums	2,406,562	-	346,304	2,060,258	280,605
Derivative instrument liability	180,942	-	102,738	78,204	-
Net pension liability	2,007,930	1,278,656	2,279,732	1,006,854	-
Net OPEB liability	306,602	1,965	46,186	262,381	-
State literary fund loans	1,666,664	-	166,667	1,499,997	166,667
Total Governmental Activities	\$ 34,528,464	\$ 1,345,795	\$ 4,360,247	\$ 31,514,012	\$ 2,077,317
Reconciliation to amounts reported on Exhibit 1:					
Total above	\$ 34,528,464	\$ 1,345,795	\$ 4,360,247	\$ 31,514,012	
Less: Derivative instrument liability	(180,942)	-	(102,738)	(78,204)	
Total as adjusted	\$ 34,347,522	\$ 1,345,795	\$ 4,257,509	\$ 31,435,808	
Per Exhibit 1:					
Due within one year				\$ 2,077,317	
Due in more than one year				29,358,491	
Total as adjusted				\$ 31,435,808	
Business-type Activities:					
Water and Sewer Fund:					
Compensated absences	\$ 10,306	\$ 2,249	\$ 1,031	\$ 11,524	\$ 1,152
Net pension liability	-	57,247	39,522	17,725	-
Net OPEB liability	5,398	35	814	4,619	-
Revenue bonds	2,160,895	-	61,822	2,099,073	68,104
Total Business-type Activities	\$ 2,176,599	\$ 59,531	\$ 103,189	\$ 2,132,941	\$ 69,256
Total primary government	\$ 36,524,121	\$ 1,405,326	\$ 4,360,698	\$ 33,568,749	\$ 2,146,573

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 8—Long-Term Obligations: (Continued)

Primary Government: (continued)

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

Year Ending June 30,	Governmental Activities						Business-type Activities	
	General Obligation Bonds		State Literary Fund Loans		VACO/VML Loan Program		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,372,928	\$ 968,741	\$ 166,667	\$ 45,000	\$ 225,000	\$ 163,160	\$ 68,104	\$ 71,588
2020	1,448,834	903,418	166,667	40,000	235,000	152,053	70,730	68,962
2021	1,524,518	834,410	166,667	35,000	245,000	140,214	73,562	66,130
2022	1,597,024	761,804	166,666	30,000	260,000	127,855	76,466	63,226
2023	1,676,928	687,895	166,666	25,000	270,000	114,986	79,494	60,198
2024	1,766,612	606,395	166,666	20,000	285,000	101,449	82,609	57,083
2025	1,865,584	514,349	166,666	15,000	295,000	87,402	85,943	53,749
2026	1,965,548	417,270	166,666	10,000	310,000	72,547	89,376	50,316
2027	2,076,556	314,854	166,666	5,000	325,000	57,003	92,956	46,736
2028	2,343,664	218,930	-	-	340,000	40,823	96,652	43,040
2029	2,425,000	138,636	-	-	355,000	23,887	100,584	39,108
2030	2,510,000	50,828	-	-	375,000	6,051	104,646	35,046
2031	-	-	-	-	-	-	108,883	30,809
2032	-	-	-	-	-	-	113,271	26,421
2033	-	-	-	-	-	-	117,915	21,777
2034	-	-	-	-	-	-	122,726	16,966
2035	-	-	-	-	-	-	97,712	13,540
2036	-	-	-	-	-	-	33,286	11,594
2037	-	-	-	-	-	-	25,786	9,602
2038	-	-	-	-	-	-	26,314	9,074
2039	-	-	-	-	-	-	26,852	8,536
2040	-	-	-	-	-	-	27,380	8,008
2041	-	-	-	-	-	-	27,963	7,426
2042	-	-	-	-	-	-	28,535	6,853
2043	-	-	-	-	-	-	29,119	6,269
2044	-	-	-	-	-	-	29,700	5,688
2045	-	-	-	-	-	-	30,323	5,065
2046	-	-	-	-	-	-	30,943	4,445
2047	-	-	-	-	-	-	31,577	3,811
2048	-	-	-	-	-	-	32,215	3,173
2049	-	-	-	-	-	-	32,882	2,506
2050	-	-	-	-	-	-	33,555	1,833
2051	-	-	-	-	-	-	34,242	1,146
2052	-	-	-	-	-	-	34,942	446
2053	-	-	-	-	-	-	1,830	1,119
Total	\$ 22,573,196	\$ 6,417,530	\$ 1,499,997	\$ 225,000	\$ 3,520,000	\$ 1,087,430	\$ 2,099,073	\$ 861,289

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 8—Long-Term Obligations: (Continued)

Primary Government: (continued)

Governmental Activities:

Details of long-term obligation transactions of the County are as follows:

General Obligation Bonds:

\$11,620,646 obligation dated November 8, 2007, payable in various principal annual installments through July 15, 2027, interest payable semi-annually at 5.1%	\$ 6,532,196
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\$2,223,000 refunding obligation dated September 6, 2012, payable in various principal annual installments through July 15, 2022, interest payable semi-annually at 2.31%	1,176,000
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\$14,895,000 refunding obligation dated November 1, 2016, payable in various principal annual installments through July 15, 2029, interest payable semi-annually at 2.19%	<u>14,865,000</u>
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Total General Obligation Bonds	<u>\$ 22,573,196</u>
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VACO/VMLDIRECT LOAN PROGRAM:

\$5,000,000 VACO/VML public improvement note, issued November 2, 2009, due in principal annual installments through November 1, 2029, interest payable monthly at 3.3975%	<u>\$ 3,520,000</u>
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Total VACO/VML DIRECT LOAN PROGRAM	<u>\$ 3,520,000</u>
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State Literary Fund Loans:

\$5,000,000, issued February 27, 1997, due in principal annual installments of \$166,667 through February 1, 2027, interest payable annually at 3%	<u>\$ 1,499,997</u>
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Total State Literary Fund Loans	<u>\$ 1,499,997</u>
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Net pension liability	<u>\$ 1,006,854</u>
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Net OPEB liability	<u>\$ 262,381</u>
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Bond premium	<u>\$ 2,060,258</u>
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Compensated absences	<u>\$ 321,166</u>
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Landfill closure and post-closure	<u>\$ 191,956</u>
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Total Governmental Activities long-term obligations	<u><u>\$ 31,435,808</u></u>
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COUNTY OF CUMBERLAND, VIRGINIA

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

Note 8—Long-Term Obligations: (Continued)

Primary Government: (continued)

Business-type Activities:

Revenue Bonds:

\$1,548,800 series 1995 and Series A Sewer Revenue Bonds. Series A of \$772,000 and Series B of \$776,800 issued October 31, 1995 through the Commonwealth of Virginia. Interest payable for Series and Series A at 4.50% per year, interest only payable on the first and second anniversary dates of closing and thereafter payable in monthly installments of combined principal and interest of \$3,544 for Series A and \$3,566 for Series B each month for a period of thirty-eight years, until paid, each payment to be applied first to interest accrued to such payment date and then to principal, and such financial installment, if not sooner paid, to be due and payable within forty years. \$ 999,905

\$344,500 series 1996 Sewer Revenue Bonds issued October 9, 1996 through the Commonwealth of Virginia. Interest payable at 4.50%, interest payable on the first and second anniversary dates of closing and thereafter payable in monthly installments of combined principal and interest of \$1,582 for a period of thirty-eight years, until paid. Each payment to be applied first to interest accrued to such payment date and then to principal, and such final installment, if not sooner paid, to be due and payable within forty years. 230,162

\$939,000 series 2012 Sewer Revenue Bonds issued June 1, 2012 through the Commonwealth of Virginia. Interest payable at 2.00%, interest payable on the first and second anniversary dates of closing and thereafter payable in monthly installments of combined principal and interest of \$2,949 for a period of thirty-eight years, until paid. Each payment to be applied first to interest accrued to such payment date and then to principal, and such final installment, if not sooner paid, to be due and payable within forty years. 869,006

Total Revenue Bonds	\$ <u>2,099,073</u>
Compensated absences	\$ <u>11,524</u>
Net pension liability	\$ <u>17,725</u>
Net OPEB liability	\$ <u>4,619</u>
Total Business-type Activities long-term obligations	\$ <u><u>2,132,941</u></u>
Total Primary Government	\$ <u><u>33,568,749</u></u>

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 8—Long-Term Obligations: (Continued)

Primary Government: (continued)

Interest rate swap

Objective of the interest rate swap.

As a means to lower its borrowing costs, when compared against fixed-rate loans at the time of issuance in November 2009 the County entered into an interest rate swap in connection with its \$4,800,000 VACO / VML short-term financing note. The intention of the swap was to effectively change the County's variable interest rate on the bonds to a synthetic fixed rate of 3.3975% on its 2009 issue. Utilizing the synthetic instrument method, the County has determined that the swap is an effective hedging derivative instrument and hedge accounting applies.

Terms - November 2009 issue - The bonds and the related swap agreement mature on November 1, 2029. The swap's notional value of \$3,598,204 is more than the balance outstanding on the bonds payable of \$3,520,000. The difference of \$78,204 is reported in these financial statements as a derivative instrument within the long-term obligations of the County.

A corresponding deferred outflow of resources is reported on the statement of net position as a reduction to total liabilities before computing net position. The swap was entered into at the same time as the bonds were issued.

Fair Value - The fair values and changes in fair values of the swap are as follows:

	Year Ended June 30, 2018
Fair value	\$ 78,204
Change in fair value	(102,738)

Component Units:

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

	Restated Balance at July 1, 2017	Issuances / Increases	Retirements / Decreases	Balance at June 30, 2018	Amounts Due Within One Year
School Board:					
Compensated absences	\$ 381,035	\$ 39,809	\$ 38,104	\$ 382,740	\$ 38,274
Net pension liability	13,267,119	2,229,548	3,864,472	11,632,195	-
Net OPEB liabilities	1,972,881	107,374	214,402	1,865,853	-
Ameresco performance contract	866,331	-	108,096	758,235	117,620
Total	<u>\$ 16,487,366</u>	<u>\$ 2,376,731</u>	<u>\$ 4,225,074</u>	<u>\$ 14,639,023</u>	<u>\$ 155,894</u>
Industrial Development Authority:					
Rural development loan	<u>\$ 1,835,723</u>	<u>\$ -</u>	<u>\$ 26,941</u>	<u>\$ 1,808,782</u>	<u>\$ 28,160</u>

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 8—Long-Term Obligations: (Continued)

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

Year Ending June 30,	School Board Ameresco Performance Contract		IDA Rural Development Loan	
	Principal	Interest	Principal	Interest
2019	\$ 117,620	\$ 36,774	\$ 28,160	\$ 74,080
2020	127,730	31,070	29,343	72,897
2021	138,458	24,875	30,577	71,663
2022	149,838	18,160	31,862	70,378
2023	161,905	10,893	33,202	69,038
2024	62,684	3,040	34,598	67,642
2025	-	-	36,052	66,188
2026	-	-	37,568	64,672
2027	-	-	39,147	63,093
2028	-	-	40,793	61,447
2029	-	-	42,508	59,732
2030	-	-	44,295	57,945
2031	-	-	46,157	56,083
2032	-	-	48,097	54,143
2033	-	-	50,119	52,121
2034	-	-	52,226	50,014
2035	-	-	54,421	47,819
2036	-	-	56,709	45,531
2037	-	-	59,093	43,147
2038	-	-	61,577	40,663
2039	-	-	64,166	38,074
2040	-	-	66,863	35,377
2041	-	-	69,674	32,566
2042	-	-	72,603	29,636
2043	-	-	75,655	26,584
2044	-	-	78,836	23,404
2045	-	-	82,150	20,090
2046	-	-	85,604	16,636
2047	-	-	89,202	13,038
2048	-	-	92,952	9,288
2049	-	-	96,860	5,380
2050	-	-	77,713	1,298
Total	\$ 758,235	\$ 124,812	\$ 1,808,782	\$ 1,439,667

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 8—Long-Term Obligations: (Continued)

Details of long-term obligations are as follows:

Component Unit School Board:

Ameresco performance contract lease dated June 13, 2005, payable in various annual installments through June 2024. Interest payable at 4.85%. The energy contract was used to acquire energy savings contracts undertaken to save the Cumberland County Schools energy savings.

\$ 758,235

Net pension liability

\$ 11,632,195

Net OPEB liabilities

\$ 1,865,853

Compensated absences

\$ 382,740

Total long-term obligations

\$ 14,639,023

Industrial Development Authority:

\$2,000,000 Rural Development loan dated April 23, 2010 payable in monthly installments of \$8,520 beginning May 23, 2010 through April 23, 2050, interest at 4.1%

\$ 1,808,782

Note 9—Landfill Closure and Post Closure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfills when closed and to perform certain maintenance and monitoring functions at the landfill sites after closure. The County will also incur the estimated total closure and post closure cost of \$191,956 over the next seven years. All amounts recognized are based on what it would cost to perform all closure and post closure care at year-end. Actual cost may be higher due to inflation. If these estimates are inadequate or additional post closure requirements are determined (due to changes in technology or regulations, for example), these cost may need to be covered by charges to future landfill users or taxpayers. The County has demonstrated financial assurance requirements for closure, post closure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Pension Plan:

Plan Description

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

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

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

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <ul style="list-style-type: none"> • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p>

Note 10—Pension Plan: (Continued)

Plan Description (Continued)

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

Pension Plan Data

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Pension Plan: (Continued)

Employees Covered by Benefit Terms

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	42	24
Inactive members:		
Vested inactive members	7	5
Non-vested inactive members	12	18
Inactive members active elsewhere in VRS	46	11
Total inactive members	65	34
Active members	79	39
Total covered employees	186	97

Contributions

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

The County's contractually required employer contribution rate for the year ended June 30, 2018 was 9.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$317,500 and \$305,607 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 2.72% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$17,079 and \$17,630 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability (Asset)

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

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Pension Plan: (Continued)

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Pension Plan: (Continued)

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 13,281,774	\$ 11,273,844	\$ 2,007,930
Changes for the year:			
Service cost	\$ 363,229	\$ -	\$ 363,229
Interest	911,967	-	911,967
Assumption changes	16,935	-	16,935
Differences between expected and actual experience	(436,805)	-	(436,805)
Contributions - employer	-	305,607	(305,607)
Contributions - employee	-	166,588	(166,588)
Net investment income	-	1,375,517	(1,375,517)
Benefit payments, including refunds of employee contributions	(507,340)	(507,340)	-
Administrative expenses	-	(7,803)	7,803
Other changes	-	(1,232)	1,232
Net changes	\$ 347,986	\$ 1,331,337	\$ (983,351)
Balances at June 30, 2017	\$ 13,629,760	\$ 12,605,181	\$ 1,024,579

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Pension Plan: (Continued)

Changes in Net Pension Liability (Asset) (Continued)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at June 30, 2016	\$ 2,512,335	\$ 2,840,388	\$ (328,053)
Changes for the year:			
Service cost	\$ 74,760	\$ -	\$ 74,760
Interest	172,661	-	172,661
Assumption changes	(11,480)	-	(11,480)
Differences between expected and actual experience	(18,587)	-	(18,587)
Contributions - employer	-	17,630	(17,630)
Contributions - employee	-	33,609	(33,609)
Net investment income	-	345,385	(345,385)
Benefit payments, including refunds of employee contributions	(91,510)	(91,510)	-
Administrative expenses	-	(1,994)	1,994
Other changes	-	(307)	307
Net changes	\$ 125,844	\$ 302,813	\$ (176,969)
Balances at June 30, 2017	\$ 2,638,179	\$ 3,143,201	\$ (505,022)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 2,864,463	\$ 1,024,579	\$ (500,595)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ (174,278)	\$ (505,022)	\$ (782,437)

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Pension Plan: (Continued)

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

For the year ended June 30, 2018, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$175,308 and \$(59,420), respectively. At June 30, 2018, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 81,589	\$ 312,713	\$ 247	\$ 42,401
Change of assumptions	12,124	-	-	7,148
Net difference between projected and actual earnings on pension plan investments	-	181,385	-	46,020
Employer contributions subsequent to the measurement date	317,500	-	17,079	-
Total	\$ 411,213	\$ 494,098	\$ 17,326	\$ 95,569

\$317,500 and \$17,079 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability (Asset) in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2019	\$ (164,030)	\$ (70,894)
2020	(55,396)	5,399
2021	(63,381)	(219)
2022	(117,578)	(29,608)
Thereafter	-	-

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,155,818 and \$1,101,624 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$11,632,195 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.10205% as compared to 0.10210% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$957,379. 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.

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 822,993
Change in assumptions	169,603	-
Net difference between projected and actual earnings on pension plan investments	-	422,618
Changes in proportion and differences between employer contributions and proportionate share of contributions	416,131	195,554
Employer contributions subsequent to the measurement date	<u>1,155,818</u>	<u>-</u>
Total	<u>\$ 1,741,552</u>	<u>\$ 1,441,165</u>

\$1,155,818 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2019	\$ (357,743)
2020	74,144
2021	(117,703)
2022	(412,423)
2023	(41,706)

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

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

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

Net Pension Liability

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

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

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Discount Rate

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 17,369,979	\$ 11,632,195	\$ 6,885,155

Pension Plan Fiduciary Net Position

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 11—Risk Management:

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

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

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

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

Note 12—Litigation:

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

Note 13—Surety Bond Information:

	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety	
Deidre Martin, Clerk of the Circuit Court	\$ 25,000
L.O. Pfeiffer, Jr., Treasurer	300,000
Julie Phillips, Commissioner of the Revenue	3,000
Darrell Hodges, Sheriff	30,000
All Treasurer's office employees - blanket bond	50,000
Amy Griffin, Superintendent of Schools	10,000
Clerk of the School Board	10,000
Board of Supervisors	10,000

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

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

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

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

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description (Continued)

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

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the County were \$17,608 and \$17,003 for the years ended June 30, 2018 and June 30, 2017, respectively.

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Contributions (Continued)

Contributions to the Group Life Insurance Program from the Component Unit School Board professional group were \$38,265 and \$38,200 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the Group Life Insurance Program from the Component Unit School Board nonprofessional group were \$3,556 and \$5,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the County reported a liability of \$267,000 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$612,127 and \$56,000, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the County's proportion was 0.01773% as compared to 0.01781% at June 30, 2016. At June 30, 2017, the Component Unit School Board professional and nonprofessional groups' proportion was 0.04364% and 0.04332%, respectively as compared to 0.00374% and 0.00386% respectively at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of \$2,000. For the year ended June 30, 2018, the Component Unit School Board professional group recognized GLI OPEB expense of \$7,454. For the year ended June 30, 2018, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of (\$1,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Primary Government		Component School Board (professional)		Component School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience \$	\$ -	\$ 6,000	\$ 4,658	\$ 13,044	\$ -	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	10,000	-	23,292	-	2,000
Change in assumptions	-	14,000	-	31,678	-	3,000
Employer contributions subsequent to the measurement date	17,608	-	38,265	-	3,556	-
Total	\$ 17,608	\$ 30,000	\$ 42,923	\$ 68,014	\$ 3,556	\$ 6,000

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

\$17,608, \$38,265 and \$3,556, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (professional)	Component Unit School Board (nonprofessional)
2019	\$ (6,000)	\$ (13,044)	\$ (1,000)
2020	(6,000)	(13,044)	(1,000)
2021	(6,000)	(13,044)	(1,000)
2022	(6,000)	(13,044)	(1,000)
2023	(4,000)	(7,454)	(1,000)
Thereafter	(2,000)	(3,727)	(1,000)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

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

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

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

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

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

NET GLI OPEB Liability

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

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

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

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

	Rate		
	1% Decrease <u>(6.00%)</u>	Current Discount <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
County’s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 345,000	\$ 267,000	\$ 203,000
Component School Board (professional)’s proportionate share of the Group Life Insurance Program Net OPEB Liability	791,945	612,127	466,782
Component School Board (nonprofessional)’s proportionate share of the Group Life Insurance Program Net OPEB Liability	73,000	56,000	43,000

Group Life Insurance Program Fiduciary Net Position

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

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

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

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$88,661 and \$82,378 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$1,197,726 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.10200% as compared to 0.10209% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$96,262. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 1,852
Change of assumptions	-	12,958
Employer contributions subsequent to the measurement date	<u>88,661</u>	<u>-</u>
Total	<u>\$ 88,661</u>	<u>\$ 14,810</u>

\$88,661 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

2019	\$	(2,777)
2020		(2,777)
2021		(2,777)
2022		(2,777)
2023		(1,851)
Thereafter		(1,851)

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

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

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

Net Teacher Employee HIC OPEB Liability

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

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

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 1,336,566	\$ 1,197,726	\$ 1,079,250

Teacher Employee HIC OPEB Fiduciary Net Position

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 16—Commitments and Contingencies:

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

Note 17 - Line of Duty Act (LODA) (OPEB Benefits):

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

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2018 was \$4,320.

Note 18 - Adoption of Accounting Principles:

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 19 - Restatement of Net Position and Fund Balance:

The following adjustments were made to beginning net position and fund balance:

	Net Position			Fund Balance
	Governmental Activities	Business-type Activities Water and Sewer	Component Unit School Board	
Balance, July 1, 2017, as previously stated	\$ (4,349,485)	\$ 6,230,998	\$ 5,539,621	\$ 6,235,377
Additional revenue accruals from prior year	79,809	-	-	79,809
Additional expenditure accruals from prior year	(36,720)	-	-	(36,720)
Reclassification of jointly owned assets	6,401,044	-	(6,401,044)	-
Implementation of GASB 75:				
Deferred outflows of resources	16,706	294	125,578	-
Net OPEB liability	<u>(306,602)</u>	<u>(5,398)</u>	<u>(1,972,881)</u>	<u>-</u>
Balance, July 1, 2017, as restated	<u>\$ 1,804,752</u>	<u>\$ 6,225,894</u>	<u>\$ (2,708,726)</u>	<u>\$ 6,278,466</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual -- General Fund
 Year Ended June 30, 2018

	General Fund			Variance With Amended Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
General property taxes	\$ 8,577,500	\$ 8,798,801	\$ 9,393,834	\$ 595,033
Other local taxes	993,500	993,500	1,138,808	145,308
Permits, privilege fees and regulatory licenses	54,300	54,300	102,103	47,803
Fines and forfeitures	110,000	110,000	147,244	37,244
Revenue from use of money and property	80,000	89,546	99,569	10,023
Charges for services	408,860	419,226	194,883	(224,343)
Miscellaneous	42,105	51,969	55,768	3,799
Intergovernmental:				
Henrico County	1,131,900	1,131,900	1,131,900	-
Commonwealth	3,261,506	3,551,937	3,708,008	156,071
Federal	876,100	876,100	800,474	(75,626)
Total revenues	\$ 15,535,771	\$ 16,077,279	\$ 16,772,591	\$ 695,312
Expenditures:				
Current:				
General government administration	\$ 1,570,123	\$ 1,566,144	\$ 1,555,263	\$ 10,881
Judicial administration	527,107	479,029	462,981	16,048
Public safety	2,875,909	3,104,506	3,140,058	(35,552)
Public works	1,376,767	1,425,592	1,441,125	(15,533)
Health and welfare	2,301,445	2,575,142	2,419,759	155,383
Education	3,913,419	3,924,125	4,062,285	(138,160)
Parks, recreation, and cultural	176,127	184,439	184,439	-
Community development	264,441	302,631	295,323	7,308
Nondepartmental	24,400	17,500	8,070	9,430
Debt service:				
Principal retirement	1,663,527	1,663,527	1,663,527	-
Interest and other fiscal charges	1,429,094	1,430,594	1,430,301	293
Total expenditures	\$ 16,122,359	\$ 16,673,229	\$ 16,663,131	\$ 10,098
Excess (deficiency) of revenues over (under) expenditures	\$ (586,588)	\$ (595,950)	\$ 109,460	\$ 705,410
Other financing sources (uses):				
Transfers (out)	\$ (66,000)	\$ (66,000)	\$ (66,000)	\$ -
Total other financing sources (uses)	\$ (66,000)	\$ (66,000)	\$ (66,000)	\$ -
Net change in fund balance	\$ (652,588)	\$ (661,950)	\$ 43,460	\$ 705,410
Fund balance at beginning of year, as restated	652,588	661,950	6,278,466	5,616,516
Fund balance at end of year	\$ -	\$ -	\$ 6,321,926	\$ 6,321,926

Schedule of Changes in Net Pension Liability and Related Ratios
 Primary Government
 Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 363,229	\$ 367,059	\$ 357,908	\$ 352,993
Interest	911,967	857,886	795,647	755,446
Changes of assumptions	16,935	-	-	-
Differences between expected and actual experience	(436,805)	58,650	239,099	-
Benefit payments, including refunds of employee contributions	(507,340)	(514,676)	(492,362)	(575,920)
Net change in total pension liability	\$ 347,986	\$ 768,919	\$ 900,292	\$ 532,519
Total pension liability - beginning	13,281,774	12,512,855	11,612,563	11,080,044
Total pension liability - ending (a)	<u>\$ 13,629,760</u>	<u>\$ 13,281,774</u>	<u>\$ 12,512,855</u>	<u>\$ 11,612,563</u>
Plan fiduciary net position				
Contributions - employer	\$ 305,607	\$ 306,917	\$ 303,955	\$ 341,947
Contributions - employee	166,588	158,417	156,837	152,078
Net investment income	1,375,517	196,283	489,630	1,460,970
Benefit payments, including refunds of employee contributions	(507,340)	(514,676)	(492,362)	(575,920)
Administrative expense	(7,803)	(6,872)	(6,637)	(7,868)
Other	(1,232)	(83)	(103)	77
Net change in plan fiduciary net position	\$ 1,331,337	\$ 139,986	\$ 451,320	\$ 1,371,284
Plan fiduciary net position - beginning	11,273,844	11,133,858	10,682,538	9,311,254
Plan fiduciary net position - ending (b)	<u>\$ 12,605,181</u>	<u>\$ 11,273,844</u>	<u>\$ 11,133,858</u>	<u>\$ 10,682,538</u>
County's net pension liability - ending (a) - (b)	\$ 1,024,579	\$ 2,007,930	\$ 1,378,997	\$ 930,025
Plan fiduciary net position as a percentage of the total pension liability	92.48%	84.88%	88.98%	91.99%
Covered payroll	\$ 3,241,811	\$ 3,183,996	\$ 3,132,238	\$ 3,034,140
County's net pension liability as a percentage of covered payroll	31.61%	63.06%	44.03%	30.65%

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

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

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 74,760	\$ 75,961	\$ 80,101	\$ 82,791
Interest	172,661	169,820	159,638	150,317
Changes of assumptions	(11,480)	-	-	-
Differences between expected and actual experience	(18,587)	(109,876)	5,173	-
Benefit payments, including refunds of employee contributions	(91,510)	(99,132)	(99,786)	(100,104)
Net change in total pension liability	\$ 125,844	\$ 36,773	\$ 145,126	\$ 133,004
Total pension liability - beginning	2,512,335	2,475,562	2,330,436	2,197,432
Total pension liability - ending (a)	\$ 2,638,179	\$ 2,512,335	\$ 2,475,562	\$ 2,330,436
Plan fiduciary net position				
Contributions - employer	\$ 17,630	\$ 38,186	\$ 38,806	\$ 38,406
Contributions - employee	33,609	33,819	34,418	34,781
Net investment income	345,385	49,420	124,689	374,177
Benefit payments, including refunds of employee contributions	(91,510)	(99,132)	(99,786)	(100,104)
Administrative expense	(1,994)	(1,754)	(1,709)	(2,023)
Other	(307)	(21)	(25)	19
Net change in plan fiduciary net position	\$ 302,813	\$ 20,518	\$ 96,393	\$ 345,256
Plan fiduciary net position - beginning	2,840,388	2,819,870	2,723,477	2,378,221
Plan fiduciary net position - ending (b)	\$ 3,143,201	\$ 2,840,388	\$ 2,819,870	\$ 2,723,477
School Division's net pension liability (asset) - ending (a) - (b)	\$ (505,022)	\$ (328,053)	\$ (344,308)	\$ (393,041)
Plan fiduciary net position as a percentage of the total pension liability	119.14%	113.06%	113.91%	116.87%
Covered payroll	\$ 690,599	\$ 693,284	\$ 696,646	\$ 695,620
School Division's net pension liability (asset) as a percentage of covered payroll	-73.13%	-47.32%	-49.42%	-56.50%

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

Schedule of Employer's Proportionate Share of the Net Pension Liability
 Years Ended June 30, 2015 through June 30, 2018

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Component Unit School Board (professional)					
2017	0.10205%	\$ 11,632,195	\$ 7,514,491	154.80%	72.92%
2016	0.10210%	13,267,119	7,834,253	169.35%	68.28%
2015	0.10414%	12,299,670	7,538,428	163.16%	70.68%
2014	0.09699%	11,721,000	7,075,901	165.65%	70.88%

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

Schedule of Employer Contributions
Last Ten Fiscal Years

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 317,500	\$ 317,500	\$ -	\$ 3,386,248	9.38%
2017	305,607	305,607	-	3,241,811	9.43%
2016	310,440	310,440	-	3,183,996	9.75%
2015	305,393	305,393	-	3,132,238	9.75%
2014	342,251	342,251	-	3,034,140	11.28%
2013	355,515	355,515	-	3,151,733	11.28%
2012	271,268	271,268	-	2,984,250	9.09%
2011	261,393	261,393	-	2,875,613	9.09%
2010	218,644	218,644	-	3,019,940	7.24%
2009	217,522	217,522	-	3,004,448	7.24%
Component Unit School Board (nonprofessional)					
2018	\$ 17,079	\$ 17,079	\$ -	\$ 683,891	2.50%
2017	17,630	17,630	-	690,599	2.55%
2016	39,032	39,032	-	693,284	5.63%
2015	39,221	39,221	-	696,646	5.63%
2014	42,781	42,781	-	695,620	6.15%
2013	43,647	43,647	-	709,705	6.15%
2012	37,805	37,805	-	683,627	5.53%
2011	38,136	38,136	-	689,616	5.53%
2010	42,867	42,867	-	756,029	5.67%
2009	46,355	46,355	-	817,554	5.67%
Component Unit School Board (professional)					
2018	\$ 1,155,818	\$ 1,155,818	\$ -	\$ 7,082,218	16.32%
2017	1,101,624	1,101,624	-	7,514,491	14.66%
2016	1,101,496	1,101,496	-	7,834,253	14.06%
2015	1,093,072	1,093,072	-	7,538,428	14.50%
2014	825,062	825,062	-	7,075,901	11.66%
2013	770,332	770,332	-	6,606,621	11.66%
2012	433,633	433,633	-	6,850,442	6.33%
2011	623,853	623,853	-	6,986,035	3.93%
2010	614,122	614,122	-	6,970,738	8.81%
2009	658,185	658,185	-	7,470,886	8.81%

Current year contributions are from Contributions and School Board records and prior year contributions are from the VRS actuarial valuation performed each year.

Notes to Required Supplementary Information
 Year Ended June 30, 2018

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

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

Largest 10 - Non-Hazardous Duty:

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

Largest 10 - Hazardous Duty:

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

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

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

Notes to Required Supplementary Information
 Year Ended June 30, 2018 (Continued)

All Others (Non 10 Largest) - Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government:					
2017	0.01773%	\$ 267,000	\$ 3,241,811	8.24%	48.86%
Component Unit School Board (nonprofessional):					
2017	0.00374%	\$ 56,000	\$ 690,599	8.11%	48.86%
Component Unit School Board (professional):					
2017	0.04364%	\$ 612,127	\$ 7,514,491	8.15%	48.86%

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

Schedule of Employer Contributions
 Group Life Insurance Program
 Years Ended June 30, 2017 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government:					
2018	\$ 17,608	\$ 17,608	- \$	3,386,248	0.52%
2017	17,003	17,003	-	3,241,811	0.52%
Component Unit School Board (nonprofessional)					
2018	\$ 3,556	\$ 3,556	- \$	683,891	0.52%
2017	3,591	3,591	-	690,599	0.52%
Component Unit School Board (professional)					
2018	\$ 38,265	\$ 38,265	- \$	7,082,218	0.54%
2017	38,200	38,200	-	7,514,491	0.51%

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

Notes to Required Supplementary Information

Group Life Insurance Program

For the Year Ended June 30, 2018

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

ValORS Employees

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

Notes to Required Supplementary Information
 Group Life Insurance Program
 For the Year Ended June 30, 2018 (Continued)

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

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

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

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

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

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

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.10200% \$	1,197,726 \$	7,514,491	15.94%	7.04%

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

Schedule of Employer Contributions
 Teacher Health Insurance Credit Program (HIC)
 Years Ended June 30, 2017 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 88,661	\$ 88,661	\$ -	\$ 7,082,218	1.25%
2017	82,378	82,378	-	7,514,491	1.10%

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

Notes to Required Supplementary Information
 Teacher Health Insurance Credit Program (HIC)
 Year Ended June 30, 2018

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

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

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

Combining Statement of Fiduciary Net Position -
 Agency Funds
 At June 30, 2018

	Agency Funds					Totals
	Special Welfare Fund	Erosion and Sediment Control Bond Escrow Fund	Health Insurance Fund	Sheriff's Forfeiture Fund	The Governor's School of Southside Virginia	
ASSETS						
Cash and cash equivalents	\$ 13,870	\$ 29,298	\$ (641,254)	\$ 77,294	\$ 955,689	\$ 434,897
Accounts receivable	-	-	62,331	-	-	62,331
Total assets	<u>\$ 13,870</u>	<u>\$ 29,298</u>	<u>\$ (578,923)</u>	<u>\$ 77,294</u>	<u>\$ 955,689</u>	<u>\$ 497,228</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 3,744	\$ 3,744
Accrued liabilities	-	-	-	-	28,787	28,787
Unearned revenue	-	-	-	-	151,426	151,426
Amounts held for sheriff	-	-	-	77,294	-	77,294
Amounts held for others	-	29,298	-	-	771,732	801,030
Amounts held for social services clients	13,870	-	-	-	-	13,870
Amounts held for insurance benefits	-	-	(578,923)	-	-	(578,923)
Total liabilities	<u>\$ 13,870</u>	<u>\$ 29,298</u>	<u>\$ (578,923)</u>	<u>\$ 77,294</u>	<u>\$ 955,689</u>	<u>\$ 497,228</u>

Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 Year Ended June 30, 2018

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 14,221	\$ 14,968	\$ 15,319	\$ 13,870
Liabilities:				
Amounts held for social service clients	\$ 14,221	\$ 14,968	\$ 15,319	\$ 13,870
Sheriff's Forfeiture Fund:				
Assets:				
Cash and cash equivalents	\$ 77,345	\$ 6,885	\$ 6,936	\$ 77,294
Liabilities:				
Amounts held for sheriff	\$ 77,345	\$ 6,885	\$ 6,936	\$ 77,294
Erosion and Sediment Control Bond Escrow Fund:				
Assets:				
Cash and cash equivalents	\$ 265,101	\$ -	\$ 235,803	\$ 29,298
Liabilities:				
Amounts held for others	\$ 265,101	\$ -	\$ 235,803	\$ 29,298
Health Insurance Fund:				
Assets:				
Cash and cash equivalents	\$ (117,641)	\$ 2,455,056	\$ 2,978,669	\$ (641,254)
Accounts receivable	52,696	9,635	-	62,331
Total assets	\$ (64,945)	\$ 2,464,691	\$ 2,978,669	\$ (578,923)
Liabilities:				
Amounts held for insurance benefits	\$ (64,945)	\$ 2,464,691	\$ 2,978,669	\$ (578,923)
The Governor's School of Southside Virginia:				
Assets:				
Cash and cash equivalents	\$ 911,208	\$ 1,014,462	\$ 969,981	\$ 955,689
Liabilities:				
Accounts payable	\$ 6,543	\$ -	\$ 2,799	\$ 3,744
Accrued liabilities	29,299	-	512	28,787
Unearned revenue	161,908	-	10,482	151,426
Amounts held for others	713,458	1,014,462	956,188	771,732
Total liabilities	\$ 911,208	\$ 1,014,462	\$ 969,981	\$ 955,689

Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 Year Ended June 30, 2018 (Continued)

Totals -- All agency funds

Assets:

Cash and cash equivalents	\$ 1,150,234	\$ 3,491,371	\$ 4,206,708	\$ 434,897
Accounts receivable	52,696	9,635	-	62,331
Total assets	<u>\$ 1,202,930</u>	<u>\$ 3,501,006</u>	<u>\$ 4,206,708</u>	<u>\$ 497,228</u>

Liabilities:

Accounts payable	\$ 6,543	\$ -	\$ 2,799	\$ 3,744
Accrued liabilities	29,299	-	512	28,787
Unearned revenue	161,908	-	10,482	151,426
Amounts held for social service clients	14,221	14,968	15,319	13,870
Amounts held for others	978,559	1,014,462	1,191,991	801,030
Amounts held for insurance benefits	(64,945)	2,464,691	2,978,669	(578,923)
Amounts held for sheriff	77,345	6,885	6,936	77,294
Total liabilities	<u>\$ 1,202,930</u>	<u>\$ 3,501,006</u>	<u>\$ 4,206,708</u>	<u>\$ 497,228</u>

Combining Balance Sheet -
Discretely Presented Component Unit - School Board
At June 30, 2018

	School Operating	School Cafeteria	Total
ASSETS			
Cash and cash equivalents	\$ 680,313	\$ 81,978	\$ 762,291
Accounts receivable	32,335	-	32,335
Prepaid items	7,233	-	7,233
Due from other governmental units	321,065	-	321,065
Total assets	\$ 1,040,946	\$ 81,978	\$ 1,122,924
LIABILITIES			
Accounts payable	\$ 11,737	\$ -	\$ 11,737
Accrued liabilities	680,313	-	680,313
Due to primary government	348,896	-	348,896
Total liabilities	\$ 1,040,946	\$ -	\$ 1,040,946
FUND BALANCES			
Nonspendable:			
Prepaid items	\$ 7,233	\$ -	\$ 7,233
Restricted:			
Special Revenue	-	81,978	81,978
Unassigned	(7,233)	-	(7,233)
Total fund balances	\$ -	\$ 81,978	\$ 81,978

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances per above	\$ 81,978
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$ 19,143,035	
Accumulated depreciation	(7,583,888)	11,559,147

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

Net pension asset	505,022
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 1,758,878	
OPEB related items	135,140	1,894,018

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	\$ (382,740)	
Ameresco performance contract	(758,235)	
Net pension liability	(11,632,195)	
Net OPEB liabilities	(1,865,853)	(14,639,023)

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

Pension related items	\$ (1,536,734)	
OPEB related items	(88,824)	(1,625,558)

Net position of General Government Activities	\$ (2,224,416)
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Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
 Discretely Presented Component Unit - School Board
 Year Ended June 30, 2018

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
Revenues:			
Charges for services	\$ -	\$ 124,163	\$ 124,163
Miscellaneous	308,752	56,786	365,538
Intergovernmental:			
County contribution to School Board	4,049,997	-	4,049,997
Commonwealth	9,223,183	-	9,223,183
Federal	1,656,240	-	1,656,240
Total revenues	\$ 15,238,172	\$ 180,949	\$ 15,419,121
Expenditures:			
Education	\$ 14,493,408	\$ 885,724	\$ 15,379,132
Total expenditures	\$ 14,493,408	\$ 885,724	\$ 15,379,132
Excess (deficiency) of revenues over (under) expenditures	\$ 744,764	\$ (704,775)	\$ 39,989
Other financing sources (uses):			
Transfers in	\$ -	\$ 744,764	\$ 744,764
Transfers (out)	(744,764)	-	(744,764)
Total other financing sources (uses)	\$ (744,764)	\$ 744,764	\$ -
Net change in fund balances	\$ -	\$ 39,989	\$ 39,989
Fund balance at beginning of year	-	41,989	41,989
Fund balance at end of year	\$ -	\$ 81,978	\$ 81,978

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances
To the Statement of Activities -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2018

	Component Unit School Board
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
Net change in fund balances - total governmental funds	\$ 39,989
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeds capital outlays in the current period.</p>	
Capital outlay	\$ 275,658
Depreciation expense	(511,985)
Transfer of joint tenancy assets to Component Unit School Board from Primary Government	<u>331,745</u> 95,418
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(38,719)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Principal retired on Ameresco performance contract	108,096
<p>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.</p>	
Pension expense	\$ 253,465
OPEB expense	27,766
Change in compensated absences	<u>(1,705)</u> <u>279,526</u>
Change in net position of governmental activities	\$ <u><u>484,310</u></u>

Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual -
 Discretely Presented Component Unit - School Board
 Year Ended June 30, 2018

	School Operating Fund			Variance With Amended Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
Miscellaneous	\$ 145,199	\$ 238,978	\$ 308,752	\$ 69,774
Intergovernmental:				
County contribution to School Board	3,905,419	3,911,837	4,049,997	138,160
Commonwealth	9,200,559	9,358,931	9,223,183	(135,748)
Federal	1,564,957	1,688,239	1,656,240	(31,999)
Total revenues	\$ 14,816,134	\$ 15,197,985	\$ 15,238,172	\$ 40,187
Expenditures:				
Education	\$ 14,231,864	\$ 14,544,897	\$ 14,493,408	\$ 51,489
Total expenditures	\$ 14,231,864	\$ 14,544,897	\$ 14,493,408	\$ 51,489
Excess (deficiency) of revenues over (under) expenditures	\$ 584,270	\$ 653,088	\$ 744,764	\$ 91,676
Other financing sources (uses):				
Transfers (out)	(584,270)	(653,088)	(744,764)	(91,676)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

Statement of Net Position
 Discretely Presented Component Unit - Industrial Development Authority
 At June 30, 2018

	<u>Discretely Presented Component Unit - IDA</u>
ASSETS	
Current assets:	
Inventory held for resale	\$ <u>804,005</u>
Total current assets	\$ <u>804,005</u>
Noncurrent assets:	
Restricted assets	\$ 83,908
Capital Assets:	
Land	535,846
Buildings and improvements, net of depreciation	<u>1,366,761</u>
Total noncurrent assets	\$ <u>1,986,515</u>
Total Assets	\$ <u><u>2,790,520</u></u>
LIABILITIES	
Current liabilities:	
Due to primary government	\$ 291,316
Long-term obligations, current portion	<u>28,160</u>
Total current liabilities	\$ 319,476
Noncurrent liabilities:	
Long-term obligations, noncurrent portion	<u>1,780,622</u>
Total Liabilities	\$ <u>2,100,098</u>
Net Position	
Net investment in capital assets	\$ 93,825
Unrestricted assets	<u>596,597</u>
Total Net Position	\$ <u>690,422</u>
Total Liabilities and Net Position	\$ <u><u>2,790,520</u></u>

Statement of Revenues, Expenses and Changes in Net Position
 Discretely Presented Component Unit - Industrial Development Authority
 Year Ended June 30, 2018

	<u>Discretely Presented Component Unit - IDA</u>
Operating revenues:	
Rent	\$ <u>50,100</u>
Total operating revenues	\$ <u>50,100</u>
Operating expenses:	
Depreciation	\$ 42,642
Other operating expenses	<u>22,006</u>
Total operating expenses	\$ <u>64,648</u>
Operating income (loss)	\$ <u>(14,548)</u>
Nonoperating revenues (expenses):	
Interest income	\$ 16
Interest expense	(75,299)
Contribution from County of Cumberland	<u>84,369</u>
Total nonoperating revenues (expenses)	\$ <u>9,086</u>
Increase (decrease) in net position	\$ (5,462)
Net position, beginning of year	<u>695,884</u>
Net position, end of year	<u><u>\$ 690,422</u></u>

Statement of Cash Flows -
 Discretely Presented Component Unit - Industrial Development Authority
 Year Ended June 30, 2018

	Discretely Presented Component Unit - IDA
Cash flows from operating activities:	
Receipts from customers and users	\$ 50,100
Payments for operating activities	<u>(22,006)</u>
Net cash provided by (used for) operating activities	<u>\$ 28,094</u>
Cash flows from noncapital financing activities:	
Contribution from County of Cumberland	<u>\$ 84,369</u>
Net cash provided by (used for) noncapital financing activities	<u>\$ 84,369</u>
Cash flows from capital and related financing activities:	
Retirement of indebtedness	\$ (26,941)
Interest paid on loans	<u>(75,299)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (102,240)</u>
Cash flows from investing activities:	
Interest income	<u>\$ 16</u>
Net cash provided by (used for) investing activities	<u>\$ 16</u>
Increase (decrease) in cash and cash equivalents	\$ 10,239
Cash and cash equivalents at beginning of year	<u>73,669</u>
Cash and cash equivalents at end of year	<u><u>\$ 83,908</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (14,548)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operations:	
Depreciation	<u>42,642</u>
Net cash provided by (used for) operating activities	<u><u>\$ 28,094</u></u>

Governmental Funds -
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,610,000	\$ 5,610,000	\$ 5,881,150	\$ 271,150
Real and personal public service corporation property taxes	790,000	1,011,301	1,019,530	8,229
Personal property taxes	1,760,000	1,760,000	2,018,417	258,417
Mobile homes	36,000	36,000	43,347	7,347
Airplane taxes	4,500	4,500	4,467	(33)
Machinery and tools taxes	130,000	130,000	161,174	31,174
Penalties	115,000	115,000	125,467	10,467
Interest	132,000	132,000	140,282	8,282
Total general property taxes	\$ 8,577,500	\$ 8,798,801	\$ 9,393,834	\$ 595,033
Other local taxes:				
Local sales and use taxes	\$ 425,000	\$ 425,000	\$ 493,612	\$ 68,612
Consumers' utility taxes	172,000	172,000	182,231	10,231
Business license taxes	106,000	106,000	134,529	28,529
Bank franchise tax	16,000	16,000	15,916	(84)
Motor vehicle licenses	230,000	230,000	243,456	13,456
Tax on deeds	-	-	15,031	15,031
Taxes on recordation and wills	44,500	44,500	54,033	9,533
Total other local taxes	\$ 993,500	\$ 993,500	\$ 1,138,808	\$ 145,308
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 8,000	\$ 8,000	\$ 8,537	\$ 537
Building and related permits	40,100	40,100	82,880	42,780
Transfer fees	200	200	400	200
Land use and other general government fees	3,500	3,500	7,507	4,007
Zoning and other fees	2,500	2,500	2,779	279
Total permits, privilege fees and regulatory licenses	\$ 54,300	\$ 54,300	\$ 102,103	\$ 47,803
Fines and Forfeitures:				
Court fines and forfeitures	\$ 110,000	\$ 110,000	\$ 147,244	\$ 37,244
Total fines and forfeitures	\$ 110,000	\$ 110,000	\$ 147,244	\$ 37,244
Revenue from use of money and property:				
Revenue from use of money	\$ 64,000	\$ 64,000	\$ 73,304	\$ 9,304
Revenue from use of property	16,000	25,546	26,265	719
Total revenue from use of money and property	\$ 80,000	\$ 89,546	\$ 99,569	\$ 10,023

Governmental Funds -
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (continued)				
Charges for services:				
Sheriff's and other public safety fees	\$ 360	\$ 360	\$ 360	\$ -
Law library fees	1,000	1,000	1,506	506
DNA analysis fees	-	-	96	96
Courthouse maintenance fees	7,000	7,000	7,197	197
Jail admission fee	1,000	1,000	1,293	293
Courthouse security	34,000	34,000	34,478	478
Document reproduction fees	-	3,572	2,972	(600)
Court appointed attorney	2,500	2,500	527	(1,973)
Court clerks	2,000	2,000	1,607	(393)
Commonwealth attorney fees	800	800	737	(63)
Law enforcement fees	37,000	37,000	2,067	(34,933)
Ambulance and rescue service fees	300,000	300,000	113,534	(186,466)
Sanitation and waste removal fees	800	800	1,221	421
Recreation fees	19,900	26,694	25,609	(1,085)
Planning and community development	2,500	2,500	1,679	(821)
Total charges for services	\$ 408,860	\$ 419,226	\$ 194,883	\$ (224,343)
Miscellaneous:				
Miscellaneous	\$ 42,105	\$ 51,969	\$ 55,768	\$ 3,799
Total miscellaneous	\$ 42,105	\$ 51,969	\$ 55,768	\$ 3,799
Total revenue from local sources	\$ 10,266,265	\$ 10,517,342	\$ 11,132,209	\$ 614,867
Intergovernmental:				
Local government:				
Henrico County - reservoir operation	\$ 1,131,900	\$ 1,131,900	\$ 1,131,900	\$ -
Total local government	\$ 1,131,900	\$ 1,131,900	\$ 1,131,900	\$ -
Revenue from the Commonwealth:				
Payments in lieu of taxes	\$ 46,000	\$ 46,000	\$ 84,382	\$ 38,382
Noncategorical aid:				
Rental tax	\$ 800	\$ 800	\$ 4,427	\$ 3,627
Mobile home titling taxes	16,000	16,000	39,686	23,686
Tax on deeds	14,000	14,000	1,530	(12,470)
Communication taxes	364,000	364,000	349,878	(14,122)
Rolling stock tax	-	-	197	197
Recordation tax	14,000	14,000	17,453	3,453
Animal friendly plates	-	-	183	183
PPTRA	871,735	871,735	871,736	1
Total noncategorical aid	\$ 1,280,535	\$ 1,280,535	\$ 1,285,090	\$ 4,555

Governmental Funds -
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 170,099	\$ 170,099	\$ 166,495	\$ (3,604)
Sheriff	582,811	582,811	595,567	12,756
Commissioner of the Revenue	77,324	77,324	83,775	6,451
Treasurer	94,170	94,170	94,133	(37)
Registrar/electoral board	42,423	42,423	35,656	(6,767)
Clerk of the Circuit Court	153,374	165,496	162,993	(2,503)
DMV	18,000	18,000	20,453	2,453
Total shared expenses	<u>\$ 1,138,201</u>	<u>\$ 1,150,323</u>	<u>\$ 1,159,072</u>	<u>\$ 8,749</u>
Other categorical aid:				
Litter control	\$ -	\$ 6,038	\$ 6,038	-
Fire programs grant	-	-	33,605	33,605
Victim/witness program	-	-	11,005	11,005
E-911 wireless	52,000	52,000	52,604	604
Comprehensive Services Act	500,000	500,000	554,411	54,411
Public assistance and welfare	183,131	359,232	425,628	66,396
CADD grant	-	86,200	86,200	-
Other categorical aid	61,639	71,609	9,973	(61,636)
Total other categorical aid	<u>\$ 796,770</u>	<u>\$ 1,075,079</u>	<u>\$ 1,179,464</u>	<u>\$ 104,385</u>
Total categorical aid	<u>\$ 1,934,971</u>	<u>\$ 2,225,402</u>	<u>\$ 2,338,536</u>	<u>\$ 113,134</u>
Total revenue from the Commonwealth	<u>\$ 3,261,506</u>	<u>\$ 3,551,937</u>	<u>\$ 3,708,008</u>	<u>\$ 156,071</u>
Revenue from the Federal Government:				
Categorical aid:				
Public assistance and welfare	\$ 856,100	\$ 856,100	\$ 723,780	\$ (132,320)
Victim/witness program	-	-	33,016	33,016
Comprehensive Services Act - SSBG	-	-	13,753	13,753
Law enforcement block grant	-	-	1,907	1,907
Social services cost allocation reimbursement	20,000	20,000	24,648	4,648
Highway safety grant	-	-	3,370	3,370
Total categorical aid	<u>\$ 876,100</u>	<u>\$ 876,100</u>	<u>\$ 800,474</u>	<u>\$ (75,626)</u>
Total revenue from the Federal Government	<u>\$ 876,100</u>	<u>\$ 876,100</u>	<u>\$ 800,474</u>	<u>\$ (75,626)</u>
Total General Fund	<u>\$ 15,535,771</u>	<u>\$ 16,077,279</u>	<u>\$ 16,772,591</u>	<u>\$ 695,312</u>

Governmental Funds -
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 327	\$ 327
Total County Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 327</u>	<u>\$ 327</u>
Total Revenues -- Primary Government	<u>\$ 15,535,771</u>	<u>\$ 16,077,279</u>	<u>\$ 16,772,918</u>	<u>\$ 695,639</u>
Component Unit -- School Board:				
Miscellaneous:				
Miscellaneous	\$ 145,199	\$ 238,978	308,752	\$ 69,774
Total miscellaneous	<u>\$ 145,199</u>	<u>\$ 238,978</u>	<u>\$ 308,752</u>	<u>\$ 69,774</u>
Total revenue from local sources	<u>\$ 145,199</u>	<u>\$ 238,978</u>	<u>\$ 308,752</u>	<u>\$ 69,774</u>
Intergovernmental:				
County contribution to School Board	\$ 3,905,419	\$ 3,911,837	\$ 4,049,997	\$ 138,160
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,558,252	\$ 1,561,080	\$ 1,476,960	\$ (84,120)
Basic school aid	4,386,974	4,376,889	4,376,889	-
Special education	344,864	345,349	345,349	-
Fica - instructional	256,870	257,231	257,231	-
VRS - instructional	590,179	591,009	591,009	-
Group life - instructional	17,776	17,801	17,801	-
Remedial education	287,090	287,494	287,494	-
Textbook payments	97,575	97,712	97,712	-
Vocational education	171,543	171,784	171,784	-
State lottery	200,208	244,138	244,210	72
At risk	318,003	324,623	505,006	180,383
Reduced K-3	250,800	247,836	247,836	-
Technology	201,600	154,000	125,000	(29,000)
Other state funds	518,825	681,985	478,902	(203,083)
Total categorical aid	<u>\$ 9,200,559</u>	<u>\$ 9,358,931</u>	<u>\$ 9,223,183</u>	<u>\$ (135,748)</u>
Total revenue from the Commonwealth	<u>\$ 9,200,559</u>	<u>\$ 9,358,931</u>	<u>\$ 9,223,183</u>	<u>\$ (135,748)</u>

Governmental Funds -
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 426,325	\$ 468,217	\$ 402,726	\$ (65,491)
Title VI-B -- Special Education	330,034	330,034	321,816	(8,218)
School food	584,270	653,088	722,846	69,758
Other federal funds	224,328	236,900	208,852	(28,048)
Total categorical aid	<u>\$ 1,564,957</u>	<u>\$ 1,688,239</u>	<u>\$ 1,656,240</u>	<u>\$ (31,999)</u>
Total revenue from the federal government	<u>\$ 1,564,957</u>	<u>\$ 1,688,239</u>	<u>\$ 1,656,240</u>	<u>\$ (31,999)</u>
Total School Operating Fund	<u>\$ 14,816,134</u>	<u>\$ 15,197,985</u>	<u>\$ 15,238,172</u>	<u>\$ 40,187</u>
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ -	\$ -	\$ 124,163	\$ 124,163
Total charges for services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,163</u>	<u>\$ 124,163</u>
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 56,786	\$ 56,786
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,786</u>	<u>\$ 56,786</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,949</u>	<u>\$ 180,949</u>
Total School Cafeteria Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,949</u>	<u>\$ 180,949</u>
Total Revenues -- Component Unit -- School Board	<u>\$ 14,816,134</u>	<u>\$ 15,197,985</u>	<u>\$ 15,419,121</u>	<u>\$ 221,136</u>

Governmental Funds -
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2018

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 46,357	\$ 47,909	\$ 47,909	\$ -
General and financial administration:				
County administrator	\$ 293,883	\$ 300,176	\$ 300,176	\$ -
Legal services	2,500	51,751	51,751	-
Independent Auditor	36,000	38,466	38,466	-
Commissioner of the revenue	244,927	251,065	251,065	-
Assessor	72,000	2,000	-	2,000
License bureau	-	225	225	-
Treasurer	291,933	291,933	284,342	7,591
Accounting	167,228	152,538	152,537	1
Data Processing	297,350	265,350	264,540	810
Total general and financial administration	\$ 1,405,821	\$ 1,353,504	\$ 1,343,102	\$ 10,402
Board of Elections:				
Electoral board and officials	\$ 25,076	\$ 78,862	\$ 78,861	\$ 1
Registrar	92,869	85,869	85,391	478
Total board of elections	\$ 117,945	\$ 164,731	\$ 164,252	\$ 479
Total general government administration	\$ 1,570,123	\$ 1,566,144	\$ 1,555,263	\$ 10,881
Judicial administration:				
Courts:				
Circuit court	\$ 14,810	\$ 4,310	\$ 1,255	\$ 3,055
General district court	10,700	6,904	5,227	1,677
Special magistrates	1,125	1,125	256	869
Law library	1,200	1,200	688	512
Victim / witness	61,639	12,164	12,164	-
Clerk of the circuit court	221,249	236,942	228,043	8,899
Total courts	\$ 310,723	\$ 262,645	\$ 247,633	\$ 15,012
Commonwealth's attorney:				
Commonwealth's attorney	\$ 216,384	\$ 216,384	\$ 215,348	\$ 1,036
Total judicial administration	\$ 527,107	\$ 479,029	\$ 462,981	\$ 16,048

Governmental Funds -
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2018 (Continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
General Fund: (Continued)				
Public safety:				
Law enforcement and traffic control:				
Sheriff and other law enforcement	\$ 1,595,104	\$ 1,838,882	\$ 1,840,666	\$ (1,784)
School resource officer	65,290	65,320	65,319	1
Total law enforcement and traffic control	<u>\$ 1,660,394</u>	<u>\$ 1,904,202</u>	<u>\$ 1,905,985</u>	<u>\$ (1,783)</u>
Fire and rescue services:				
Fire and rescue services	\$ 649,505	\$ 677,369	\$ 716,887	\$ (39,518)
Total fire and rescue services	<u>\$ 649,505</u>	<u>\$ 677,369</u>	<u>\$ 716,887</u>	<u>\$ (39,518)</u>
Correction and detention:				
Correction and detention	\$ 275,000	\$ 230,200	\$ 228,017	\$ 2,183
Total correction and detention	<u>\$ 275,000</u>	<u>\$ 230,200</u>	<u>\$ 228,017</u>	<u>\$ 2,183</u>
Inspections:				
Building	\$ 137,280	\$ 137,515	\$ 137,514	\$ 1
Total inspections	<u>\$ 137,280</u>	<u>\$ 137,515</u>	<u>\$ 137,514</u>	<u>\$ 1</u>
Other protection:				
Animal control	\$ 124,180	\$ 145,050	\$ 145,046	\$ 4
E-911	28,600	9,100	5,662	3,438
Probation office	950	950	827	123
Medical examiner (coroner)	-	120	120	-
Total other protection	<u>\$ 153,730</u>	<u>\$ 155,220</u>	<u>\$ 151,655</u>	<u>\$ 3,565</u>
Total public safety	<u>\$ 2,875,909</u>	<u>\$ 3,104,506</u>	<u>\$ 3,140,058</u>	<u>\$ (35,552)</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 648,263	\$ 684,596	\$ 700,136	\$ (15,540)
Total sanitation and waste removal	<u>\$ 648,263</u>	<u>\$ 684,596</u>	<u>\$ 700,136</u>	<u>\$ (15,540)</u>

Governmental Funds -
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2018 (Continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
General Fund: (Continued)				
Public works: (Continued)				
Maintenance of general buildings and grounds:				
General properties	\$ 728,504	\$ 740,996	\$ 740,989	\$ 7
Total maintenance of general buildings and grounds	\$ 728,504	\$ 740,996	\$ 740,989	\$ 7
Total public works	\$ 1,376,767	\$ 1,425,592	\$ 1,441,125	\$ (15,533)
Health and welfare:				
Health:				
Supplement of local health department	\$ 99,113	\$ 86,113	\$ 85,736	\$ 377
Total health	\$ 99,113	\$ 86,113	\$ 85,736	\$ 377
Mental health and mental retardation:				
Chapter X board	\$ 34,000	\$ 34,000	\$ 34,000	\$ -
Total mental health and mental retardation	\$ 34,000	\$ 34,000	\$ 34,000	\$ -
Welfare:				
Welfare administration & public assistance	\$ 1,384,961	\$ 1,564,867	\$ 1,483,904	\$ 80,963
CSA - management	33,371	33,371	27,486	5,885
CSA - at risk youth	750,000	856,791	788,633	68,158
Total welfare	\$ 2,168,332	\$ 2,455,029	\$ 2,300,023	\$ 155,006
Total health and welfare	\$ 2,301,445	\$ 2,575,142	\$ 2,419,759	\$ 155,383
Education:				
Contributions to community colleges	\$ 8,000	\$ 12,288	\$ 12,288	\$ -
Contributions to school board component unit	3,905,419	3,911,837	4,049,997	(138,160)
Total education	\$ 3,913,419	\$ 3,924,125	\$ 4,062,285	\$ (138,160)
Parks, recreation and cultural:				
Parks and recreation				
Recreation centers and playgrounds	\$ 60,677	\$ 68,989	\$ 68,989	\$ -
Library:				
Local library	\$ 115,450	\$ 115,450	\$ 115,450	\$ -
Total parks, recreation and cultural	\$ 176,127	\$ 184,439	\$ 184,439	\$ -

Governmental Funds -
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2018 (Continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning	\$ 80,190	\$ 105,735	\$ 111,958	\$ (6,223)
Contribution to IDA	82,314	84,369	84,369	-
Other community development	47,792	58,382	45,541	12,841
Total planning and community development	<u>\$ 210,296</u>	<u>\$ 248,486</u>	<u>\$ 241,868</u>	<u>\$ 6,618</u>
Environmental management:				
Cooperative extension program	\$ 54,145	\$ 54,145	\$ 53,455	\$ 690
Total environmental management	<u>\$ 54,145</u>	<u>\$ 54,145</u>	<u>\$ 53,455</u>	<u>\$ 690</u>
Total community development	<u>\$ 264,441</u>	<u>\$ 302,631</u>	<u>\$ 295,323</u>	<u>\$ 7,308</u>
Nondepartmental:				
Miscellaneous	\$ 24,400	\$ 17,500	\$ 8,070	\$ 9,430
Total nondepartmental	<u>\$ 24,400</u>	<u>\$ 17,500</u>	<u>\$ 8,070</u>	<u>\$ 9,430</u>
Debt service:				
Principal retirement	\$ 1,663,527	\$ 1,663,527	\$ 1,663,527	\$ -
Interest and fiscal charges	1,429,094	1,430,594	1,430,301	293
Total debt service	<u>\$ 3,092,621</u>	<u>\$ 3,094,121</u>	<u>\$ 3,093,828</u>	<u>\$ 293</u>
Total Expenditures -- Primary Government	<u><u>\$ 16,122,359</u></u>	<u><u>\$ 16,673,229</u></u>	<u><u>\$ 16,663,131</u></u>	<u><u>\$ 10,098</u></u>

Governmental Funds -
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2018 (Continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Component Unit -- School Board:				
School Operating Fund:				
Education:				
Instruction - general	\$ 10,344,999	\$ 10,580,664	\$ 10,304,416	\$ 276,248
Administration, attendance and health	1,209,086	1,209,086	1,136,747	72,339
Pupil transportation services	1,252,557	1,292,753	1,535,193	(242,440)
Operation and maintenance services	977,321	977,321	986,164	(8,843)
School food services	-	-	56,425	(56,425)
Technology	447,901	485,073	474,463	10,610
Total education	<u>\$ 14,231,864</u>	<u>\$ 14,544,897</u>	<u>\$ 14,493,408</u>	<u>\$ 51,489</u>
Total School Operating Fund	<u>\$ 14,231,864</u>	<u>\$ 14,544,897</u>	<u>\$ 14,493,408</u>	<u>\$ 51,489</u>
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services	<u>\$ 584,270</u>	<u>\$ 653,088</u>	<u>\$ 885,724</u>	<u>\$ (232,636)</u>
Total School Cafeteria Fund	<u>\$ 584,270</u>	<u>\$ 653,088</u>	<u>\$ 885,724</u>	<u>\$ (232,636)</u>
Total Expenditures--Component Unit-- School Board	<u>\$ 14,816,134</u>	<u>\$ 15,197,985</u>	<u>\$ 15,379,132</u>	<u>\$ (181,147)</u>

COUNTY OF CUMBERLAND, VIRGINIA

Table 1

Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General										Total
	Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Recreation and Cultural	Community Development	Interest on Debt	Water & Sewer	
2008-09	1,556,822	425,338	2,354,306	1,212,922	2,080,940	6,339,648	190,112	746,629	2,141,701	610,002	17,658,420
2009-10	1,581,085	438,445	2,186,375	1,445,732	1,907,322	6,066,332	177,854	427,487	2,535,022	662,686	17,428,340
2010-11	1,339,647	438,398	2,181,972	1,461,077	1,903,164	5,255,483	208,402	729,559	2,150,144	620,279	16,288,125
2011-12	1,425,743	471,552	2,238,713	1,263,236	1,762,706	5,851,389	223,140	367,939	2,039,794	646,448	16,290,660
2012-13	1,295,829	454,536	2,200,219	1,315,917	1,543,412	4,045,744	216,682	505,311	4,071,529	652,560	16,301,739
2013-14	1,342,469	570,586	2,473,338	1,458,828	1,857,983	6,332,577	206,844	294,208	1,480,431	690,967	16,708,231
2014-15	1,214,016	554,421	2,554,065	1,464,246	1,932,796	7,070,705	204,057	297,632	1,374,340	730,577	17,396,855
2015-16	1,465,910	511,441	2,475,680	1,342,077	2,206,638	6,149,408	189,675	344,232	1,273,467	751,153	16,709,681
2016-17	1,509,663	611,572	2,790,135	1,398,307	2,265,269	8,217,856	164,143	183,331	1,262,892	733,133	19,136,301
2017-18	1,478,516	538,262	2,915,478	1,478,367	2,391,382	5,291,812	183,975	294,050	931,241	758,193	16,261,276

Government-wide Revenues
Last Ten Fiscal Years

Fiscal Year	Program Revenues			General Revenues					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Contributions Not Restricted to Specific Programs	Revenues from the Use of Money & Property	Miscellaneous	
2008-09	534,956	2,479,867	618,820	6,989,867	1,321,181	928,274	166,644	117,828	13,157,437
2009-10	773,847	2,528,839	2,076,773	7,390,476	1,363,354	1,020,737	61,838	139,493	15,355,357
2010-11	1,163,304	2,391,346	3,789,930	8,518,154	1,334,909	976,825	137,411	136,369	18,448,248
2011-12	1,209,264	2,311,805	1,225,495	8,448,999	1,275,388	966,551	99,328	227,698	15,764,528
2012-13	1,232,605	2,170,663	1,543,259	8,704,733	965,288	1,383,247	92,575	361,920	16,454,290
2013-14	1,186,650	2,631,295	1,730,254	8,343,548	947,716	1,300,190	79,946	99,118	16,318,717
2014-15	3,192,530	2,700,794	1,138,700	8,338,761	984,107	1,370,941	81,536	74,365	17,881,734
2015-16	651,756	2,802,462	1,131,900	8,616,541	978,723	1,316,056	84,321	110,326	15,692,085
2016-17	719,992	2,887,084	1,131,900	9,270,856	1,036,014	1,289,257	71,587	31,230	16,437,920
2017-18	878,356	3,139,010	1,131,900	9,432,189	1,138,808	1,369,472	99,896	55,768	17,245,399

General Government Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes		Other Local Taxes		Permit Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Revenues from the Use of Money & Property		Charges for Services	Miscellaneous	Inter-governmental	Total
	General Property Taxes	Other Local Taxes	Revenues from the Use of Money & Property	Charges for Services								
2008-09	6,795,668	1,321,181	67,754	78,229	157,506	339,471	617,714	17,304,937	26,682,460			
2009-10	7,348,317	1,363,354	59,063	113,623	59,441	854,198	559,921	16,540,010	26,897,927			
2010-11	8,438,080	1,334,909	66,405	125,207	134,952	868,884	589,840	17,846,477	29,404,754			
2011-12	8,400,789	1,284,734	61,946	156,539	98,136	843,312	802,416	15,604,891	27,252,763			
2012-13	8,763,622	973,823	64,569	167,216	85,999	895,970	989,541	14,685,826	26,626,566			
2013-14	8,514,952	947,716	58,837	155,961	79,467	896,444	775,774	15,720,847	27,149,998			
2014-15	8,297,371	984,107	61,476	147,655	81,272	2,833,525	693,876	16,360,294	29,459,576			
2015-16	8,535,525	978,723	53,823	102,033	83,689	350,882	605,095	16,289,560	26,999,330			
2016-17	9,189,650	1,036,014	54,021	121,288	71,328	364,036	429,620	16,363,309	27,629,266			
2017-18	9,393,834	1,138,808	102,103	147,244	99,569	319,046	421,306	16,519,805	28,141,715			

(1) Includes General, Special Revenue Funds and Capital Project Funds of the Primary Government and the Discretely Presented Component Unit School Board.

COUNTY OF CUMBERLAND, VIRGINIA

Table 4

General Government Expenditures by Function (1) (2)
Last Ten Fiscal Years

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare		Education	Recreation and Cultural	Community Development	Debt Service	Non-Departmental	Total
					Health and Welfare	Recreation and Cultural						
2008-09	1,525,264	344,985	2,321,515	1,164,780	2,071,123	21,919,874	185,889	882,579	3,176,907	-	33,592,916	
2009-10	1,586,866	348,507	2,036,541	1,519,811	1,923,523	21,123,845	175,255	443,285	3,964,104	-	33,121,737	
2010-11	1,320,620	351,836	2,087,633	1,350,482	1,872,248	14,496,027	203,921	730,065	4,073,922	92,516	26,579,270	
2011-12	1,433,261	381,156	2,172,963	1,312,227	1,773,658	15,492,195	220,829	362,387	4,034,774	80,400	27,263,850	
2012-13	1,284,193	365,187	2,144,206	1,366,527	1,532,749	14,493,758	211,070	506,361	26,941,616	59,919	48,905,586	
2013-14	1,332,303	485,454	2,384,014	1,383,846	1,854,124	15,504,216	203,510	293,126	3,855,932	9,887	27,306,412	
2014-15	1,392,027	474,705	2,595,776	1,439,178	1,960,970	16,879,087	203,446	300,431	3,830,264	14,324	29,090,208	
2015-16	1,455,925	426,292	2,452,995	1,340,675	2,223,773	15,672,638	193,257	347,466	3,799,866	10,842	27,923,729	
2016-17	1,491,707	516,789	2,867,416	1,342,372	2,263,105	15,537,401	161,631	175,965	19,597,731	9,870	43,963,987	
2017-18	1,555,263	462,981	3,140,058	1,441,125	2,419,759	15,391,420	184,439	295,323	3,093,828	8,070	27,992,266	

(1) Includes General, Special Revenue Funds and Capital Project Funds of the Primary Government and the Discretely Presented Component Unit School Board.

(2) Does not include non-departmental expenditures & contributions from the Primary Government to the Component Unit School Board.

COUNTY OF CUMBERLAND, VIRGINIA

Table 5

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy		Current Tax (1) Collections		Percent of Levy Collected	Delinquent (1) Tax (2) Collections		Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding (1,3) Delinquent Taxes		Percent of Delinquent Taxes to Tax Levy
	Total (1) Tax Levy		Tax (1) Collections			Delinquent (1) Tax (2) Collections				Outstanding (1,3) Delinquent Taxes		
2008-09	7,673,636		7,261,095		94.62%	229,173		7,490,268	97.61%	910,187		11.86%
2009-10	8,168,244		7,740,534		94.76%	323,129		8,063,663	98.72%	937,772		11.48%
2010-11	9,121,905		8,676,195		95.11%	377,159		9,053,354	99.25%	971,461		10.65%
2011-12	9,121,509		8,636,836		94.69%	338,643		8,975,479	98.40%	1,094,179		12.00%
2012-13	9,220,367		8,792,518		95.36%	530,713		9,323,231	101.12%	1,036,767		11.24%
2013-14	9,087,831		8,776,534		96.57%	349,633		9,126,167	100.42%	1,038,108		11.42%
2014-15	8,978,881		8,670,652		95.92%	390,400		9,061,063	101.28%	1,012,552		11.32%
2015-16	9,273,465		8,907,664		96.06%	321,394		9,229,058	99.52%	1,099,043		11.85%
2016-17	9,755,229		9,342,283		95.77%	333,592		9,675,875	99.19%	1,216,729		12.47%
2017-18	9,990,333		9,661,505		96.71%	338,316		9,999,821	100.09%	1,197,911		11.99%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Includes personal and real property

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Public Service	Airplane	Machinery & Tools	Total
2008-09	\$ 739,662,170	\$ 61,957,207	8,553,171	64,153,584	1,609,140	2,314,164	\$ 878,249,436
2009-10	795,199,387	54,473,377	8,597,263	60,485,203	1,427,581	2,504,409	922,687,220
2010-11	850,430,361	57,149,558	7,110,616	67,684,115	1,184,500	2,117,341	985,676,491
2011-12	855,916,262	57,564,245	7,187,152	75,200,914	1,415,432	2,264,637	999,548,642
2012-13	861,560,435	57,729,401	7,183,790	82,283,896	1,387,700	2,125,112	1,012,270,334
2013-14	809,456,777	57,899,353	7,131,049	84,616,150	1,759,366	2,237,038	963,099,733
2014-15	754,161,126	57,654,972	5,097,583	89,308,219	1,282,000	2,607,358	910,111,258
2015-16	755,647,443	57,656,604	5,141,805	99,504,783	989,730	3,548,241	922,488,606
2016-17	759,331,246	62,781,046	5,221,031	103,601,117	986,126	4,289,336	936,209,902
2017-18	763,102,189	64,737,067	5,284,455	113,931,238	954,838	4,258,997	952,268,784

Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Public Service	Airplane	Machinery & Tools
2008-09	0.59/0.59	4.40	0.59/0.59	0.50	3.75
2009-10	0.59/0.70	4.40	0.59/0.70	0.50	3.75
2010-11	0.70/0.68	4.50	0.70/0.68	0.50	3.75
2011-12	0.68/0.68	4.50	0.68/0.68	0.50	3.75
2012-13	0.68/0.68	4.50	0.68/0.68	0.50	3.75
2013-14	0.68/0.74	4.50	0.68/0.74	0.50	3.75
2014-15	0.68/0.74	4.50	0.68/0.74	0.50	3.75
2015-16	0.74/0.78	4.50	0.74/0.78	0.50	3.75
2016-17	0.78/0.78	4.50	0.78/0.78	0.50	3.75
2017-18	0.78/0.78	4.50	0.78/0.78	0.50	3.75

COUNTY OF CUMBERLAND, VIRGINIA

Table 7

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value		Net Bonded Debt per Capita
					Value	Value	
2008-09	9,017	\$ 841,310,111	\$ 45,127,972	\$ 45,127,972	0.0536	\$	5,005
2009-10	9,017	878,249,436	43,674,733	43,674,733	0.0497		4,844
2010-11	9,017	922,687,220	43,297,088	43,297,088	0.0469		4,802
2011-12	9,017	985,676,491	41,310,143	41,310,143	0.0419		4,581
2012-13	9,017	999,548,642	42,039,384	42,039,384	0.0421		4,662
2013-14	9,017	1,012,270,334	39,735,906	39,735,906	0.0393		4,407
2014-15	10,052	963,099,733	37,344,422	37,344,422	0.0388		3,715
2015-16	10,052	910,111,258	34,889,571	34,889,571	0.0383		3,471
2016-17	10,052	922,488,606	31,309,519	31,309,519	0.0339		3,115
2017-18	10,052	936,209,902	29,692,266	29,692,266	0.0317		2,954

(1) Bureau of the Census.

(2) From Table 6

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans. Excludes capital leases, and compensated absences.

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

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

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County'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 Cumberland, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

County of Cumberland, Virginia's Response to Findings

County of Cumberland, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Cumberland, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and 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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Richmond, Virginia
October 30, 2018

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the County of Cumberland, 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 Cumberland, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Cumberland, 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.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 30, 2018

COUNTY OF CUMBERLAND, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2018

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Primary Government:			
<u>UNITED STATES DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass through payments:</u>			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0040111	\$ <u>148,752</u>
Total Department of Agriculture			\$ <u>148,752</u>
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Pass Through Payments:</u>			
Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	39001-10220	\$ 33,016
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Unknown	<u>1,907</u>
Total Department of Justice			\$ <u>34,923</u>
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass through payments:</u>			
Virginia Department of Transportation:			
State and Community Highway Safety	20.600	6050700-53454	\$ <u>3,370</u>
Total Department of Transportation			\$ <u>3,370</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Pass through payments:</u>			
Virginia Department of Social Services:			
Promoting Safe and Stable Families	93.556	Unknown	\$ 468
Temporary Assistance for Needy Families	93.558	0400111	152,795
Refugee and Entrant Assistance - State Administered Programs	93.566	0500111	169
Low Income Home Energy Assistance	93.568	0600411	15,093
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760111	17,929
Chafee Education and Training Vouchers Program (ETV)	93.599	Unknown	1,358
Stephanie Tubbs Jones Child Welfare Service Programs	93.645	0900111	341
Foster Care Title IV - E	93.658	1100111	125,039
Adoption Assistance	93.659	1120111	60,752
Social Services Block Grant	93.667	1000111	81,113
Chafee Foster Care Independence Program	93.674	9150111	692
Children's Health Insurance Program	93.767	0540111	6,070
Medical Assistance Program	93.778	1200111	<u>151,610</u>
Total Department of Health and Human Services			\$ <u>613,429</u>
Total Primary Government			\$ <u><u>800,474</u></u>

COUNTY OF CUMBERLAND, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2018 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	
Component Unit - School Board:				
<u>DEPARTMENT OF AGRICULTURE:</u>				
<u>Pass through payments:</u>				
Child Nutrition Cluster:				
Department of Agriculture:				
Food distribution - Summer Food Service Program for Children	10.559	Unknown	\$	15,674
Food distribution - National School Lunch Program	10.555	Unknown	\$	55,576
Department of Education:				
National School Lunch Program	10.555	406230	420,945	476,521
School Breakfast Program	10.553	405910	<u> </u>	<u>230,651</u>
Total Department of Agriculture			\$	<u>722,846</u>
<u>DEPARTMENT OF EDUCATION:</u>				
<u>Pass through payments:</u>				
Virginia Department of Education:				
Title I Grants to Local Educational Agencies	84.010	429010	\$	402,726
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	430710, 871380	\$	321,816
Special Education - Preschool grants	84.173	625210	<u>6,789</u>	328,605
Career and Technical Education - Basic Grants to States	84.048	610950, 866470	<u> </u>	31,782
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	614800		65,504
Twenty-First Century Community Learning Centers	84.287	605650		39,209
Rural Education	84.358	434810		25,274
Student Support and Academic Enrichment Program	84.424	S424A170048		12,572
English Language Acquisition State Grants	84.365	605120		3,080
Total Department of Education			\$	<u>908,752</u>
<u>DEPARTMENT OF DEFENSE:</u>				
<u>Direct payments:</u>				
ROTC Language and Culture Training Grants	12.357	n/a	\$	<u>24,642</u>
Total Department of Defense			\$	<u>24,642</u>
Total Component Unit School Board			\$	<u>1,656,240</u>
Total Expenditures of Federal Awards			\$	<u>2,456,714</u>

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the County of Cumberland, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the reporting 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 the County of Cumberland, Virginia, it is not intended to and does not present the financial position, changes in net position or cash flows of the County of Cumberland, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - De Minimis Cost Rate

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

Note 6 - Loan Balances

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

Note 7 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund \$ 800,474

Total primary government \$ 800,474

Component Unit School Board:

School Operating Fund \$ 1,656,240

Total Component Unit School Board \$ 1,656,240

Total federal expenditures per basic financial statements \$ 2,456,714

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 2,456,714

COUNTY OF CUMBERLAND, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

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

CFDA #	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

COUNTY OF CUMBERLAND, VIRGINIA

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2018

Section IV - Commonwealth of Virginia Findings and Questions Costs

Finding 2018-001:

Financial Reporting

Criteria:

Section 22.1-92 of the *Code of Virginia* requires that before any School Board gives final approval to its budget for submission to the governing body, the school board must hold at least one public hearing to receive the view of citizens within the school division. The School Board shall cause public notice to be given at least 10 days prior to the public hearing by publication in a newspaper of general circulation in the School Division.

Condition:

The School Board held their public hearing on February 3, 2017 on the FY17-18 budget but did not provide 10 days of public notice to the citizens within the school division. The public hearing was not advertised in a news publication.

Effect of Condition:

The citizens within the school division were not given ample notice to attend the public hearing of the FY17-18 School Budget.

Cause of Condition:

Procedures were not in place to ensure that the public hearing was advertised 10 days prior to the date of the public hearing.

Recommendation:

School Board management should have procedures in place to ensure that the public hearing is properly advertised in accordance with the requirements of the *Code of Virginia*.

Management's Recommendation:

The School Board office is considering corrective action for FY19.

Section V - Prior Year Findings

There are no findings from the prior year.