

COUNTY OF NORTHUMBERLAND, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018

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# COUNTY OF NORTHUMBERLAND, VIRGINIA

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## Board of Supervisors

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Ronald L. Jett, Chairperson

Richard F. Haynie  
Thomas H. Tomlin

Arthur J. Self, Sr.  
James M. Long

## School Board

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Betty Christopher, Chairperson

Mary Hooper  
Dana O'Bier

Gerald Howard  
Gayle Sterrett

## Board of Social Services

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Thomas Tomlin, Chairperson

Sharon Fisher

Nancy Vanlandingham

## Other Officials

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Judge of the Circuit Court..... R, Micahel McKenney  
Clerk of the Circuit Court ..... Deborah T. Bingham  
Judge of General District Court ..... John S. Martin  
Clerk of General District Court ..... Angela W. Tadlock  
Commonwealth's Attorney ..... Jane B. Wrightson  
Treasurer ..... Ellen Kirby  
Sheriff ..... James R. Lyons  
Superintendent of Schools..... Dr. Holly Wargo  
Director of Social Services ..... Jackie Clayton  
Commissioner of the Revenue ..... Todd E. Thomas  
County Administrator ..... E. Luttrell Tadlock

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FOR THE YEAR ENDED JUNE 30, 2018

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

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To The Honorable Members of the Board of Supervisors  
County of Northumberland  
Northumberland, 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 unit, each major fund, and the aggregate remaining fund information of County of Northumberland, 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 unit, each major fund, and the aggregate remaining fund information of County of Northumberland, 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 22 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 23 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. 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 4-10, 115, and 116-135 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.

### *Supplementary and Other Information*

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



*Supplementary and 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 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 November 27, 2018, on our consideration of County of Northumberland, 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 Northumberland, 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 Northumberland, Virginia's internal control over financial reporting and compliance.



Richmond, Virginia  
November 27, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Northumberland, 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. Please read it in conjunction with the County's basic financial statements, which follow this section.

### Financial Highlights

#### Government-wide Financial Statements

< The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$13,848,347 (net position).

#### Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenue and other sources in excess of expenditures and other financing uses of \$1,490,608 (Exhibit 5) after making contributions totaling \$11,751,052 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$7,314,002, an increase of \$1,490,608 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,214,885, or 23% of total general fund expenditures and other uses.
- < The combined long-term obligations decreased \$1,725,324 during the current fiscal year.

## Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

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

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

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

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

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

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

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

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Northumberland, 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.

## Overview of the Financial Statements (Continued)

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

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 unit - School Board. The School Board does 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 and deferred inflows of resources by \$13,848,347 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Northumberland, Virginia's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 9,407,621	\$ 7,742,608	\$ 125,974	\$ 109,171	\$ 9,533,595	\$ 7,851,779
Capital assets	<u>36,188,715</u>	<u>37,099,468</u>	<u>5,310,116</u>	<u>5,587,116</u>	<u>41,498,831</u>	<u>42,686,584</u>
Total assets	<u>\$ 45,596,336</u>	<u>\$ 44,842,076</u>	<u>\$ 5,436,090</u>	<u>\$ 5,696,287</u>	<u>\$ 51,032,426</u>	<u>\$ 50,538,363</u>
Deferred outflows of resources	\$ <u>898,902</u>	\$ <u>1,000,336</u>	\$ <u>22,192</u>	\$ <u>31,981</u>	\$ <u>921,094</u>	\$ <u>1,032,317</u>
Current liabilities	\$ 1,668,627	\$ 1,683,629	\$ 44,182	\$ 55,926	\$ 1,712,809	\$ 1,739,555
Long-term liabilities outstanding	<u>33,247,056</u>	<u>34,470,179</u>	<u>2,435,669</u>	<u>2,524,153</u>	<u>35,682,725</u>	<u>36,994,332</u>
Total liabilities	<u>\$ 34,915,683</u>	<u>\$ 36,153,808</u>	<u>\$ 2,479,851</u>	<u>\$ 2,580,079</u>	<u>\$ 37,395,534</u>	<u>\$ 38,733,887</u>
Deferred inflows of resources	\$ <u>682,664</u>	\$ <u>236,915</u>	\$ <u>26,975</u>	\$ <u>7,556</u>	\$ <u>709,639</u>	\$ <u>244,471</u>
Net position:						
Net investment in capital assets	\$ 5,436,987	\$ 5,286,070	\$ 2,977,116	\$ 3,146,116	\$ 8,414,103	\$ 8,432,186
Restricted	1,099,117	277,078	-	-	1,099,117	277,078
Unrestricted	<u>4,360,787</u>	<u>3,888,541</u>	<u>(25,660)</u>	<u>(5,483)</u>	<u>4,335,127</u>	<u>3,883,058</u>
Total net position	<u>\$ 10,896,891</u>	<u>\$ 9,451,689</u>	<u>\$ 2,951,456</u>	<u>\$ 3,140,633</u>	<u>\$ 13,848,347</u>	<u>\$ 12,592,322</u>

\*Restatement of Total net position for 2017 not reflected in this table.

Please see Note 22.

## Government-wide Financial Analysis (Continued)

The County's net position increased by \$1,646,056 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Northumberland, Virginia's Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 553,259	\$ 305,363	\$ 491,154	\$ 414,475	\$ 1,044,413	\$ 719,838
Operating grants and contributions	3,270,979	3,140,722	-	-	3,270,979	3,140,722
Capital grants and contributions	-	-	-	-	-	-
<b>General revenues:</b>						
General property taxes	19,516,880	18,905,618	-	-	19,516,880	18,905,618
Other local taxes	1,905,317	1,860,367	-	-	1,905,317	1,860,367
Grants and other contributions not restricted	1,457,415	1,454,303	-	-	1,457,415	1,454,303
Other general revenues	291,692	265,482	30,568	66,024	322,260	331,506
Transfers	(337,257)	(434,826)	337,257	434,826	-	-
<b>Total revenues</b>	<b>\$ 26,658,285</b>	<b>\$ 25,497,029</b>	<b>\$ 858,979</b>	<b>\$ 915,325</b>	<b>\$ 27,517,264</b>	<b>\$ 26,412,354</b>
<b>Expenses:</b>						
<b>General government</b>						
administration	\$ 1,573,195	\$ 1,553,729	\$ -	\$ -	\$ 1,573,195	\$ 1,553,729
Judicial administration	914,671	963,843	-	-	914,671	963,843
Public safety	4,275,981	4,306,715	-	-	4,275,981	4,306,715
Public works	1,478,033	1,480,539	-	-	1,478,033	1,480,539
Health and welfare	2,393,486	2,373,831	-	-	2,393,486	2,373,831
Education	12,723,019	11,771,380	-	-	12,723,019	11,771,380
Parks, recreation, and cultural	232,225	191,995	-	-	232,225	191,995
Community development	334,174	368,178	-	-	334,174	368,178
Interest and other fiscal charges	944,956	1,101,641	-	-	944,956	1,101,641
Utilities	-	-	1,001,468	1,096,077	1,001,468	1,096,077
<b>Total expenses</b>	<b>\$ 24,869,740</b>	<b>\$ 24,111,851</b>	<b>\$ 1,001,468</b>	<b>\$ 1,096,077</b>	<b>\$ 25,871,208</b>	<b>\$ 25,207,928</b>
<b>Change in net position</b>	<b>\$ 1,788,545</b>	<b>\$ 1,385,178</b>	<b>\$ (142,489)</b>	<b>\$ (180,752)</b>	<b>\$ 1,646,056</b>	<b>\$ 1,204,426</b>
Net position, beginning of year, as restated	9,108,346	8,066,511	3,093,945	3,321,385	12,202,291	11,387,896
Net position, end of year	<u>\$ 10,896,891</u>	<u>\$ 9,451,689</u>	<u>\$ 2,951,456</u>	<u>\$ 3,140,633</u>	<u>\$ 13,848,347</u>	<u>\$ 12,592,322</u>

\*2018 Net position, beginning differs from 2017 Net position, ending, due to a restatement of net position from an accounting change. Please see Note 22.

## 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, unreserved 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 \$7,314,002 an increase of \$1,490,608 in comparison with the prior year. Of this total, 85% constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

Proprietary Funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to (\$25,660). The total decrease in net position was \$142,489. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

## General Fund Budgetary Highlights

During the year, revenues and other sources were more than budgetary estimates by \$1,331,918. Expenditures and other uses were more than budgetary estimates by \$486,452, resulting in a positive variance of \$845,466.

## Capital Asset and Debt Administration

< Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2018 amounts to \$36,188,715 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had total debt outstanding of \$30,963,000 (excludes bond premium). Of this amount, \$28,630,000 comprises debt backed by the full faith and credit of the County. The County's remaining debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The County's total debt outstanding decreased by \$1,058,000 during the current fiscal year.

Additional information on the County of Northumberland, Virginia's long-term debt can be found in Note 7 of this report.

### Economic Factors and Next Year's Budgets and Rates

< Inflationary trends in the region compare to national indexes.

All of these factors were considered in preparing the County's budget for the 2018 fiscal year.

The fiscal year 2019 budget increased approximately 4%. All tax rates remained the same.

### Requests for Information

This financial report is designed to provide a general overview of the County of Northumberland, 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, 72 Monument Place, Heathsville, Virginia 22473.



County of Northumberland, Virginia  
Statement of Net Position  
June 30, 2018

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit School Board
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,421,218	\$ 43,135	\$ 2,464,353	\$ 162,267
Cash in custody of others	-	-	-	169,755
Investments	5,561,489	-	5,561,489	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	857,560	-	857,560	-
Accounts receivable	67,616	82,063	149,679	48,701
Notes receivable	10,345	-	10,345	-
Net OPEB Asset	4,633	776	5,409	-
Due from other governmental units	484,760	-	484,760	1,371,376
Capital assets (net of accumulated depreciation):				
Land and land improvements	894,628	98,924	993,552	23,929
Buildings and improvements	34,138,070	5,211,192	39,349,262	6,414,112
Machinery and equipment	1,142,517	-	1,142,517	530,508
Construction in progress	13,500	-	13,500	-
Total assets	<u>\$ 45,596,336</u>	<u>\$ 5,436,090</u>	<u>\$ 51,032,426</u>	<u>\$ 8,720,648</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount on refunding	\$ 284,281	\$ -	\$ 284,281	\$ -
Pension related items	574,840	20,634	595,474	2,057,336
OPEB related items	39,781	1,558	41,339	167,174
Total deferred outflows of resources	<u>\$ 898,902</u>	<u>\$ 22,192</u>	<u>\$ 921,094</u>	<u>\$ 2,224,510</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 108,097	\$ 44,182	\$ 152,279	\$ 136,275
Accrued liabilities	1,640	-	1,640	1,389,884
Accrued interest payable	483,050	-	483,050	-
Due to other governmental units	1,075,840	-	1,075,840	-
Long-term liabilities:				
Due within one year	1,023,674	112,000	1,135,674	40,306
Due in more than one year	32,223,382	2,323,669	34,547,051	15,838,524
Total liabilities	<u>\$ 34,915,683</u>	<u>\$ 2,479,851</u>	<u>\$ 37,395,534</u>	<u>\$ 17,404,989</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	\$ 240,713	\$ -	\$ 240,713	\$ -
Pension related items	398,672	24,319	422,991	1,630,672
OPEB related items	43,279	2,656	45,935	102,400
Total deferred inflows of resources	<u>\$ 682,664</u>	<u>\$ 26,975</u>	<u>\$ 709,639</u>	<u>\$ 1,733,072</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 5,436,987	\$ 2,977,116	\$ 8,414,103	\$ 6,968,549
Restricted	1,099,117	-	1,099,117	-
Unrestricted (deficit)	4,360,787	(25,660)	4,335,127	(15,161,452)
Total net position	<u>\$ 10,896,891</u>	<u>\$ 2,951,456</u>	<u>\$ 13,848,347</u>	<u>\$ (8,192,903)</u>

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

County of Northumberland, Virginia  
Statement of Activities  
For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 1,573,195	\$ -	\$ 246,004	\$ -
Judicial administration	914,671	26,013	605,355	-
Public safety	4,275,981	167,375	1,050,116	-
Public works	1,478,033	-	-	-
Health and welfare	2,393,486	-	1,367,481	-
Education	12,723,019	-	-	-
Parks, recreation, and cultural	232,225	-	-	-
Community development	334,174	359,871	2,023	-
Interest on long-term debt	944,956	-	-	-
Total governmental activities	\$ 24,869,740	\$ 553,259	\$ 3,270,979	\$ -
Business-type activities:				
Sanitary District	\$ 1,001,468	\$ 491,154	\$ -	\$ -
Total business-type activities	\$ 1,001,468	\$ 491,154	\$ -	\$ -
Total primary government	\$ 25,871,208	\$ 1,044,413	\$ 3,270,979	\$ -
<b>COMPONENT UNIT:</b>				
School Board	\$ 17,515,911	\$ 93,923	\$ 5,684,636	\$ -
Total component unit	\$ 17,515,911	\$ 93,923	\$ 5,684,636	\$ -

General revenues:

- General property taxes
- Other local taxes:
  - Local sales and use taxes
  - Motor vehicle licenses
  - Taxes on recordation and wills
  - Consumer's utility taxes
  - Bank stock taxes
  - Other local taxes
- Unrestricted revenues from use of money and property
- Miscellaneous
- Contributions from Northumberland County
- Grants and contributions not restricted to specific programs

Transfers

- Total general revenues and transfers

Change in net position

- Net position - beginning, as restated
- Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	School Board
\$ (1,327,191)		\$ (1,327,191)	
(283,303)		(283,303)	
(3,058,490)		(3,058,490)	
(1,478,033)		(1,478,033)	
(1,026,005)		(1,026,005)	
(12,723,019)		(12,723,019)	
(232,225)		(232,225)	
27,720		27,720	
(944,956)		(944,956)	
<u>\$ (21,045,502)</u>		<u>\$ (21,045,502)</u>	
	\$ (510,314)	\$ (510,314)	
	<u>\$ (510,314)</u>	<u>\$ (510,314)</u>	
		<u>\$ (21,555,816)</u>	
			\$ (11,737,352)
			<u>\$ (11,737,352)</u>
\$ 19,516,880	\$ -	\$ 19,516,880	\$ -
718,325	-	718,325	-
370,984	-	370,984	-
164,322	-	164,322	-
343,974	-	343,974	-
250,428	-	250,428	-
57,284	-	57,284	-
165,219	-	165,219	2,654
126,473	30,568	157,041	5,043
-	-	-	11,715,357
1,457,415	-	1,457,415	-
(337,257)	337,257	-	-
<u>\$ 22,834,047</u>	<u>\$ 367,825</u>	<u>\$ 23,201,872</u>	<u>\$ 11,723,054</u>
\$ 1,788,545	\$ (142,489)	\$ 1,646,056	\$ (14,298)
9,108,346	3,093,945	12,202,291	(8,178,605)
<u>\$ 10,896,891</u>	<u>\$ 2,951,456</u>	<u>\$ 13,848,347</u>	<u>\$ (8,192,903)</u>

County of Northumberland, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2018

	General Fund	County Capital Projects Fund	Other Governmental Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,333,511	\$ 841,654	\$ 246,053	\$ 2,421,218
Cash in custody of others				-
Investments	5,561,489	-	-	5,561,489
Receivables (net of allowance for uncollectibles):				
Taxes receivable	857,560	-	-	857,560
Accounts receivable	66,551	-	1,065	67,616
Notes receivable	-	-	10,345	10,345
Due from other governmental units	484,760	-	-	484,760
Total assets	<u>\$ 8,303,871</u>	<u>\$ 841,654</u>	<u>\$ 257,463</u>	<u>\$ 9,402,988</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 108,097	\$ -	\$ -	\$ 108,097
Accrued liabilities	1,640	-	-	1,640
Due to other governmental units	1,075,840	-	-	1,075,840
Total liabilities	<u>\$ 1,185,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,185,577</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	\$ 903,409	\$ -	\$ -	\$ 903,409
Total deferred inflows of resources	<u>\$ 903,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 903,409</u>
<b>FUND BALANCES</b>				
Restricted	\$ -	\$ 841,654	\$ 257,463	1,099,117
Unassigned	6,214,885	-	-	6,214,885
Total fund balances	<u>\$ 6,214,885</u>	<u>\$ 841,654</u>	<u>\$ 257,463</u>	<u>\$ 7,314,002</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,303,871</u>	<u>\$ 841,654</u>	<u>\$ 257,463</u>	<u>\$ 9,402,988</u>

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

County of Northumberland, Virginia  
 Reconciliation of the Balance Sheet of Governmental Funds  
 To the Statement of Net Position  
 June 30, 2018

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Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	7,314,002
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
Capital assets, cost	\$	50,601,781
Accumulated depreciation		<u>(14,413,066)</u>
		36,188,715
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Unavailable property taxes	\$	662,696
Net OPEB asset		4,633
Deferred charges on refunding		<u>284,281</u>
		951,610
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$	574,840
OPEB related items		<u>39,781</u>
		614,621
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
Lease revenue bond	\$	(28,630,000)
Bond premium		(2,406,009)
Net OPEB liabilities		(531,333)
Accrued interest payable		(483,050)
Net pension liability		(1,442,973)
Compensated absences		<u>(236,741)</u>
		(33,730,106)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$	(398,672)
OPEB related items		<u>(43,279)</u>
		(441,951)
Net position of governmental activities		<u><u>\$ 10,896,891</u></u>

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

County of Northumberland, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2018

	General Fund	County Capital Projects Fund	Other Governmental Funds	Total
<b>REVENUES</b>				
General property taxes	\$ 19,536,736	\$ -	\$ -	\$ 19,536,736
Other local taxes	1,905,317	-	-	1,905,317
Permits, privilege fees, and regulatory licenses	128,861	-	-	128,861
Fines and forfeitures	35,607	-	-	35,607
Revenue from the use of money and property	165,204	-	15	165,219
Charges for services	375,233	-	13,558	388,791
Miscellaneous	126,473	-	-	126,473
Recovered costs	435,855	-	-	435,855
Intergovernmental:				
Commonwealth	3,929,656	-	-	3,929,656
Federal	798,738	-	-	798,738
Total revenues	<u>\$ 27,437,680</u>	<u>\$ -</u>	<u>\$ 13,573</u>	<u>\$ 27,451,253</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,590,404	\$ -	\$ -	\$ 1,590,404
Judicial administration	860,773	-	-	860,773
Public safety	4,671,309	-	12,296	4,683,605
Public works	1,491,756	-	-	1,491,756
Health and welfare	2,458,919	-	-	2,458,919
Education	11,773,019	-	-	11,773,019
Parks, recreation, and cultural	193,263	-	-	193,263
Community development	337,495	-	-	337,495
Capital projects	205,539	-	-	205,539
Debt service:				
Principal retirement	950,000	-	-	950,000
Interest and other fiscal charges	1,078,615	-	-	1,078,615
Total expenditures	<u>\$ 25,611,092</u>	<u>\$ -</u>	<u>\$ 12,296</u>	<u>\$ 25,623,388</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,826,588</u>	<u>\$ -</u>	<u>\$ 1,277</u>	<u>\$ 1,827,865</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 820,762	\$ -	\$ 820,762
Transfers out	(1,158,019)	-	-	(1,158,019)
Total other financing sources (uses)	<u>\$ (1,158,019)</u>	<u>\$ 820,762</u>	<u>\$ -</u>	<u>\$ (337,257)</u>
Net change in fund balances	\$ 668,569	\$ 820,762	\$ 1,277	\$ 1,490,608
Fund balances - beginning	5,546,316	20,892	256,186	5,823,394
Fund balances - ending	<u>\$ 6,214,885</u>	<u>\$ 841,654</u>	<u>\$ 257,463</u>	<u>\$ 7,314,002</u>

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

County of Northumberland, Virginia  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds \$ 1,490,608

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 exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 634,100	
Depreciation expense	(1,580,548)	
Transfer of joint tenancy assets to Component Unit from Primary Government	35,695	(910,753)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase(decrease) in unavailable property taxes	(19,856)
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

Principal retired on school obligations	\$ 950,000	
Amortization of bond premium on lease revenue bond	126,632	1,076,632

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.

The following is a summary of items supporting this adjustment:

(Increase) decrease in compensated absences	\$ (20,656)	
(Increase) decrease in accrued interest payable	21,989	
Amortization of deferred charges on refunding	(14,962)	
Pension expense	161,549	
OPEB expense	3,994	151,914

Change in net position of governmental activities	\$ 1,788,545
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The notes to the financial statements are an integral part of this statement.

County of Northumberland, Virginia  
Statement of Net Position  
Proprietary Funds  
June 30, 2018

	Enterprise Fund <u>Sanitary District</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 43,135
Accounts receivable, net of allowance for uncollectibles	82,063
Total current assets	\$ 125,198
Noncurrent assets:	
Other assets:	
Net OPEB asset	\$ 776
Capital assets:	
Land	\$ 98,924
Utility plant in service	8,636,484
Machinery and equipment	389,994
Accumulated depreciation	(3,815,286)
Total capital assets	\$ 5,310,116
Total noncurrent assets	\$ 5,310,892
Total assets	\$ 5,436,090
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related items	\$ 20,634
OPEB related items	1,558
Total deferred outflows of resources	\$ 22,192
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 44,182
Bonds payable - current portion	112,000
Total current liabilities	\$ 156,182
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 2,221,000
Net pension liability	55,388
Net OPEB liabilities	47,281
Total noncurrent liabilities	\$ 2,323,669
Total liabilities	\$ 2,479,851
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related items	\$ 24,319
OPEB related items	2,656
Total deferred inflows of resources	\$ 26,975
<b>NET POSITION</b>	
Net investment in capital assets	\$ 2,977,116
Unrestricted	(25,660)
Total net position	\$ 2,951,456

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



County of Northumberland, Virginia  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2018

	Enterprise Fund <u>Sanitary District</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Sanitary district fees	\$ 491,154
Miscellaneous	8,668
Total operating revenues	<u>\$ 499,822</u>
<b>OPERATING EXPENSES</b>	
Personal services	\$ 167,454
Fringe benefits	54,062
Other supplies and expenses	421,911
Depreciation	277,000
Total operating expenses	<u>\$ 920,427</u>
Operating income (loss)	<u>\$ (420,605)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Connection fees	\$ 21,900
Interest expense	<u>(81,041)</u>
Total nonoperating revenues (expenses)	<u>\$ (59,141)</u>
Income (loss) before transfers	<u>\$ (479,746)</u>
Transfers in	\$ 337,257
Change in net position	<u>\$ (142,489)</u>
Total net position - beginning, as restated	3,093,945
Total net position - ending	<u><u>\$ 2,951,456</u></u>

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

County of Northumberland, Virginia  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2018

	Enterprise Fund <u>Sanitary District</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 469,929
Payments to suppliers	(433,655)
Payments to and for employees	(220,256)
Net cash provided by (used for) operating activities	<u>\$ (183,982)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Connection fees	\$ 21,900
Transfers from other funds	337,257
Net cash provided by (used for) noncapital financing activities	<u>\$ 359,157</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal payments on bonds	\$ (108,000)
Interest expense	(81,041)
Net cash provided by (used for) capital and related financing activities	<u>\$ (189,041)</u>
Net increase (decrease) in cash and cash equivalents	\$ (13,866)
Cash and cash equivalents - beginning	57,001
Cash and cash equivalents - ending	<u>\$ 43,135</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	<u>\$ (420,605)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 277,000
(Increase) decrease in accounts receivable	(29,893)
(Increase) decrease in deferred outflows of resources	10,612
Increase (decrease) in accounts payable	(11,744)
Increase (decrease) in net pension liability	(27,765)
Increase (decrease) in net OPEB liability (Asset)	(1,006)
Increase (decrease) in deferred inflows of resources	19,419
Total adjustments	<u>\$ 236,623</u>
Net cash provided by (used for) operating activities	<u>\$ (183,982)</u>

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

County of Northumberland, Virginia  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2018

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 149,894
Total assets	<u>\$ 149,894</u>
<b>LIABILITIES</b>	
Amounts held for others	\$ 71,901
Amounts held for social services clients	77,993
Total liabilities	<u>\$ 149,894</u>

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2018

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*Note 1—Summary of Significant Accounting Policies:*

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The County of Northumberland, Virginia (the "County") is governed by an elected five member Board of Supervisors. The County provides a full range of services for its citizens. These services include police and fire protection, recreational activities, cultural events, education, and social services.

The financial statements of the County of Northumberland, Virginia have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB) 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.

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

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

A. Financial Reporting Entity

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

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

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**B. Individual Component Unit Disclosures**

*Blended Component Unit.* The County has no blended component units at June 30, 2018.

*Discretely Presented Component Units.* The School Board members are elected by the citizens of Northumberland County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2018.

**C. Other Related Organizations**

Included in the County's Financial Report

None

Excluded from the County's Annual Financial Report

Northern Neck Regional Jail Authority

The Northern Neck Regional Jail Authority is an intergovernmental (joint) venture, and therefore, its operations are not included in the County's financial statements. The participating jurisdictions' provide the financial support for the Authority and appoints its governing Board. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations.

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

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

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

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

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

The government-wide statement of activities reflect 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.

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

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

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

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

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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 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 service, 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.

b. Capital Projects Funds

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 major fund.

c. Special Revenue Funds

Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Law Library, Forfeited Assets, Economic Development and Courthouse Security Funds are nonmajor special revenue funds.

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 Sanitary District Fund.



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

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

**3. Fiduciary Funds (Trust and Agency Funds)**

Fiduciary 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 and Private Purpose Trust Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. Agency funds consist of the following funds: Special Welfare, Road Improvement Bond, 350<sup>th</sup> Anniversary, Tornado Relief, Fallen Heroes, Project Life Save, Animal Shelter, and Sheriff’s Investigative Funds.

**E. Cash and Cash Equivalents**

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

**F. Investments**

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.

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

**G. Receivables and payables**

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$122,264 at June 30, 2018 and is comprised solely of property taxes.

**Real and Personal Property Tax Data:**

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

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

The County bills and collects its own property taxes.

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

**H. Capital Assets**

Capital assets, which include property, plant and equipment, 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, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 2018.

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

Assets	Years
Buildings	40
Building Improvements	40
Plant, equipment, and systems	35-45
Motor vehicles	5-10
Machinery and equipment	2-15

**I. 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 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 accumulated rights to be received for sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

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

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J. 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.

K. 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.

L. Net Position Flow Assumption

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

M. 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 two items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension liability and net OPEB asset/liabilities. For more detailed information on these items, reference the related notes.

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

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M. Deferred Outflows/Inflows of Resources (Continued)

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 two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 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 liability and net OPEB asset/liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

O. 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.

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

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O. Other Postemployment Benefits (OPEB) (Continued)

Political Subdivision and Teacher Employee Health Insurance Credit Program

The County and Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Programs were established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee 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 OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the Programs' OPEB, and the related OPEB expenses, information about the fiduciary net position of the County and VRS Teacher Employee HIC Programs; and the additions to/deductions from the County and VRS Teacher Employee HIC Programs' 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.

Medical and Dental Pay-As-You Go

For purposes of measuring the medical and dental pay-as-you go liability, deferred outflows of resources and deferred inflows of resources related to the Plan's OPEB, and the related OPEB expenses, information about the fiduciary net position of the County's and School Board's Medical and Dental Pay-As-You go Plan and the additions to/deductions from the County and School Board's OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by the County's and School Board's actuary. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

P. Long-term Obligations

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

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

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

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**Q. Fund Equity**

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

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

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

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

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COUNTY OF NORTHUMBERLAND, VIRGINIA

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

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

**Q. Fund Equity (Continued)**

	General Fund	County Capital Projects Fund	Other Governmental Funds	Total
Fund balances:				
Restricted:				
Construction	\$ -	\$ 841,654	\$ -	\$ 841,654
Law library	-	-	776	776
Forfeited assets	-	-	98,695	98,695
Economic development	-	-	24,810	24,810
Courthouse security	-	-	133,182	133,182
Total Restricted	<u>\$ -</u>	<u>\$ 841,654</u>	<u>\$ 257,463</u>	<u>\$ 1,099,117</u>
Unassigned	<u>\$ 6,214,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,214,885</u>
Total fund balances	<u>\$ 6,214,885</u>	<u>\$ 841,654</u>	<u>\$ 257,463</u>	<u>\$ 7,314,002</u>

*Note 2—Stewardship, Compliance, and Accounting:*

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

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

Expenditures and Appropriations

Expenditures exceeded appropriations in the following funds for the fiscal year ended June 30, 2018:

School Operating Fund	\$ 151,332
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COUNTY OF NORTHUMBERLAND, VIRGINIA

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

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*Note 3—Deposits and Investments:*

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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 amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2018 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale. The County’s investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio.

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 2,560,457
U.S. Government Money Market Fund	3,001,032
Total	<u>\$ 5,561,489</u>

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COUNTY OF NORTHUMBERLAND, VIRGINIA

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

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*Note 3—Deposits and Investments: (Continued)*

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**Interest Rate Risk**

According to the County's investment policy, at no time shall the maturity or duration of an investment exceed five years.

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool (LGIP)	\$ 2,560,457	\$ 2,560,457
U.S. Government Money Market Fund	3,001,032	3,001,032
Total	<u>\$ 5,561,489</u>	<u>\$ 5,561,489</u>

**External Investment Pool**

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As the 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.

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements *(Continued)*  
 June 30, 2018 (Continued)

*Note 4—Due to/from Other Governments:*

At June 30, 2018, the County has amounts due from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Northumberland	\$ -	\$ 1,075,840
Commonwealth of Virginia:		
Local sales tax	137,422	-
Welfare	35,978	-
Comprehensive services	37,861	-
Rolling stock tax	10	-
State Sales Tax	-	174,253
Constitutional officer reimbursements	123,793	-
DMV license agent	2,895	-
Recordation tax	14,594	-
Mobile home titling tax	4,069	-
Wireless grant	6,928	-
Postage	137	-
Communications tax	56,147	-
Federal Government:		
School fund grants	-	121,283
Welfare	64,926	-
Total due from other governments	<u>\$ 484,760</u>	<u>\$ 1,371,376</u>

At June 30, 2018, amounts due to other local governments are as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Northumberland County School Board	<u>\$ 1,075,840</u>	<u>\$ -</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

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

*Note 5—Capital Assets:*

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

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
<i>Primary Government:</i>				
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 894,628	\$ -	\$ -	\$ 894,628
Construction in progress	-	13,500	-	13,500
Total capital assets not subject to depreciation	\$ 894,628	\$ 13,500	\$ -	\$ 908,128
Capital assets subject to depreciation:				
Buildings and improvements	\$ 6,575,556	\$ 182,434	\$ -	\$ 6,757,990
Machinery and equipment	3,166,674	438,166	67,967	3,536,873
Jointly owned assets	39,351,304	-	(47,486)	39,398,790
Total capital assets subject to depreciation	\$49,093,534	\$ 620,600	\$ 20,481	\$ 49,693,653
Accumulated depreciation:				
Buildings and improvements	\$ 1,019,930	\$ 229,990	\$ -	\$ 1,249,920
Machinery and equipment	2,097,460	364,863	67,967	2,394,356
Jointly owned assets	9,771,304	985,695	(11,791)	10,768,790
Total accumulated depreciation	\$12,888,694	\$ 1,580,548	\$ 56,176	\$ 14,413,066
Total capital assets subject to depreciation, net	\$36,204,840	\$ (959,948)	\$ (35,695)	\$ 35,280,587
Governmental activities capital assets, net	\$37,099,468	\$ (946,448)	\$ (35,695)	\$ 36,188,715

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COUNTY OF NORTHUMBERLAND, VIRGINIA

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

*Note 5—Capital Assets: (Continued)*

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

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
<i>Business-type Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 98,924	\$ -	\$ -	\$ 98,924
Capital assets subject to depreciation:				
Utility plant in service	\$ 8,636,484	\$ -	\$ -	\$ 8,636,484
Machinery and equipment	389,994	-	-	389,994
Total capital assets subject to depreciation	\$ 9,026,478	\$ -	\$ -	\$ 9,026,478
Accumulated depreciation:				
Utility plant in service	\$ 3,148,292	\$ 277,000	\$ -	\$ 3,425,292
Machinery and equipment	389,994	-	-	389,994
Total accumulated depreciation	\$ 3,538,286	\$ 277,000	\$ -	\$ 3,815,286
Total capital assets subject to depreciation, net	\$ 5,488,192	\$ (277,000)	\$ -	\$ 5,211,192
Business-type capital assets, net	\$ 5,587,116	\$ (277,000)	\$ -	\$ 5,310,116

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COUNTY OF NORTHUMBERLAND, VIRGINIA

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

*Note 5—Capital Assets: (Continued)*

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

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 23,929	\$ -	\$ -	\$ 23,929
Capital assets subject to depreciation:				
Machinery and equipment	\$ 2,758,230	\$ 91,936	\$ -	\$ 2,850,166
Jointly owned assets	8,874,178	-	47,486	8,826,692
Total capital assets subject to depreciation	\$11,632,408	\$ 91,936	\$ 47,486	\$ 11,676,858
Accumulated depreciation:				
Machinery and equipment	\$ 2,167,285	\$ 152,373	\$ -	\$ 2,319,658
Jointly owned assets	2,203,541	220,830	11,791	2,412,580
Total accumulated depreciation	\$ 4,370,826	\$ 373,203	\$ 11,791	\$ 4,732,238
Total capital assets subject to depreciation, net	\$ 7,261,582	\$ (281,267)	\$ 35,695	\$ 6,944,620
Component unit school board capital assets, net	\$ 7,285,511	\$ (281,267)	\$ 35,695	\$ 6,968,549

Depreciation expense was charged to functions/programs as follows:

Primary Government:	
Governmental activities:	
General government administration	\$ 41,386
Judicial administration	126,497
Public safety	400,152
Public works	6,273
Health and welfare	18,112
Education	985,695
Community development	2,433
Total depreciation expense - governmental activities	\$ 1,580,548
Business type activities:	
Sanitary District	\$ 277,000
Total depreciation expense - primary government	\$ 1,857,548
Component Unit School Board:	
Depreciation expense	\$ 373,203

COUNTY OF NORTHUMBERLAND, VIRGINIA

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

*Note 6—Interfund Transfers:*

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

Fund	Transfers In	Transfers Out
Primary Government:		
General	\$ -	\$ 1,158,019
County Capital Projects	820,762	-
Sanitary District	337,257	-
	<u>          </u>	<u>          </u>
Total Primary Government	<u>\$ 1,158,019</u>	<u>\$ 1,158,019</u>
Component Unit-School Board:		
School Operating	\$ 53,091	\$ -
School Cafeteria	-	53,091
	<u>          </u>	<u>          </u>
Total Component Unit - School Board	<u>\$ 53,091</u>	<u>\$ 53,091</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.

The following is a summary of due to/from other funds at June 30, 2018:

Fund	Interfund Receivables	Interfund Payables
Component Unit-School Board:		
School Operating	\$ 119,045	\$ -
School Cafeteria	-	119,045
	<u>          </u>	<u>          </u>
Total Component Unit - School Board	<u>\$ 119,045</u>	<u>\$ 119,045</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

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

Note 7—Long Term Obligations:

Primary Government:

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

	Restated Balance at July 1, 2017	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2018	Amounts Due Within One Year
Primary Government Obligations:					
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 216,085	\$ 42,264	\$ 21,608	\$ 236,741	\$ 23,674
Net pension liability (Payable by General Fund)	1,950,604	1,860,766	2,368,397	1,442,973	-
Net OPEB liabilities (Payable by General Fund)	556,753	49,195	74,615	531,333	-
Total incurred by County	\$ 2,723,442	\$ 1,952,225	\$ 2,464,620	\$ 2,211,047	\$ 23,674
Incurred by School Board:					
Refunding general obligation bond	\$29,580,000	\$ -	\$ 950,000	\$28,630,000	\$ 1,000,000
Bond premium	2,532,641	-	126,632	2,406,009	-
Total incurred by School Board	\$32,112,641	\$ -	\$ 1,076,632	\$31,036,009	\$ 1,000,000
Total Governmental Activities Obligations	\$34,836,083	\$ 1,952,225	\$ 3,541,252	\$33,247,056	\$ 1,023,674
Business-type Activities Obligations:					
Revenue bond	\$ 2,441,000	\$ -	\$ 108,000	\$ 2,333,000	\$ 112,000
Net pension liability	83,153	71,119	98,884	55,388	-
Net OPEB liabilities	47,813	4,888	5,420	47,281	-
Total Business-type Activities Obligations	\$ 2,571,966	\$ 76,007	\$ 212,304	\$ 2,435,669	\$ 112,000
Total Primary Government Obligations	\$37,408,049	\$ 2,028,232	\$ 3,753,556	\$35,682,725	\$ 1,135,674

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements *(Continued)*  
 June 30, 2018 *(Continued)*

*Note 7—Long-Term Obligations: (Continued)*

Primary Government: (continued)

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

Year Ending June 30	Governmental Activities	
	General Obligation Bond	
	Principal	Interest
2019	\$ 1,000,000	\$ 1,028,678
2020	1,050,000	976,915
2021	1,105,000	922,501
2022	1,160,000	865,310
2023	1,220,000	805,215
2024	1,285,000	741,964
2025	1,350,000	675,430
2026	1,420,000	605,487
2027	1,490,000	532,010
2028	1,550,000	478,500
2029	1,585,000	438,441
2030	1,630,000	395,525
2031	1,670,000	351,312
2032	1,720,000	303,915
2033	1,770,000	254,993
2034	1,825,000	202,450
2035	1,875,000	148,306
2036	1,935,000	90,204
2037	1,990,000	30,348
Total	<u>\$ 28,630,000</u>	<u>\$ 9,847,504</u>

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements *(Continued)*  
 June 30, 2018 *(Continued)*

*Note 7—Long-Term Obligations: (Continued)*

Primary Government: (continued)

Annual requirements to amortize long-term obligations and related interest are as follows: *(Continued)*

Year Ending June 30	Business-type Activities	
	Revenue Bonds	
	Principal	Interest
2019	\$ 112,000	\$ 77,456
2020	117,000	73,737
2021	119,000	69,853
2022	125,000	65,902
2023	127,000	61,752
2024	132,000	57,536
2025	136,000	53,153
2026	142,000	48,638
2027	248,000	43,924
2028	256,000	35,690
2029	264,000	27,191
2030	273,000	18,426
2031	282,000	9,362
Total	\$ 2,333,000	\$ 642,620

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COUNTY OF NORTHUMBERLAND, VIRGINIA

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

*Note 7—Long-Term Obligations: (Continued)*

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

	<u>Total Amount</u>
<u>Governmental Activities:</u>	
<u>Incurring by County:</u>	
Net OPEB liabilities (payable by General Fund)	\$ 531,333
Net pension liability (payable by General Fund)	\$ 1,442,973
Compensated absences (payable by General Fund)	\$ 236,741
Total Incurred by County	<u>\$ 2,211,047</u>
 <u>Incurring by School Board:</u>	
<u>General Obligation Bond:</u>	
\$29,580,000 General Obligation Refunding Bond payable annually in various amounts through July 15, 2036, interest payable semi-annually at coupon rates from 2.05% to 5.05%. Face amount of bonds outstanding, \$28,630,000 plus unamortized issuance premium of \$2,406,009.	\$ 31,036,009
Total incurred by School Board	<u>\$ 31,036,009</u>
Total Long-Term Obligations, Governmental Activities	<u>\$ 33,247,056</u>

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COUNTY OF NORTHUMBERLAND, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows: (Continued)

	<u>Total Amount</u>
<u>Business-type Activities:</u>	
<u>Revenue Bond:</u>	
\$3,030,000 Revenue Bond issued February 16, 2012, principal due in varying annual installments each July 1, interest due semi-annually through January, 2027 at 3.32%, interest rate may reset on January 1, 2031.	\$ 2,333,000
Total Revenue Bond	\$ 2,333,000
Net OPEB liabilities	\$ 47,281
Net pension liability	\$ 55,388
Total Long-Term Obligations, Business-type Activities	\$ 2,435,669
Total Long-Term Obligations, Primary Government	\$ 35,682,725

Component Unit - School Board:

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

	<u>Restated Balance at July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2018</u>	<u>Amounts Due Within One Year</u>
<u>Component Unit-School Board:</u>					
Compensated absences	\$ 417,095	\$ 27,678	\$ 41,710	\$ 403,063	\$ 40,306
Net pension liability	14,718,188	2,810,589	4,524,674	13,004,103	-
Net OPEB liabilities	2,571,465	178,756	278,557	2,471,664	-
Total Component Unit-School Board	\$17,706,748	\$ 3,017,023	\$ 4,844,941	\$15,878,830	\$ 40,306

COUNTY OF NORTHUMBERLAND, VIRGINIA

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

*Note 8—Unearned and Deferred/Unavailable Revenue:*

Unearned and Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis of accounting, assessments for future periods are deferred. The County reports unavailable revenue totaling \$903,409 and deferred revenue totaling \$240,713 which is comprised of the following:

	Government-wide Statements	Balance Sheet
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Deferred/Unavailable revenue:		
Unavailable property tax revenue representing uncollected property tax billins that are not available for the funding of current expenditures	\$ -	\$ 662,696
Prepaid property taxes due after June 30 but paid in advance by taxpayers	<u>240,713</u>	<u>240,713</u>
Total deferred/unavailable revenue	<u>\$ 240,713</u>	<u>\$ 903,409</u>

*Note 9—Contingent Liabilities:*

Federal programs in which the County and discretely presented 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 guidance 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 10—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 to the County.

*Note 11—Risk Management:*

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

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation and public officials' liability coverage with the Virginia Association of Counties Group Self Insurance Risk Pool. 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.

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**Note 12—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><b>About Plan 1</b> 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><b>About Plan 2</b> 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><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> </ul>

**Note 12—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"> <li>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.</li> </ul>
<p><b>Eligible Members</b> 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><b>Hybrid Opt-In Election</b> 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><b>Eligible Members</b> 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><b>Hybrid Opt-In Election</b> 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><b>Eligible Members</b> 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"> <li>Political subdivision employees*</li> <li>School division employees</li> <li>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.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

**Note 12—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b>                      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><b>Hybrid Opt-In Election (Cont.)</b>                      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><b>*Non-Eligible Members (Cont.)</b>                      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><b>Retirement Contributions</b>                      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><b>Retirement Contributions</b>                      Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p><b>Retirement Contributions</b>                      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 12—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service</b> 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><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <u><b>Defined Benefit Component:</b></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><b>Defined Contribution Component:</b></u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**Note 12—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b> 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><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> </ul>

**Note 12—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"> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b> 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><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p>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><b>Average Final Compensation</b> A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

**Note 12—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>

**Note 12—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Unreduced Retirement Eligibility</b> 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><b>Earliest Unreduced Retirement Eligibility</b> 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><b>Earliest Unreduced Retirement Eligibility</b> <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><b>Earliest Reduced Retirement Eligibility</b> 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><b>Earliest Reduced Retirement Eligibility</b> 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><b>Earliest Reduced Retirement Eligibility</b> <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>

**Note 12—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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> </ul>	<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>

**Note 12—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"> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u> Same as Plan 1 and Plan 2.</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 12—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"> <li>Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <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.



**Note 12—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	51	28
Inactive members:		
Vested inactive members	9	3
Non-vested inactive members	18	9
Inactive members active elsewhere in VRS	34	3
Total inactive members	61	15
Active members	88	22
Total covered employees	200	65

**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 8.59% 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 \$354,445 and \$352,087 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 13.25% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

**Note 12—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 \$94,352 and \$93,795 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 liabilities were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liabilities were 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.

**Note 12—Pension Plan: (Continued)**

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**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%

**Note 12—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.

**Note 12—Pension Plan: (Continued)**

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**Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits**

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%

*The remainder of this page left blank intentionally*

**Note 12—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 NORTHUMBERLAND, VIRGINIA

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

**Note 12—Pension Plan: (Continued)**

**Changes in Net Pension Liability**

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 16,857,068	\$ 14,823,311	\$ 2,033,757
Changes for the year:			
Service cost	\$ 440,974	\$ -	\$ 440,974
Interest	1,149,231	-	1,149,231
Assumption changes	(123,405)	-	(123,405)
Differences between expected and actual experience	321,626	-	321,626
Contributions - employer	-	343,327	(343,327)
Contributions - employee	-	198,437	(198,437)
Net investment income	-	1,794,139	(1,794,139)
Benefit payments, including refunds			
Refunds of employee contributions	(878,971)	(878,971)	-
Administrative expenses	-	(10,491)	10,491
Other changes	-	(1,590)	1,590
Net changes	\$ 909,455	\$ 1,444,851	\$ (535,396)
Balances at June 30, 2017	\$ 17,766,523	\$ 16,268,162	\$ 1,498,361

COUNTY OF NORTHUMBERLAND, VIRGINIA

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

**Note 12—Pension Plan: (Continued)**

**Changes in Net Pension Liability**

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 4,308,986	\$ 3,385,798	\$ 923,188
Changes for the year:			
Service cost	\$ 72,261	\$ -	\$ 72,261
Interest	293,570	-	293,570
Assumption changes	(25,266)	-	(25,266)
Differences between expected and actual experience	(21,072)	-	(21,072)
Contributions - employer	-	92,456	(92,456)
Contributions - employee	-	34,330	(34,330)
Net investment income	-	406,550	(406,550)
Benefit payments, including refunds			
Refunds of employee contributions	(230,250)	(230,250)	-
Administrative expenses	-	(2,398)	2,398
Other changes	-	(360)	360
Net changes	\$ 89,243	\$ 300,328	\$ (211,085)
Balances at June 30, 2017	\$ 4,398,229	\$ 3,686,126	\$ 712,103

**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		
	1% Increase	Current Discount	1% Decrease
	(6.00%)	(7.00%)	(8.00%)
County's			
Net Pension Liability (Asset)	\$ 3,759,604	\$ 1,498,361	\$ (375,173)
Component Unit School Board's (nonprofessional)			
Net Pension Liability	\$ 1,175,153	\$ 712,103	\$ 316,880



**Note 12—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 \$192,275 and \$42,239, 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	\$ 230,255	\$ 93,163	\$ -	\$ 10,099
Changes in assumptions	-	88,347	-	11,898
Changes in proportionate share of net position liability	10,774	10,774	-	-
Net difference between projected and actual earnings on pension plan investments	-	230,707	-	50,675
Employer contributions subsequent to the measurement date	354,445	-	94,352	-
<b>Total</b>	<b>\$ 595,474</b>	<b>\$ 422,991</b>	<b>\$ 94,352</b>	<b>\$ 72,672</b>

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

\$354,445 and \$94,352 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 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	\$ (170,529)	\$ (57,304)
2020	111,077	17,991
2021	31,238	1,295
2022	(153,748)	(34,654)
2023	-	-
Thereafter	-	-

**Note 12—Pension Plan: *(Continued)***

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**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 school divisions 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 2017 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,334,984 and \$1,154,604 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 \$12,292,000 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 0.09995% as compared to 0.09844% at June 30, 2016.

**Note 12—Pension Plan: (Continued)**

**Component Unit School Board (professional) (Continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

For the year ended June 30, 2018, the school division recognized pension expense of \$1,055,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 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	-	\$ 869,000
Change in assumptions	179,000	-
Net difference between projected and actual earnings on pension plan investments	-	447,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	449,000	242,000
Employer contributions subsequent to the measurement date	<u>1,334,984</u>	<u>-</u>
Total	<u>\$ 1,962,984</u>	<u>\$ 1,558,000</u>

\$1,334,984 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 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:

<u>Year ended June 30</u>	
2019	\$ (335,000)
2020	29,000
2021	(194,000)
2022	(408,000)
2023	(22,000)
Thereafter	-

**Note 12—Pension Plan: (Continued)**

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**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, 2017.

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.

**Note 12—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 Lowered rates at older ages and changed final retirement from 70 to 75
Retirement Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Withdrawal Rates	Adjusted rates to better match experience
Disability Rates	No change
Salary Scale	

**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>\$ 12,297,975</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.

**Note 12—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:

<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 Asests	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 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%.

**Note 12—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		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School Board's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 18,356,000	\$ 12,292,000	\$ 7,276,000

**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.

**Note 13—Group Life Insurance (GLI) Program (OPEB Plan):**

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**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><b>Eligible Employees</b></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"><li>• City of Richmond</li><li>• City of Portsmouth</li><li>• City of Roanoke</li><li>• City of Norfolk</li><li>• Roanoke City School Board</li></ul> <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>



**Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

**Plan Description (Continued)**

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
<p><b>Benefit Amounts</b></p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> <li>• <b>Natural Death Benefit</b> - The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.</li> <li>• <b>Accidental Death Benefit</b> - The accidental death benefit is double the natural death benefit.</li> <li>• <b>Other Benefit Provisions</b> - 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"> <li>○ Accidental dismemberment benefit</li> <li>○ Safety belt benefit</li> <li>○ Repatriation benefit</li> <li>○ Felonious assault benefit</li> <li>○ Accelerated death benefit option</li> </ul> </li> </ul>
<p><b>Reduction in Benefit Amounts</b></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><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></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 \$22,119 and \$21,369 for the years ended June 30, 2018 and June 30, 2017, respectively.

**Note 13—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 \$43,245 and \$40,789 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 \$3,778 and \$3,681 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 \$336,000 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$640,000 and \$58,000, 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 .02228% as compared to .02094% at June 30, 2016. At June 30, 2017, the Component Unit School Board professional and nonprofessional groups' proportion was .04253% and .04200%, respectively as compared to .00384% and .00367% respectively at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of \$8,000. For the year ended June 30, 2018, the Component Unit School Board professional group recognized GLI OPEB expense of \$8,000. For the year ended June 30, 2018, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of \$4,000. 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	\$ -	\$ 7,000	\$ -	\$ 14,000	\$ -	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investment	-	13,000	-	24,000	-	2,000
Change in assumptions	-	17,000	-	33,000	-	3,000
Changes in proportion	19,000	-	8,000	-	-	-
Employer contributions subsequent to the measurement date	22,119	-	43,245	-	3,778	-
<b>Total</b>	<b>\$ 41,119</b>	<b>\$ 37,000</b>	<b>\$ 51,245</b>	<b>\$ 71,000</b>	<b>\$ 3,778</b>	<b>\$ 6,000</b>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2018 (Continued)

**Note 13—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)**

\$22,119, \$43,245, and \$3,778, 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	\$ (4,000)	\$ (14,000)	\$ (1,000)
2020	(4,000)	(14,000)	(1,000)
2021	(4,000)	(14,000)	(1,000)
2022	(4,000)	(14,000)	(1,000)
2023	(2,000)	(7,000)	(1,000)
Thereafter	-	-	(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.

**Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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**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%

**Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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**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

**Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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**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%

**Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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**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%

**Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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**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



**Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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**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%

**Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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**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.

**Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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**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.

**Note 13—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 Retirement Rates)	Updated to a more current mortality table - RP-2014 projected to 2020
Withdrawal Rates	Increased age 50 rates and lowered rates at older ages
Disability Rates	Adjusted termination rates to better fit experience at each age and service year
Salary Scale	Adjusted rates to better match experience
Line of Duty Disability	No change
	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.

**Note 13—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:

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 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.

**Note 13—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 (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 434,000	\$ 336,000	\$ 256,000
Component School Board (professional)'s proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 828,000	\$ 640,000	\$ 488,000
Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 75,000	\$ 58,000	\$ 44,000

***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.

**Note 14—Health Insurance Credit (HIC) Program:**

**Plan Description**

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision Health Insurance Credit Program upon employment. This is an agent 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 about the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

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

**Note 14—Health Insurance Credit (HIC) Program: (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 HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>5</u>
Inactive members:	
Vested inactive members	2
Total inactive members	<u>7</u>
Active members	22
Total covered employees	<u><u>29</u></u>

**Contributions**

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County’s contractually required employer contribution rate for the year ended June 30, 2018 was .02% 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 was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the Health Insurance Credit Program were \$220 and \$212 for the years ended June 30, 2018 and June 30, 2017, respectively.

**Net HIC OPEB Liability (Asset)**

The County’s net Health Insurance Credit OPEB liability (asset) was measured as of June 30, 2017. The total Health Insurance Credit OPEB liability 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.



**Note 14—Health Insurance Credit (HIC) Program: (Continued)**

**Actuarial Assumptions**

The total HIC 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:	
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 the OPEB liabilities.

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

**Note 14—Health Insurance Credit (HIC) Program: (Continued)**

**Actuarial Assumptions: (Continued)**

**Mortality Rates - Largest Ten Locality Employers - General 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 and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

The actuarial assumptions used in the June 30, 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%

**Note 14—Health Insurance Credit (HIC) Program: (Continued)**

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**Actuarial Assumptions: (Continued)**

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

The actuarial assumptions used in the June 30, 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%

**Note 14—Health Insurance Credit (HIC) Program: (Continued)**

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**Actuarial Assumptions: (Continued)**

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

The actuarial assumptions used in the June 30, 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	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%

**Note 14—Health Insurance Credit (HIC) Program: (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:

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2018 (Continued)

**Note 14—Health Insurance Credit (HIC) Program: (Continued)**

**Changes in Net HIC OPEB Liability (Asset)**

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 41,435	\$ 43,540	\$ (2,105)
Changes for the year:			
Service cost	\$ 1,170	\$ -	\$ 1,170
Interest	2,857	-	2,857
Assumption changes	(1,959)	-	(1,959)
Contributions - employer	-	212	(212)
Net investment income	-	4,984	(4,984)
Benefit payments	(1,215)	(1,215)	-
Administrative expenses	-	(80)	80
Other changes	-	256	(256)
Net changes	\$ 853	\$ 4,157	\$ (3,304)
Balances at June 30, 2017	\$ 42,288	\$ 47,697	\$ (5,409)

**Note 14—Health Insurance Credit (HIC) Program: (Continued)**

***Sensitivity of the County’s Health Insurance Credit Net OPEB Liability (Asset) to Changes in the Discount Rate***

The following presents the County’s Health Insurance Credit Program net HIC OPEB liability (asset) using the discount rate of 7.00%, as well as what the County’s net HIC OPEB 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		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's Net HIC OPEB Liability (Asset) \$	(894) \$	(5,409) \$	(9,218)

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

For the year ended June 30, 2018, the County recognized Health Insurance Credit Program OPEB expense of \$153. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the County’s Health Insurance Credit Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on HIC OPEB plan investments	\$ -	\$ 1,572
Change in assumptions	-	1,673
Employer contributions subsequent to the measurement date	220	-
Total	\$ 220	\$ 3,245

**Note 14—Health Insurance Credit (HIC) Program: (Continued)**

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**Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB: (Continued)**

\$220 reported as deferred outflows of resources related to the HIC OPEB resulting from the County’s contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2019	\$	(679)
2020		(679)
2021		(679)
2022		(679)
2023		(286)
Thereafter		(243)

**Health Insurance Credit Program Plan Data**

Information about the VRS Political Subdivision Health Insurance Credit Program 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.



**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><b>Eligible Employees</b></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"> <li>• Full-time permanent (professional) salaried employees of public school divisions covered under VRS.</li> </ul>
<p><b>Benefit Amounts</b></p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li>• <u>At Retirement</u> - 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.</li> <li>• <u>Disability Retirement</u> - 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"> <li>○ \$4.00 per month, multiplied by twice the amount of service credit, or</li> <li>○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.</li> </ul> </li> </ul>
<p><b>Health Insurance Credit Program Notes:</b></p> <ul style="list-style-type: none"> <li>• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.</li> <li>• 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.</li> </ul>

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

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***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 \$102,151 and \$96,483 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 \$1,260,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 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 .09939% as compared to .09844% 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 \$105,000. 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 NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
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	\$ -	\$ 2,000
Change in assumptions	-	13,000
Change in proportion	10,000	-
Employer contributions subsequent to the measurement date	<u>102,151</u>	<u>-</u>
Total	<u>\$ 112,151</u>	<u>\$ 15,000</u>

\$102,151 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:

<u>Year Ended June 30</u>	
2019	\$ (1,000)
2020	(1,000)
2021	(1,000)
2022	(1,000)
2023	(1,000)
Thereafter	-

**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.

**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
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.

**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:

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 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.

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

	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	\$ 1,407,000	\$ 1,260,000	\$ 1,136,000

***Teacher Employee HIC OPEB Fiduciary Net Position***

Detailed information about the VRS Teacher Employee Health Insurance Credit Program’s Fiduciary Net Position is available in the separately issued VRS 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.

**Note 16—Medical and Dental Pay-As-You-Go (OPEB Plan):**

**County and School Board**

***Plan Description***

In addition to the pension benefits described in Note 12, the group life benefits described in Note 13, and the HIC benefits described in Note 14, the County administers a single-employer defined benefit healthcare plan, The County of Northumberland Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County’s pension plans. The plan does not issue a publicly available financial report.

In addition to the pension benefits described in Note 12, the group life benefits described in Note 13, and the HIC benefits described in Note 15, the Component Unit School Board administers a single-employer defined benefit healthcare plan, The Northumberland County Public Schools Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board’s pension plans. The plan does not issue a publicly available financial report.

***Benefits Provided***

Postemployment benefits that are provided to eligible County retirees and their eligible spouses or dependents. Benefits include medical, dental, and vision coverage. Benefits end at the earlier of the retiree’s age 65 or the retiree’s death. The monthly premiums below are effective for the year beginning July 1, 2017.

Postemployment benefits that are provided to eligible School Board retirees include medical, dental, and vision coverage for the retirees, eligible spouses, and eligible dependents. Retirees are eligible to choose either the Key Advantage 250 or Key Advantage 1000 medical options. Both are available with either comprehensive or preventative dental coverage. Benefits end at the earlier of the retiree’s age 65 or death.

***Plan Membership***

At June 30, 2018 (measurement date), the following employees were covered by the benefit terms:

	Primary Government	Component Unit School Board
Total active employees with coverage	100	200
Total retirees with coverage	4	10
Total	<u>104</u>	<u>210</u>



**Note 16—Medical and Dental Pay-As-You-Go (OPEB Plan): (Continued)**

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**County and School Board: (Continued)**

**Contributions**

The County nor the School Board pre-funds benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County or School Board. The amount paid by the County and the School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$16,271 and \$41,035

**Total OPEB Liability**

The County and School Board's total OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that January 1, 2018.

**Actuarial Assumptions**

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Salary Increases	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Discount Rate	3.5% as of June 30, 2017; 3.87% as of June 30, 2018

Mortality rates for the County were based on the following actuarial assumptions:

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related.

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 setback 1 year with 1.5% increase compounded from ages 70 to 85.

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

These mortality assumptions were chosen to match the mortality assumptions used in the June 30, 2017 valuation of the Virginia Retirement System.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2018 (Continued)

**Note 16—Medical and Dental Pay-As-You-Go (OPEB Plan): (Continued)**

County and School Board: (Continued)

**Actuarial Assumptions (Continued)**

Mortality rates for the School Board were based on the following actuarial assumptions:

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related.

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 setback 1 year with 1.5% increase compounded from ages 70 to 85.

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

These mortality assumptions were chosen to match the mortality assumptions used in the June 30, 2017 valuation of the Virginia Retirement System.

**Discount Rate**

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the Bond Buyer 20-Year Bond GO Index as of June 30, 2018.

**Changes in Total OPEB Liability**

	Primary Government Total OPEB Liability	Component Unit School Board Total OPEB Liability
	<u>                    </u>	<u>                    </u>
Balances at June 30, 2017	\$ 238,566	\$ 523,465
Changes for the year:		
Service cost	18,372	25,263
Interest	8,711	18,493
Changes in assumptions	(6,764)	(12,522)
Benefit payments	(16,271)	(41,035)
Net changes	<u>\$ 4,048</u>	<u>\$ (9,801)</u>
Balances at June 30, 2018	<u><u>\$ 242,614</u></u>	<u><u>\$ 513,664</u></u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2018 (Continued)

**Note 16—Medical and Dental Pay-As-You-Go (OPEB Plan): (Continued)**

County and School Board: (Continued)

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following amounts present the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	Rate		
	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Primary Government:			
Total OPEB liability	\$ 261,429	\$ 242,614	\$ 225,498
Component Unit School Board:			
Total OPEB liability	\$ 547,914	\$ 513,664	\$ 480,954

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current healthcare cost trend rates:

	Rates		
	1% Decrease (6.50%)	Healthcare Cost Trend (7.50%)	1% Increase (8.50%)
Primary Government:			
Total OPEB liability	\$ 217,477	\$ 242,614	\$ 272,583

**Note 16—Medical and Dental Pay-As-You-Go (OPEB Plan): (Continued)**

County and School Board: (Continued)

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates (Continued)**

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current healthcare cost trend rates:

	Rates		
	1% Decrease (6.60%)	Healthcare Cost Trend (7.60%)	1% Increase (8.60%)
Component Unit School Board:			
Total OPEB liability	\$ 463,912	\$ 513,664	\$ 571,556

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended June 30, 2018, the County and the School Board recognized OPEB expense in the amount of \$26,009 and \$41,634. At June 30, 2018, the County and the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government		Component Unit School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 5,690	\$ -	\$ 10,400
Total	\$ -	\$ 5,690	\$ -	\$ 10,400

Amounts reported as deferred outflows of resources and deferred inflow of resources will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board
2020	(1,074)	(2,122)
2022	(1,074)	(2,122)
2023	(1,074)	(1,912)
Thereafter	(320)	-

Additional disclosures on changes in net OPEB liability and related ratios can be found in the required supplementary information following the notes to the financial statements.

COUNTY OF NORTHUMBERLAND, VIRGINIA

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

*Note 17– Surety Bonds:*

	<u>Amount</u>
Division of Risk Management Surety Bond:	
Commonwealth Funds	
Deborah T. Bingham, Clerk of the Circuit Court	\$ 103,000
Ellen Kirby, Treasurer	400,000
Todd E. Thomas, Commissioner of the Revenue	3,000
James R. Lyons, Sheriff	30,000
Fidelity and Deposit Company of Maryland - Surety:	
Board of Supervisors and County Administrator	1,000
Association of Counties Group Self Insurance Risk Pool:	
Public Officials Liability	2,000,000
Employee Dishonesty Policy	250,000

*Note 18– Commitments:*

The County of Northumberland entered into a financing lease agreement dated June 29, 2000 with the Counties of Westmoreland and Richmond to lease a portion of the two counties interest in the Northern Neck Regional Jail located in the Town of Warsaw, Virginia. Annual rental payments of \$345,838 are to be made through December 15, 2018 with 64% payable to the Northern Neck Regional Jail Board and 36% payable to Richmond County. Annual rental payments are subject to appropriation. After all scheduled lease payments are made, Northumberland County will hold an ownership interest in the Regional Jail Facility of 25%.

*Note 19– 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.

COUNTY OF NORTHUMBERLAND, VIRGINIA

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

*Note 19— Fair Value Measurements: (Continued)*

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

Investment type	Balance June 30, 2018	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government Debt Securities:				
U.S. Government Money Market Fund	\$ 5,561,489	\$ 5,561,489	\$ -	\$ -

*Note 20 - 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 \$32,858.

*Note 21—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

*Note 21—Upcoming Pronouncements: (Continued)*

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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.

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-related 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 NORTHUMBERLAND, VIRGINIA

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

*Note 22 - 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)). The implementation of these Statements resulted in the following restatement of net position:

	Govern- mental Activities	Business- Type Activities	Component Unit - School Board
Net position, July 1, 2017, as previously stated	\$ 9,451,689	\$ 3,140,633	\$ (6,008,196)
Implementation of GASB 75:			
Adjustment to record OPEB GLI liability as reported by VRS at the beginning of the year	(352,421)	(13,579)	(799,000)
Adjustment to record deferred outflow of resources related to OPEB GLI liability at the beginning of the year	20,576	793	44,470
Adjustment to record OPEB HIC liability (asset) as reported by VRS at the beginning of the year	1,803	302	(1,249,000)
Adjustment to record deferred outflow of resources related to OPEB HIC liability (asset) at the beginning of the year	182	30	96,483
Adjustment to remove OPEB healthcare obligation as reported under GASB 45	190,849	-	260,103
Adjustment to record OPEB healthcare insurance liability as reported under GASB 75	(204,332)	(34,234)	(523,465)
Net position, July 1, 2017, as restated	<u>\$ 9,108,346</u>	<u>\$ 3,093,945</u>	<u>\$ (8,178,605)</u>



County of Northumberland, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 19,090,376	\$ 19,090,376	\$ 19,536,736	\$ 446,360
Other local taxes	1,751,000	1,751,000	1,905,317	154,317
Permits, privilege fees, and regulatory licenses	84,400	84,400	128,861	44,461
Fines and forfeitures	20,000	20,000	35,607	15,607
Revenue from the use of money and property	108,000	108,000	165,204	57,204
Charges for services	64,589	64,589	375,233	310,644
Miscellaneous	169,650	169,650	126,473	(43,177)
Recovered costs	73,729	73,729	435,855	362,126
Intergovernmental:				
Commonwealth	4,398,180	4,398,180	3,929,656	(468,524)
Federal	-	-	798,738	798,738
Total revenues	\$ 25,759,924	\$ 25,759,924	\$ 27,437,680	\$ 1,677,756
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,757,384	\$ 1,758,893	\$ 1,590,404	\$ 168,489
Judicial administration	864,766	872,077	860,773	11,304
Public safety	4,644,791	4,750,174	4,671,309	78,865
Public works	1,299,735	1,326,335	1,491,756	(165,421)
Health and welfare	2,635,191	2,635,191	2,458,919	176,272
Education	11,636,437	11,636,437	11,773,019	(136,582)
Parks, recreation, and cultural	193,263	193,263	193,263	-
Community development	369,854	369,853	337,495	32,358
Capital projects	140,000	292,500	205,539	86,961
Debt service:				
Principal retirement	950,000	950,000	950,000	-
Interest and other fiscal charges	1,077,915	1,077,915	1,078,615	(700)
Total expenditures	\$ 25,569,336	\$ 25,862,638	\$ 25,611,092	\$ 251,546
Excess (deficiency) of revenues over (under) expenditures	\$ 190,588	\$ (102,714)	\$ 1,826,588	\$ 1,929,302
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 345,838	\$ 345,838	\$ -	\$ (345,838)
Transfers out	(572,521)	(572,521)	(1,158,019)	(585,498)
Total other financing sources (uses)	\$ (226,683)	\$ (226,683)	\$ (1,158,019)	\$ (931,336)
Net change in fund balances	\$ (36,095)	\$ (329,397)	\$ 668,569	\$ 997,966
Fund balances - beginning	6,452,500	6,452,500	5,546,316	(906,184)
Fund balances - ending	\$ 6,416,405	\$ 6,123,103	\$ 6,214,885	\$ 91,782

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

	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 440,974	\$ 413,402	\$ 383,185	\$ 379,392
Interest	1,149,231	1,110,893	1,084,417	1,031,873
Differences between expected and actual experience	321,626	(71,832)	(282,284)	-
Changes in assumptions	(123,405)	-	-	-
Benefit payments, including refunds of employee contributions	(878,971)	(930,594)	(683,580)	(637,699)
<b>Net change in total pension liability</b>	<b>\$ 909,455</b>	<b>\$ 521,869</b>	<b>\$ 501,738</b>	<b>\$ 773,566</b>
Total pension liability - beginning	16,857,068	16,335,199	15,833,461	15,059,895
<b>Total pension liability - ending (a)</b>	<b>\$ 17,766,523</b>	<b>\$ 16,857,068</b>	<b>\$ 16,335,199</b>	<b>\$ 15,833,461</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 343,327	\$ 428,319	\$ 408,319	\$ 439,811
Contributions - employee	198,437	184,084	176,948	168,381
Net investment income	1,794,139	252,892	658,638	1,965,945
Benefit payments, including refunds of employee contributions	(878,971)	(930,594)	(683,580)	(637,699)
Administrative expense	(10,491)	(9,367)	(8,983)	(10,518)
Other	(1,590)	(109)	(137)	104
<b>Net change in plan fiduciary net position</b>	<b>\$ 1,444,851</b>	<b>\$ (74,775)</b>	<b>\$ 551,205</b>	<b>\$ 1,926,024</b>
Plan fiduciary net position - beginning	14,823,311	14,898,086	14,346,881	12,420,857
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 16,268,162</b>	<b>\$ 14,823,311</b>	<b>\$ 14,898,086</b>	<b>\$ 14,346,881</b>
<b>County's net pension liability - ending (a) - (b)</b>	<b>\$ 1,498,361</b>	<b>\$ 2,033,757</b>	<b>\$ 1,437,113</b>	<b>\$ 1,486,580</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>91.57%</b>	<b>87.94%</b>	<b>91.20%</b>	<b>90.61%</b>
<b>Covered payroll</b>	<b>\$ 4,098,796</b>	<b>\$ 3,763,252</b>	<b>\$ 3,565,027</b>	<b>\$ 3,367,620</b>
<b>County's net pension liability as a percentage of covered payroll</b>	<b>36.56%</b>	<b>54.04%</b>	<b>40.31%</b>	<b>44.14%</b>

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.

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

	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 72,261	\$ 70,447	\$ 69,172	\$ 66,406
Interest	293,570	285,665	273,641	268,066
Differences between expected and actual experience	(21,072)	(11,964)	84,598	-
Changes in assumptions	(25,266)	-	-	-
Benefit payments, including refunds of employee contributions	(230,250)	(232,167)	(279,140)	(230,511)
<b>Net change in total pension liability</b>	<b>\$ 89,243</b>	<b>\$ 111,981</b>	<b>\$ 148,271</b>	<b>\$ 103,961</b>
Total pension liability - beginning	4,308,986	4,197,005	4,048,734	3,944,773
<b>Total pension liability - ending (a)</b>	<b>\$ 4,398,229</b>	<b>\$ 4,308,986</b>	<b>\$ 4,197,005</b>	<b>\$ 4,048,734</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 92,456	\$ 86,287	\$ 83,473	\$ 70,655
Contributions - employee	34,330	32,341	31,292	31,088
Net investment income	406,550	57,310	152,762	479,575
Benefit payments, including refunds of employee contributions	(230,250)	(232,167)	(279,140)	(230,511)
Administrative expense	(2,398)	(2,173)	(2,217)	(2,674)
Other	(360)	(25)	(32)	25
<b>Net change in plan fiduciary net position</b>	<b>\$ 300,328</b>	<b>\$ (58,427)</b>	<b>\$ (13,862)</b>	<b>\$ 348,158</b>
Plan fiduciary net position - beginning	3,385,798	3,444,225	3,458,087	3,109,929
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 3,686,126</b>	<b>\$ 3,385,798</b>	<b>\$ 3,444,225</b>	<b>\$ 3,458,087</b>
School Division's net pension liability - ending (a) - (b)	\$ 712,103	\$ 923,188	\$ 752,780	\$ 590,647
Plan fiduciary net position as a percentage of the total pension liability	83.81%	78.58%	82.06%	85.41%
Covered payroll	\$ 707,889	\$ 659,462	\$ 637,904	\$ 636,555
School Division's net pension liability as a percentage of covered payroll	100.60%	139.99%	118.01%	92.79%

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.

County of Northumberland, Virginia  
 Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan  
 For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.09995%	0.09844%	0.10121%	0.10127%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 12,292,000	\$ 13,795,000	\$ 12,739,000	\$ 12,238,000
Employer's Covered Payroll	8,183,043	8,498,329	7,260,159	7,383,190
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	150.21%	162.33%	175.46%	165.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	68.28%	70.68%	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.

County of Northumberland, Virginia  
 Schedule of Employer Contributions - Pension Plan  
 For the Years Ended June 30, 2009 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)
<b>Primary Government</b>					
2018	\$ 354,445	\$ 354,445	\$ -	\$ 4,253,585	8.33%
2017	352,087	352,087	-	4,098,796	8.59%
2016	432,398	432,398	-	3,763,252	11.49%
2015	409,622	409,622	-	3,565,027	11.49%
2014	439,811	439,811	-	3,367,620	13.06%
2013	430,566	430,566	-	3,296,831	13.06%
2012	311,840	311,840	-	3,096,728	10.07%
2011	305,393	305,393	-	3,032,696	10.07%
2010	223,440	223,440	-	3,060,823	7.30%
2009	220,178	220,178	-	3,016,132	7.30%
<b>Component Unit School Board (nonprofessional)</b>					
2018	\$ 94,352	\$ 94,352	\$ -	\$ 726,516	12.99%
2017	93,795	93,795	-	707,889	13.25%
2016	86,917	86,917	-	659,462	13.18%
2015	84,076	84,076	-	637,904	13.18%
2014	72,313	72,313	-	636,555	11.36%
2013	74,653	74,653	-	657,157	11.36%
2012	56,158	56,158	-	607,765	9.24%
2011	58,877	58,877	-	637,193	9.24%
2010	67,782	67,782	-	661,936	10.24%
2009	70,626	70,626	-	689,704	10.24%
<b>Component Unit School Board (professional)</b>					
2018	\$ 1,334,984	\$ 1,334,984	\$ -	\$ 8,314,729	16.32%
2017	1,154,604	1,154,604	-	8,183,043	14.66%
2016	1,194,865	1,194,865	-	8,498,329	14.06%
2015	1,052,723	1,052,723	-	7,260,159	14.50%
2014	860,880	860,880	-	7,383,190	11.66%
2013	782,648	782,648	-	6,712,247	11.66%
2012	757,010	757,010	-	6,681,465	11.33%
2011	592,578	592,578	-	6,635,812	8.93%
2010	958,268	958,268	-	6,938,943	13.81%
2009	898,696	898,696	-	6,507,574	13.81%

County of Northumberland, Virginia  
Notes to Required Supplementary Information - Pension Plan  
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. 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 is 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%

County of Northumberland, Virginia  
Notes to Required Supplementary Information - Pension Plan  
For the Year Ended June 30, 2018

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability 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	0.02228% \$	366,000 \$	4,109,386	8.91%	48.86%
Component Unit School Board (nonprofessional):					
2017	0.00384% \$	58,000 \$	707,889	8.19%	48.86%
Component Unit School Board (professional):					
2017	0.04253% \$	640,000 \$	7,844,121	8.16%	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.



County of Northumberland, Virginia  
 Schedule of Employer Contributions  
 Group Life Insurance Program  
 For the Years Ended June 30, 2009 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)
<b>Primary Government</b>					
2018	\$ 22,119	\$ 22,119	\$ -	4,253,586	0.52%
2017	21,369	21,369	-	4,109,386	0.52%
2016	18,064	18,064	-	3,763,252	0.48%
2015	17,152	17,152	-	3,573,335	0.48%
2014	16,165	16,165	-	3,367,620	0.48%
2013	15,825	15,825	-	3,296,831	0.48%
2012	8,682	8,682	-	3,100,671	0.28%
2011	8,536	8,536	-	3,048,688	0.28%
2010	6,200	6,200	-	2,296,468	0.27%
2009	8,144	8,144	-	3,016,132	0.27%
<b>Component Unit School Board (nonprofessional)</b>					
2018	\$ 3,778	\$ 3,778	\$ -	726,516	0.52%
2017	3,681	3,681	-	707,889	0.52%
2016	3,165	3,165	-	659,462	0.48%
2015	3,073	3,073	-	640,217	0.48%
2014	3,055	3,055	-	636,555	0.48%
2013	3,154	3,154	-	657,157	0.48%
2012	1,702	1,702	-	607,765	0.28%
2011	1,784	1,784	-	637,193	0.28%
2010	1,342	1,342	-	496,965	0.27%
2009	1,862	1,862	-	689,704	0.27%
<b>Component Unit School Board (professional)</b>					
2018	\$ 43,245	\$ 43,245	\$ -	8,316,322	0.52%
2017	40,789	40,789	-	7,844,121	0.52%
2016	36,233	36,233	-	7,548,590	0.48%
2015	36,197	36,197	-	7,541,035	0.48%
2014	35,548	35,548	-	7,405,916	0.48%
2013	32,374	32,374	-	6,744,618	0.48%
2012	19,135	19,135	-	6,833,846	0.28%
2011	18,580	18,580	-	6,635,809	0.28%
2010	14,069	14,069	-	5,210,697	0.27%
2009	19,165	19,165	-	7,098,163	0.27%

County of Northumberland, Virginia  
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 ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

**VaLORS Employees**

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

County of Northumberland, Virginia  
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 at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**Non-Largest Ten Locality Employers - General Employees**

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

**Largest Ten Locality Employers - Hazardous Duty Employees**

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

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

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

County of Northumberland, Virginia  
 Schedule of Changes in the County's Net OPEB Liability and Related Ratios  
 Health Insurance Credit Program (HIC)  
 Primary Government  
 For the Year Ended June 30, 2018

	<u>2017</u>
Total HIC OPEB Liability	
Service cost	\$ 1,170
Interest	2,857
Changes in assumptions	(1,959)
Benefit payments	(1,215)
Net change in total HIC OPEB liability	\$ 853
Total HIC OPEB Liability - beginning	41,435
Total HIC OPEB Liability - ending (a)	<u>\$ 42,288</u>
Plan fiduciary net position	
Contributions - employer	\$ 212
Net investment income	4,984
Benefit payments	(1,215)
Administrative expense	(80)
Other	256
Net change in plan fiduciary net position	\$ 4,157
Plan fiduciary net position - beginning	43,540
Plan fiduciary net position - ending (b)	<u>\$ 47,697</u>
County's net HIC OPEB liability (asset) - ending (a) - (b)	\$ (5,409)
Plan fiduciary net position as a percentage of the total HIC OPEB liability (asset)	112.79%
Covered payroll	\$ 1,058,674
County's net HIC OPEB liability (asset) as a percentage of covered payroll	-0.51%

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.

County of Northumberland, Virginia  
 Schedule of Employer Contributions  
 Health Insurance Credit Program (HIC)  
 For the Years Ended June 30, 2009 through June 30, 2018

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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	\$ 220	\$ 220	\$ -	\$ 1,100,266	0.02%
2017	212	212	-	1,058,674	0.02%
2016	166	166	-	827,898	0.02%
2015	140	140	-	698,781	0.02%
2014	67	67	-	665,561	0.01%
2013	330	330	-	3,295,534	0.01%
2012	619	619	-	3,094,890	0.02%
2011	607	607	-	3,032,696	0.02%
2010	1,836	1,836	-	3,060,553	0.06%
2009	1,810	1,810	-	3,016,132	0.06%

County of Northumberland, Virginia  
Notes to Required Supplementary Information  
Health Insurance Credit Program (HIC)  
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:

**Largest Ten Locality Employers - General Employees**

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

**Non-Largest Ten Locality Employers - General Employees**

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

**Largest Ten Locality Employers - Hazardous Duty Employees**

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

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

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

County of Northumberland, Virginia  
 Schedule of County School Board's Share of Net OPEB Liability  
 Teacher Health Insurance Credit Program (HIC)  
 For the 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	0.09939% \$	1,260,000 \$	7,844,121	16.06%	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.

County of Northumberland, Virginia  
 Schedule of Employer Contributions  
 Teacher Health Insurance Credit Program (HIC)  
 For the Years Ended June 30, 2009 through June 30, 2018

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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	\$ 102,151	\$ 102,151	\$ -	\$ 8,304,933	1.23%
2017	87,070	87,070	-	7,844,121	1.11%
2016	79,562	79,562	-	7,505,844	1.06%
2015	79,762	79,762	-	7,524,739	1.06%
2014	82,206	82,206	-	7,405,916	1.11%
2013	73,766	73,766	-	6,645,594	1.11%
2012	40,089	40,089	-	6,681,464	0.60%
2011	39,815	39,815	-	6,635,809	0.60%
2010	54,191	54,191	-	5,210,697	1.04%
2009	76,660	76,660	-	7,098,163	1.08%



County of Northumberland, Virginia  
Notes to Required Supplementary Information  
Teacher Health Insurance Credit Program (HIC)  
For the Year Ended June 30, 2018

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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

County of Northumberland, Virginia  
 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios  
 Primary Government  
 For the Year Ended June 30, 2018

	2018
Total OPEB liability	
Service cost	\$ 18,372
Interest	8,711
Changes in assumptions	(6,764)
Benefit payments	(16,271)
Net change in total OPEB liability	\$ 4,048
Total OPEB liability - beginning	238,566
Total OPEB liability - ending	\$ 242,614
 Covered payroll	 \$ 4,158,383
 County's total OPEB liability (asset) as a percentage of covered payroll	  5.83%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

County of Northumberland, Virginia  
 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios  
 Component Unit School Board  
 For the Year Ended June 30, 2018

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		2018
Total OPEB liability		
Service cost	\$	25,263
Interest		18,493
Changes in assumptions		(12,522)
Benefit payments		(41,035)
Net change in total OPEB liability	\$	(9,801)
Total OPEB liability - beginning		523,465
Total OPEB liability - ending	\$	513,664
Covered payroll	\$	8,903,525
School's total OPEB liability (asset) as a percentage of covered payroll		5.77%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

County of Northumberland, Virginia  
 Notes to Required Supplementary Information - County OPEB  
 For the Year Ended June 30, 2018

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Valuation Date: 1/1/2018  
 Measurement Date: 6/30/2018

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal, level % of salary
Discount Rate	3.50% as of June 30, 2017; 3.87% as of June 30, 2018
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 3.60% in 2018, increases to 7.60% in 2019, then gradually declines to 4.30% by the year 2084
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Mortality Rates	Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related. 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 setback 1 year with 1.5% increase compounded from ages 70 to 85. Post-Disablement: RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

County of Northumberland, Virginia  
 Notes to Required Supplementary Information - Component Unit School Board OPEB  
 For the Year Ended June 30, 2018

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Valuation Date: 1/1/2018  
 Measurement Date: 6/30/2018

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal, level % of salary
Discount Rate	3.50% as of June 30, 2017; 3.87% as of June 30, 2018
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 3.60% in 2018, increases to 7.60% in 2019, then gradually declines to 4.30% by the year 2084
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Mortality Rates	Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related. 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 setback 1 year with 1.5% increase compounded from ages 70 to 85. Post-Disablement: RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

County of Northumberland, Virginia  
 County Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2018

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 820,762	\$ 820,762
Net change in fund balances	\$ -	\$ -	\$ 820,762	\$ 820,762
Fund balances - beginning	-	-	20,892	20,892
Fund balances - ending	\$ -	\$ -	\$ 841,654	\$ 841,654

County of Northumberland, Virginia  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2018

	<u>Law</u>	<u>Forfeited</u>	<u>Economic</u>	<u>Courthouse</u>	<u>Total</u>
	<u>Library</u>	<u>Assets</u>	<u>Development</u>	<u>Security</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 776	\$ 98,695	\$ 14,465	\$ 132,117	\$ 246,053
Receivables (net of allowance for uncollectibles):					
Accounts receivable	-	-	-	1,065	1,065
Notes receivable	-	-	10,345	-	10,345
Total assets	<u>\$ 776</u>	<u>\$ 98,695</u>	<u>\$ 24,810</u>	<u>\$ 133,182</u>	<u>\$ 257,463</u>
<b>FUND BALANCES</b>					
Restricted	\$ 776	\$ 98,695	\$ 24,810	\$ 133,182	\$ 257,463
Total fund balances	<u>\$ 776</u>	<u>\$ 98,695</u>	<u>\$ 24,810</u>	<u>\$ 133,182</u>	<u>\$ 257,463</u>

County of Northumberland, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2018

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	Law Library Fund	Forfeited Assets Fund	Economic Development Fund	Courthouse Security Fund	Total
<b>REVENUES</b>					
Revenue from the use of money and property	\$ -	\$ -	\$ 15	\$ -	\$ 15
Charges for services	-	-	-	13,558	13,558
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 13,558</u>	<u>\$ 13,573</u>
<b>EXPENDITURES</b>					
Current:					
Public safety	\$ -	\$ 12,296	\$ -	\$ -	\$ 12,296
Total expenditures	<u>\$ -</u>	<u>\$ 12,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,296</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (12,296)</u>	<u>\$ 15</u>	<u>\$ 13,558</u>	<u>\$ 1,277</u>
Net change in fund balances	\$ -	\$ (12,296)	\$ 15	\$ 13,558	\$ 1,277
Fund balances - beginning	776	110,991	24,795	119,624	256,186
Fund balances - ending	<u>\$ 776</u>	<u>\$ 98,695</u>	<u>\$ 24,810</u>	<u>\$ 133,182</u>	<u>\$ 257,463</u>



County of Northumberland, Virginia  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2018

	Law Library Fund				Forfeited Assets Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
<b>REVENUES</b>								
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>								
Current:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,296	\$ (12,296)
Total expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,296	\$ (12,296)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (12,296)	\$ (12,296)
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (12,296)	\$ (12,296)
Fund balances - beginning	-	-	776	776	-	-	110,991	110,991
Fund balances - ending	\$ -	\$ -	\$ 776	\$ 776	\$ -	\$ -	\$ 98,695	\$ 98,695

Economic Development Fund					Courthouse Security Fund				
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		
Original	Final			Original	Final				
\$ -	\$ -	\$ 15	\$ 15	\$ -	\$ -	\$ -	\$ -		
-	-	-	-	-	-	13,558	13,558		
\$ -	\$ -	\$ 15	\$ 15	\$ -	\$ -	\$ 13,558	\$ 13,558		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
\$ -	\$ -	\$ 15	\$ 15	\$ -	\$ -	\$ 13,558	\$ 13,558		
\$ -	\$ -	\$ 15	\$ 15	\$ -	\$ -	\$ 13,558	\$ 13,558		
-	-	24,795	24,795	-	-	119,624	119,624		
\$ -	\$ -	\$ 24,810	\$ 24,810	\$ -	\$ -	\$ 133,182	\$ 133,182		

County of Northumberland, Virginia  
 Combining Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2018

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	Agency Funds			
	<u>Special Welfare</u>	<u>Road Improvement Bond</u>	<u>350th Anniversary</u>	<u>Tornado Relief</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 77,993	\$ 51,386	\$ 104	\$ 10,137
Total assets	<u>\$ 77,993</u>	<u>\$ 51,386</u>	<u>\$ 104</u>	<u>\$ 10,137</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ -	\$ 51,386	\$ 104	\$ 10,137
Amounts held for social services clients	77,993	-	-	-
Total liabilities	<u>\$ 77,993</u>	<u>\$ 51,386</u>	<u>\$ 104</u>	<u>\$ 10,137</u>

Agency Funds					
<u>Fallen Heroes</u>	<u>Animal Shelter</u>	<u>Project Life Saver</u>	<u>Sheriff's Investigative Funds</u>		<u>Total</u>
\$ 173	\$ 8,356	\$ 1,206	\$ 539	\$	149,894
\$ 173	\$ 8,356	\$ 1,206	\$ 539	\$	149,894
\$ 173	\$ 8,356	\$ 1,206	\$ 539	\$	71,901
-	-	-	-	\$	77,993
\$ 173	\$ 8,356	\$ 1,206	\$ 539	\$	149,894

County of Northumberland, Virginia  
Combined Statement of Changes in Assets and Liabilities - Agency Funds  
For the Year Ended June 30, 2018

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>Special Welfare:</b>				
Assets:				
Cash and cash equivalents	\$ 47,970	\$ 73,973	\$ 43,950	\$ 77,993
Liabilities:				
Amounts held for social services clients	\$ 47,970	\$ 73,973	\$ 43,950	\$ 77,993
<b>Road Improvement Bond:</b>				
Assets:				
Cash and cash equivalents	\$ 30,239	\$ 21,147	\$ -	\$ 51,386
Liabilities:				
Amounts held for others	\$ 30,239	\$ 21,147	\$ -	\$ 51,386
<b>350th Anniversary:</b>				
Assets:				
Cash and cash equivalents	\$ 104	\$ -	\$ -	\$ 104
Liabilities:				
Amounts held for others	\$ 104	\$ -	\$ -	\$ 104
<b>Tornado Relief:</b>				
Assets:				
Cash and cash equivalents	\$ 10,137	\$ -	\$ -	\$ 10,137
Liabilities:				
Amounts held for others	\$ 10,137	\$ -	\$ -	\$ 10,137
<b>Fallen Heroes:</b>				
Assets:				
Cash and cash equivalents	\$ 173	\$ -	\$ -	\$ 173
Liabilities:				
Amounts held for others	\$ 173	\$ -	\$ -	\$ 173

County of Northumberland, Virginia  
Combined Statement of Changes in Assets and Liabilities - Agency Funds (Continued)  
For the Year Ended June 30, 2018

<b>Animal Shelter:</b>								
Assets:								
Cash and cash equivalents	\$	<u>245,901</u>	\$	<u>16,681</u>	\$	<u>254,226</u>	\$	<u>8,356</u>
Liabilities:								
Amounts held for others	\$	<u>245,901</u>	\$	<u>16,681</u>	\$	<u>254,226</u>	\$	<u>8,356</u>
<b>Project Life Saver</b>								
Assets:								
Cash and cash equivalents	\$	<u>1,175</u>	\$	<u>200</u>	\$	<u>169</u>	\$	<u>1,206</u>
Liabilities:								
Amounts held for others	\$	<u>1,175</u>	\$	<u>200</u>	\$	<u>169</u>	\$	<u>1,206</u>
<b>Sheriff's Investigative Fund:</b>								
Assets:								
Cash and cash equivalents	\$	<u>539</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>539</u>
Liabilities:								
Amounts held for others	\$	<u>539</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>539</u>
<b>Totals -- All Agency Funds</b>								
Assets:								
Cash and cash equivalents	\$	<u>336,238</u>	\$	<u>112,001</u>	\$	<u>298,345</u>	\$	<u>149,894</u>
Total assets	\$	<u>336,238</u>	\$	<u>112,001</u>	\$	<u>298,345</u>	\$	<u>149,894</u>
Liabilities:								
Amounts held for others	\$	<u>288,268</u>	\$	<u>38,028</u>	\$	<u>254,395</u>	\$	<u>71,901</u>
Amounts held for social services clients		<u>47,970</u>		<u>73,973</u>		<u>43,950</u>		<u>77,993</u>
Total liabilities	\$	<u>336,238</u>	\$	<u>112,001</u>	\$	<u>298,345</u>	\$	<u>149,894</u>

County of Northumberland, Virginia  
Combining Balance Sheet  
Discretely Presented Component Unit - School Board - Governmental Funds  
June 30, 2018

	School Operating <u>Fund</u>	Health Insurance Recovery <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,000	\$ 160,267	\$ -	\$ 162,267
Cash in custody of others	-	-	169,755	169,755
Receivables (net of allowance for uncollectibles):				
Accounts receivable	48,701	-	-	48,701
Due from other funds	119,045	-	-	119,045
Due from other governmental units	1,358,413	-	12,963	1,371,376
Total assets	<u>\$ 1,528,159</u>	<u>\$ 160,267</u>	<u>\$ 182,718</u>	<u>\$ 1,871,144</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 136,275	\$ -	\$ -	\$ 136,275
Accrued liabilities	1,389,884	-	-	1,389,884
Due to other funds	-	-	119,045	119,045
Total liabilities	<u>\$ 1,526,159</u>	<u>\$ -</u>	<u>\$ 119,045</u>	<u>\$ 1,645,204</u>
<b>FUND BALANCES</b>				
Committed:				
School Operating Fund	\$ 2,000	\$ -	\$ -	\$ 2,000
School Cafeteria Fund	-	-	63,673	63,673
Assigned				
Health Insurance Recovery Fund	-	160,267	-	160,267
Total fund balances	<u>\$ 2,000</u>	<u>\$ 160,267</u>	<u>\$ 63,673</u>	<u>\$ 225,940</u>
Total liabilities and fund balances	<u>\$ 1,528,159</u>	<u>\$ 160,267</u>	<u>\$ 182,718</u>	<u>\$ 1,871,144</u>

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

Total fund balances per above	\$ 225,940
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:	
Capital assets, cost	\$ 11,700,787
Accumulated depreciation	<u>(4,732,238)</u>
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	
Pension related items	\$ 2,057,336
OPEB related items	<u>167,174</u>
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	\$ (403,063)
Net pension liability	(13,004,103)
Net OPEB liabilities	<u>(2,471,664)</u>
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension related items	\$ (1,630,672)
OPEB related items	<u>(102,400)</u>
Net position of governmental activities	<u><u>\$ (8,192,903)</u></u>

County of Northumberland, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2018

	School Operating Fund	Health Insurance Recovery Fund	School Cafeteria Fund	Total Governmental Funds
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 2,599	\$ -	\$ 55	\$ 2,654
Charges for services	-	-	93,923	93,923
Miscellaneous	3,228	-	1,815	5,043
Recovered costs	378,702	-	-	378,702
Intergovernmental:				
Local government	11,751,052	-	-	11,751,052
Commonwealth	4,091,390	-	5,578	4,096,968
Federal	1,165,078	-	422,590	1,587,668
Total revenues	<u>\$ 17,392,049</u>	<u>\$ -</u>	<u>\$ 523,961</u>	<u>\$ 17,916,010</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 17,400,943	\$ -	\$ 519,015	\$ 17,919,958
Capital projects	44,197	-	-	44,197
Total expenditures	<u>\$ 17,445,140</u>	<u>\$ -</u>	<u>\$ 519,015</u>	<u>\$ 17,964,155</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (53,091)</u>	<u>\$ -</u>	<u>\$ 4,946</u>	<u>\$ (48,145)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 53,091	\$ -	\$ -	\$ 53,091
Transfers out	-	-	(53,091)	(53,091)
Total other financing sources (uses)	<u>\$ 53,091</u>	<u>\$ -</u>	<u>\$ (53,091)</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ (48,145)	\$ (48,145)
Fund balances - beginning	2,000	160,267	111,818	274,085
Fund balances - ending	<u>\$ 2,000</u>	<u>\$ 160,267</u>	<u>\$ 63,673</u>	<u>\$ 225,940</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:				
Net change in fund balances - total governmental funds - per above				\$ (48,145)
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 exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:				
Capital outlay			\$ 91,936	
Depreciation expense			(373,203)	
Transfer of joint tenancy assets to Component Unit from Primary Government			<u>(35,695)</u>	(316,962)
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:				
Decrease (increase) in compensated absences			\$ 14,032	
Pension expense			313,155	
OPEB expense			<u>23,622</u>	350,809
Change in net position of governmental activities				<u>\$ (14,298)</u>



County of Northumberland, Virginia  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2018

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ -	\$ -	\$ -	\$ -
Other local taxes	-	-	-	-
Permits, privilege fees, and regulatory licenses	-	-	-	-
Fines and forfeitures	-	-	-	-
Revenue from the use of money and property	\$ 8,500	\$ 8,500	\$ 2,599	\$ (5,901)
Charges for services	-	-	-	-
Miscellaneous	47,550	89,443	3,228	(86,215)
Recovered costs	340,000	340,000	378,702	38,702
Intergovernmental:				
Local government	11,614,470	11,614,470	11,751,052	136,582
Commonwealth	4,289,640	4,289,640	4,091,390	(198,250)
Federal	951,755	951,755	1,165,078	213,323
Total revenues	<u>\$ 17,251,915</u>	<u>\$ 17,293,808</u>	<u>\$ 17,392,049</u>	<u>\$ 98,241</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 17,204,915	\$ 17,246,808	\$ 17,400,943	\$ (154,135)
Capital projects	47,000	47,000	44,197	2,803
Total expenditures	<u>\$ 17,251,915</u>	<u>\$ 17,293,808</u>	<u>\$ 17,445,140</u>	<u>\$ (151,332)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (53,091)</u>	<u>\$ (53,091)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,091</u>	<u>\$ 53,091</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	2,000	2,000
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>

County of Northumberland, Virginia  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Special Revenue Fund - Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2018

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 40	\$ 40	\$ 55	\$ 15
Charges for services	130,632	130,632	93,923	(36,709)
Miscellaneous	16,475	16,475	1,815	(14,660)
Intergovernmental:				
Commonwealth	5,600	5,600	5,578	(22)
Federal	395,832	395,832	422,590	26,758
Total revenues	<u>\$ 548,579</u>	<u>\$ 548,579</u>	<u>\$ 523,961</u>	<u>\$ (24,618)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 574,214	\$ 574,214	\$ 519,015	\$ 55,199
Total expenditures	<u>\$ 574,214</u>	<u>\$ 574,214</u>	<u>\$ 519,015</u>	<u>\$ 55,199</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (25,635)</u>	<u>\$ (25,635)</u>	<u>\$ 4,946</u>	<u>\$ 30,581</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ -	\$ (53,091)	\$ (53,091)
Net change in fund balances	\$ (25,635)	\$ (25,635)	\$ (48,145)	\$ (22,510)
Fund balances - beginning	25,635	25,635	111,818	86,183
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,673</u>	<u>\$ 63,673</u>

County of Northumberland, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 15,822,576	\$ 15,822,576	\$ 15,935,590	\$ 113,014
Real and personal public service corporation taxes	215,000	215,000	297,679	82,679
Personal property taxes	2,190,000	2,190,000	2,328,307	138,307
Custom house boat taxes	442,800	442,800	475,138	32,338
Mobile home taxes	25,000	25,000	29,064	4,064
Machinery and tools taxes	185,000	185,000	189,599	4,599
Merchant's capital taxes	45,000	45,000	49,884	4,884
Penalties	105,000	105,000	127,473	22,473
Interest	60,000	60,000	104,002	44,002
Total general property taxes	<u>\$ 19,090,376</u>	<u>\$ 19,090,376</u>	<u>\$ 19,536,736</u>	<u>\$ 446,360</u>
Other local taxes:				
Local sales and use taxes	\$ 680,000	\$ 680,000	\$ 718,325	\$ 38,325
Consumers' utility taxes	340,000	340,000	343,974	3,974
Consumption tax	46,000	46,000	57,284	11,284
Motor vehicle licenses	360,000	360,000	370,984	10,984
Bank stock taxes	175,000	175,000	250,428	75,428
Taxes on recordation and wills	150,000	150,000	164,322	14,322
Total other local taxes	<u>\$ 1,751,000</u>	<u>\$ 1,751,000</u>	<u>\$ 1,905,317</u>	<u>\$ 154,317</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 17,000	\$ 17,000	\$ 15,229	\$ (1,771)
Land use application fees	1,500	1,500	19,100	17,600
Transfer fees	1,000	1,000	866	(134)
Permits and other licenses	64,900	64,900	93,666	28,766
Total permits, privilege fees, and regulatory licenses	<u>\$ 84,400</u>	<u>\$ 84,400</u>	<u>\$ 128,861</u>	<u>\$ 44,461</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 20,000	\$ 20,000	\$ 35,607	\$ 15,607
Revenue from use of money and property:				
Revenue from use of money	\$ 38,000	\$ 38,000	\$ 97,456	\$ 59,456
Revenue from use of property	70,000	70,000	67,748	(2,252)
Total revenue from use of money and property	<u>\$ 108,000</u>	<u>\$ 108,000</u>	<u>\$ 165,204</u>	<u>\$ 57,204</u>
Charges for services:				
Sheriff's fees	\$ 539	\$ 539	\$ 539	\$ -
Court costs	1,500	1,500	8,793	7,293
Courthouses maintenance fees	2,000	2,000	2,488	488
Charges for Commonwealth's Attorney	900	900	1,174	274
Charges for correction and detention	11,000	11,000	2,368	(8,632)
Charges for other protection	650	650	-	(650)
Charges for EMS	48,000	48,000	359,871	311,871
Total charges for services	<u>\$ 64,589</u>	<u>\$ 64,589</u>	<u>\$ 375,233</u>	<u>\$ 310,644</u>

County of Northumberland, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 169,650	\$ 169,650	\$ 126,473	\$ (43,177)
Recovered costs:				
Judge reimbursement	\$ 49,729	\$ 49,729	\$ 49,927	\$ 198
Health department	-	-	31,533	31,533
Game reimbursements	-	-	4,839	4,839
DMV License Agent fee	24,000	24,000	29,865	5,865
Animal shelter	-	-	289,891	289,891
School resource officer	-	-	25,000	25,000
Other	-	-	4,800	4,800
Total recovered costs	\$ 73,729	\$ 73,729	\$ 435,855	\$ 362,126
Total revenue from local sources	\$ 21,361,744	\$ 21,361,744	\$ 22,709,286	\$ 1,347,542
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 380,000	\$ 380,000	\$ 349,637	\$ (30,363)
Motor vehicle carriers' tax	-	-	54	54
Mobile home titling tax	10,000	10,000	10,116	116
Recordation and grantors tax	57,000	57,000	52,350	(4,650)
Personal property tax relief funds	930,000	930,000	991,895	61,895
Additional tax on deeds	-	-	53,363	53,363
Total noncategorical aid	\$ 1,377,000	\$ 1,377,000	\$ 1,457,415	\$ 80,415
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 218,275	\$ 218,275	\$ 218,077	\$ (198)
Sheriff	752,695	752,695	761,905	9,210
Commissioner of revenue	92,203	92,203	92,173	(30)
Treasurer	116,317	116,317	116,264	(53)
Registrar/electoral board	36,000	36,000	37,399	1,399
Clerk of the Circuit Court	235,535	235,535	252,052	16,517
Total shared expenses	\$ 1,451,025	\$ 1,451,025	\$ 1,477,870	\$ 26,845
Other categorical aid:				
Public assistance and welfare administration	\$ 1,294,359	\$ 1,294,359	\$ 366,459	\$ (927,900)
Animal friendly plates	-	-	168	168
Victim witness program	44,711	44,711	10,646	(34,065)
EMS - Four for life	12,000	12,000	-	(12,000)
Comprehensive services act	-	-	243,323	243,323
Fire programs fund	40,000	40,000	41,221	1,221
E911 wireless grant	-	-	44,343	44,343
Emergency services grant	138,285	138,285	138,211	(74)

County of Northumberland, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
DMV grant	\$ 6,000	\$ 6,000	\$ -	\$ (6,000)
Sheriff's grant	-	-	150,000	150,000
Other grants	34,800	34,800	-	(34,800)
Total other categorical aid	<u>\$ 1,570,155</u>	<u>\$ 1,570,155</u>	<u>\$ 994,371</u>	<u>\$ (575,784)</u>
Total categorical aid	<u>\$ 3,021,180</u>	<u>\$ 3,021,180</u>	<u>\$ 2,472,241</u>	<u>\$ (548,939)</u>
Total revenue from the Commonwealth	<u>\$ 4,398,180</u>	<u>\$ 4,398,180</u>	<u>\$ 3,929,656</u>	<u>\$ (468,524)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ -	\$ -	\$ 757,699	\$ 757,699
Ground transportation	-	-	2,023	2,023
Byrne Justice Assistance Grant	-	-	7,076	7,076
Victim witness program	-	-	31,940	31,940
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 798,738</u>	<u>\$ 798,738</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 798,738</u>	<u>\$ 798,738</u>
Total General Fund	<u><u>\$ 25,759,924</u></u>	<u><u>\$ 25,759,924</u></u>	<u><u>\$ 27,437,680</u></u>	<u><u>\$ 1,677,756</u></u>
Special Revenue Funds:				
Economic Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 15	\$ 15
Total Economic Development Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 15</u>
Courthouse Security Fund:				
Revenue from local sources:				
Charges for services:				
Courthouse security fees	\$ -	\$ -	\$ 13,558	\$ 13,558
Total Courthouse Security Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,558</u>	<u>\$ 13,558</u>
Total Primary Government	<u><u>\$ 25,759,924</u></u>	<u><u>\$ 25,759,924</u></u>	<u><u>\$ 27,451,253</u></u>	<u><u>\$ 1,691,329</u></u>

County of Northumberland, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2018

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 8,500	\$ 8,500	\$ 2,599	\$ (5,901)
Total revenue from use of money and property	<u>\$ 8,500</u>	<u>\$ 8,500</u>	<u>\$ 2,599</u>	<u>\$ (5,901)</u>
Miscellaneous:				
Miscellaneous	\$ 47,550	\$ 89,443	\$ 3,228	\$ (86,215)
Recovered costs:				
Medicaid reimbursements	\$ 20,000	\$ 20,000	\$ 24,689	\$ 4,689
E-rate reimbursements	120,000	120,000	128,579	8,579
Northern Neck Regional Special Education	200,000	200,000	200,000	-
Other recovered costs	-	-	25,434	25,434
Total recovered costs	<u>\$ 340,000</u>	<u>\$ 340,000</u>	<u>\$ 378,702</u>	<u>\$ 38,702</u>
Total revenue from local sources	<u>\$ 396,050</u>	<u>\$ 437,943</u>	<u>\$ 384,529</u>	<u>\$ (53,414)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Northumberland, Virginia	\$ 11,614,470	\$ 11,614,470	\$ 11,751,052	\$ 136,582
Categorical aid:				
Share of state sales tax	\$ 1,483,957	\$ 1,483,957	\$ 1,397,846	\$ (86,111)
Basic school aid	1,545,326	1,545,326	1,447,966	(97,360)
At risk 4 year olds	91,875	91,875	91,875	-
At risk payments	86,005	86,005	83,738	(2,267)
Career Technical Education	3,180	3,180	-	(3,180)
Early reading intervention	7,223	7,223	6,566	(657)
English as a second language	6,604	6,604	6,329	(275)
GED funding	7,859	7,859	8,294	435
Gifted and talented	15,102	15,102	14,366	(736)
Homebound	2,083	2,083	2,805	722
Mentor teacher program	842	842	2,689	1,847
Positive behavior intervention	25,000	25,000	25,000	-
Primary class size	85,571	85,571	81,357	(4,214)
Project Graduation	3,340	3,340	3,340	-
Remedial education	69,532	69,532	66,142	(3,390)
Remedial summer education	21,058	21,058	21,058	-
Salary supplement	-	-	14,500	14,500
School fringes	307,702	307,702	292,700	(15,002)
Security grant	-	-	7,400	7,400
Special education	183,111	183,111	174,183	(8,928)
Supplemental lottery funds	86,245	86,245	82,114	(4,131)
Race to GED	24,611	24,611	-	(24,611)
Standards of Learning algebra readiness	8,117	8,117	8,117	-
Textbook payment	34,539	34,539	32,855	(1,684)
Technology VPSA	128,000	128,000	128,000	-
Vocational education	47,508	47,508	45,192	(2,316)
Vocational education - equipment	-	-	5,624	5,624
Regional programs	-	-	39,328	39,328
Other grants	15,250	15,250	2,006	(13,244)
Total categorical aid	<u>\$ 4,289,640</u>	<u>\$ 4,289,640</u>	<u>\$ 4,091,390</u>	<u>\$ (198,250)</u>
Total revenue from the Commonwealth	<u>\$ 4,289,640</u>	<u>\$ 4,289,640</u>	<u>\$ 4,091,390</u>	<u>\$ (198,250)</u>

County of Northumberland, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2018

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 467,244	\$ 467,244	\$ 680,159	\$ 212,915
Vocational education	31,592	31,592	30,553	(1,039)
Title VIB	286,133	286,133	298,772	12,639
Title II Part A	72,893	72,893	61,898	(10,995)
JROTC grant	67,700	67,700	75,986	8,286
Title VI - rural education	26,193	26,193	17,710	(8,483)
Total categorical aid	<u>\$ 951,755</u>	<u>\$ 951,755</u>	<u>\$ 1,165,078</u>	<u>\$ 213,323</u>
Total revenue from the federal government	<u>\$ 951,755</u>	<u>\$ 951,755</u>	<u>\$ 1,165,078</u>	<u>\$ 213,323</u>
Total School Operating Fund	<u>\$ 17,251,915</u>	<u>\$ 17,293,808</u>	<u>\$ 17,392,049</u>	<u>\$ 98,241</u>
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 40	\$ 40	\$ 55	\$ 15
Total revenue from use of money and property	<u>\$ 40</u>	<u>\$ 40</u>	<u>\$ 55</u>	<u>\$ 15</u>
Charges for services:				
Cafeteria sales	\$ 130,632	\$ 130,632	\$ 93,923	\$ (36,709)
Miscellaneous:				
Miscellaneous	\$ 16,475	\$ 16,475	\$ 1,815	\$ (14,660)
Recovered costs:				
Other recovered costs	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Total revenue from local sources	<u>\$ 148,147</u>	<u>\$ 148,147</u>	<u>\$ 95,793</u>	<u>\$ (52,354)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 5,600	\$ 5,600	\$ 5,578	\$ (22)
Revenue from the federal government:				
Categorical aid:				
Commodities	\$ -	\$ -	\$ 30,722	\$ 30,722
School nutrition program	395,832	395,832	391,868	(3,964)
Total categorical aid	<u>\$ 395,832</u>	<u>\$ 395,832</u>	<u>\$ 422,590</u>	<u>\$ 26,758</u>
Total revenue from the federal government	<u>\$ 395,832</u>	<u>\$ 395,832</u>	<u>\$ 422,590</u>	<u>\$ 26,758</u>
Total School Cafeteria Fund	<u>\$ 549,579</u>	<u>\$ 549,579</u>	<u>\$ 523,961</u>	<u>\$ (25,618)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 17,801,494</u>	<u>\$ 17,843,387</u>	<u>\$ 17,916,010</u>	<u>\$ 72,623</u>

County of Northumberland, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2018

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 250,999	\$ 250,999	\$ 239,529	\$ 11,470
General and financial administration:				
County administrator	\$ 282,049	\$ 282,047	\$ 282,130	\$ (83)
Information Technology	230,922	230,922	197,450	33,472
Legal services	15,000	15,000	15,000	-
Commissioner of revenue	317,104	317,103	294,821	22,282
Legislative audit	56,811	56,811	51,225	5,586
Treasurer	358,391	358,391	376,206	(17,815)
Reassessment	100,000	100,000	852	99,148
Total general and financial administration	\$ 1,360,277	\$ 1,360,274	\$ 1,217,684	\$ 142,590
Board of elections:				
Electoral board and officials	\$ 50,351	\$ 51,863	\$ 42,137	\$ 9,726
Registrar	95,757	95,757	91,054	4,703
Total board of elections	\$ 146,108	\$ 147,620	\$ 133,191	\$ 14,429
Total general government administration	\$ 1,757,384	\$ 1,758,893	\$ 1,590,404	\$ 168,489
Judicial administration:				
Courts:				
Circuit court	\$ 74,593	\$ 74,594	\$ 80,345	\$ (5,751)
General district court	4,172	4,172	3,551	621
Victim witness protection program	49,182	49,181	48,550	631
Juvenile and domestic relations district court	66,813	66,813	64,303	2,510
Clerk of the circuit court	347,401	354,711	346,701	8,010
Total courts	\$ 542,161	\$ 549,471	\$ 543,450	\$ 6,021
Commonwealth's attorney:				
Commonwealth's attorney	\$ 322,605	\$ 322,606	\$ 317,323	\$ 5,283
Total judicial administration	\$ 864,766	\$ 872,077	\$ 860,773	\$ 11,304
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,508,293	\$ 2,540,704	\$ 2,393,250	\$ 147,454
Fire and rescue services:				
Fire department	\$ 466,668	\$ 466,668	\$ 467,717	\$ (1,049)
Ambulance and rescue services	885,080	1,157,973	963,492	194,481
Total fire and rescue services	\$ 1,351,748	\$ 1,624,641	\$ 1,431,209	\$ 193,432
Correction and detention:				
Payments to Regional Jail	\$ 247,894	-	\$ 247,894	\$ (247,894)
Inspections:				
Building	\$ 214,167	\$ 214,165	\$ 211,158	\$ 3,007



County of Northumberland, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2018

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 172,961	\$ 220,936	\$ 219,017	\$ 1,919
Emergency services	149,378	149,378	166,186	(16,808)
Medical examiner	350	350	2,595	(2,245)
Total other protection	<u>\$ 322,689</u>	<u>\$ 370,664</u>	<u>\$ 387,798</u>	<u>\$ (17,134)</u>
Total public safety	<u>\$ 4,644,791</u>	<u>\$ 4,750,174</u>	<u>\$ 4,671,309</u>	<u>\$ 78,865</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Streetlights	\$ 18,360	\$ 18,360	\$ 17,774	\$ 586
Sanitation and waste removal:				
Refuse disposal	\$ 10,000	\$ 10,000	\$ 9,245	\$ 755
Refuse collection	1,021,755	1,048,355	1,191,490	(143,135)
Total sanitation and waste removal	<u>\$ 1,031,755</u>	<u>\$ 1,058,355</u>	<u>\$ 1,200,735</u>	<u>\$ (142,380)</u>
Maintenance of general buildings and grounds:				
General properties	\$ 249,620	\$ 249,620	\$ 273,247	\$ (23,627)
Total public works	<u>\$ 1,299,735</u>	<u>\$ 1,326,335</u>	<u>\$ 1,491,756</u>	<u>\$ (165,421)</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 177,160	\$ 177,160	\$ 177,160	\$ -
Mental health and mental retardation:				
Community services board	\$ 46,196	\$ 46,196	\$ 50,015	\$ (3,819)
Welfare:				
Public assistance and welfare administration	\$ 2,012,826	\$ 2,012,826	\$ 1,610,720	\$ 402,106
Comprehensive services act	208,860	208,860	434,695	(225,835)
Other Social Services	190,149	190,149	186,329	3,820
Total welfare	<u>\$ 2,411,835</u>	<u>\$ 2,411,835</u>	<u>\$ 2,231,744</u>	<u>\$ 180,091</u>
Total health and welfare	<u>\$ 2,635,191</u>	<u>\$ 2,635,191</u>	<u>\$ 2,458,919</u>	<u>\$ 176,272</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 17,500	\$ 17,500	\$ 17,500	\$ -
Adult education	4,467	4,467	4,467	-
Contribution to County School Board	11,614,470	11,614,470	11,751,052	(136,582)
Total education	<u>\$ 11,636,437</u>	<u>\$ 11,636,437</u>	<u>\$ 11,773,019</u>	<u>\$ (136,582)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 50,000	\$ 50,000	\$ 50,000	\$ -

County of Northumberland, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

Schedule 2  
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Library:				
Contribution to county library	\$ 143,263	\$ 143,263	\$ 143,263	\$ -
Total parks, recreation, and cultural	\$ 193,263	\$ 193,263	\$ 193,263	\$ -
Community development:				
Planning and community development:				
Planning and zoning	\$ 220,553	\$ 220,552	\$ 211,887	\$ 8,665
Economic development	36,000	36,000	36,448	(448)
Planning district commission	14,500	14,500	12,183	2,317
Total planning and community development	\$ 271,053	\$ 271,052	\$ 260,518	\$ 10,534
Environmental management:				
Contribution to soil and water conservation district	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Wetlands	18,889	18,889	16,970	1,919
Forestry	5,243	5,243	5,243	-
Total environmental management	\$ 39,132	\$ 39,132	\$ 37,213	\$ 1,919
Cooperative extension program:				
Extension office	\$ 59,669	\$ 59,669	\$ 39,764	\$ 19,905
Total community development	\$ 369,854	\$ 369,853	\$ 337,495	\$ 32,358
Capital projects:				
County owned facilities	\$ 75,000	\$ 75,000	\$ 1,260	\$ 73,740
Public landings	40,000	40,000	38,962	1,038
Fleeton/Callao Sewer project	25,000	25,000	10,660	14,340
Purchase of property	-	152,500	154,657	(2,157)
Total capital projects	\$ 140,000	\$ 292,500	\$ 205,539	\$ 86,961
Debt service:				
Principal retirement	\$ 950,000	\$ 950,000	\$ 950,000	\$ -
Interest and other fiscal charges	1,077,915	1,077,915	1,078,615	(700)
Total debt service	\$ 2,027,915	\$ 2,027,915	\$ 2,028,615	\$ (700)
Total General Fund	\$ 25,569,336	\$ 25,862,638	\$ 25,611,092	\$ 251,546
Special Revenue Funds:				
Forfeited Assets Fund:				
Public safety:				
Sheriff:				
Forfeited assets	\$ -	\$ -	\$ 4,802	\$ (4,802)
Commonwealth Attorney:				
Forfeited assets	\$ -	\$ -	\$ 7,494	\$ (7,494)
Total Forfeited Assets Fund	\$ -	\$ -	\$ 12,296	\$ (12,296)
Total Primary Government	\$ 25,569,336	\$ 25,862,638	\$ 25,623,388	\$ 239,250

County of Northumberland, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2018

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 892,079	\$ 892,079	\$ 875,594	\$ 16,485
Instruction costs	12,766,160	12,766,160	12,512,209	253,951
Pupil transportation	1,062,293	1,062,294	1,290,695	(228,401)
Operation and maintenance of school plant	1,748,733	1,790,625	1,872,394	(81,769)
Technology	735,650	735,650	850,051	(114,401)
Other operating costs	<u>\$ 17,204,915</u>	<u>\$ 17,246,808</u>	<u>\$ 17,400,943</u>	<u>\$ (154,135)</u>
Total education	<u>\$ 17,204,915</u>	<u>\$ 17,246,808</u>	<u>\$ 17,400,943</u>	<u>\$ (154,135)</u>
Capital projects:				
Capital Outlay	<u>\$ 47,000</u>	<u>\$ 47,000</u>	<u>\$ 44,197</u>	<u>\$ 2,803</u>
Total School Operating Fund	<u>\$ 17,251,915</u>	<u>\$ 17,293,808</u>	<u>\$ 17,445,140</u>	<u>\$ (151,332)</u>
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
School food	<u>\$ 574,214</u>	<u>\$ 574,214</u>	<u>\$ 519,015</u>	<u>\$ 55,199</u>
Total School Cafeteria Fund	<u>\$ 574,214</u>	<u>\$ 574,214</u>	<u>\$ 519,015</u>	<u>\$ 55,199</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 17,826,129</u>	<u>\$ 17,868,022</u>	<u>\$ 17,964,155</u>	<u>\$ (96,133)</u>

Table 1

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

Fiscal Year	General Government Administration										Interest on Long-Term Debt	Sanitary District	Total
	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Sanitary District	Sanitary District			
2008-09	\$ 1,312,517	\$ 841,269	\$ 2,909,507	\$ 1,206,586	\$ 1,962,122	\$ 9,552,038	\$ 89,228	\$ 433,527	\$ 1,860,565	\$ 787,029	\$ 20,954,388		
2009-10	1,284,916	925,689	3,153,464	1,165,665	1,965,340	7,882,786	160,000	249,496	1,805,133	799,163	19,391,652		
2010-11	1,449,612	1,885,783	3,112,797	1,239,359	2,113,100	10,152,027	160,000	356,559	1,747,492	804,516	23,021,245		
2011-12	1,575,956	809,001	3,192,554	1,197,769	2,108,697	9,613,564	160,000	866,569	1,681,962	805,077	22,011,149		
2012-13	1,887,494	748,238	3,340,665	1,209,904	1,991,739	11,598,124	161,418	754,292	1,608,524	836,447	24,136,845		
2013-14	1,745,031	729,034	3,489,876	1,341,207	2,034,759	13,264,282	160,216	632,469	1,565,816	780,519	25,743,209		
2014-15	1,752,971	668,958	3,638,800	1,261,806	2,254,600	10,703,493	234,380	392,796	1,509,002	912,461	23,329,267		
2015-16	1,565,248	787,486	4,167,123	1,373,510	2,381,542	14,239,193	193,173	359,072	1,542,994	1,065,484	27,674,825		
2016-17	1,553,729	963,843	4,306,715	1,480,539	2,373,831	11,771,380	191,995	368,178	1,101,641	1,096,077	25,207,928		
2017-18	1,573,195	914,671	4,275,981	1,478,033	2,393,486	12,723,019	232,225	334,174	944,956	1,001,468	25,871,208		

County of Northumberland, Virginia  
 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	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2008-09	\$ 529,047	\$ 2,945,673	\$ 66,934	\$ 14,409,617	\$ 2,188,526	\$ 486,072	\$ 341,443	\$ 1,089,447	\$ 22,056,759		
2009-10	527,391	2,759,311	-	15,020,712	1,756,737	234,120	346,648	1,394,902	22,039,821		
2010-11	534,321	2,948,734	-	15,295,156	1,693,183	232,707	245,832	1,430,443	22,380,376		
2011-12	561,706	2,605,285	560,885	15,443,129	1,731,687	182,448	170,499	1,379,120	22,634,759		
2012-13	612,221	2,507,321	298,775	16,199,114	1,749,597	170,617	233,532	1,440,348	23,211,525		
2013-14	590,151	2,707,605	138,084	16,291,941	1,787,209	157,150	139,608	1,430,889	23,242,637		
2014-15	582,684	2,926,608	137,940	17,085,338	1,853,559	148,763	59,502	1,430,436	24,224,830		
2015-16	520,600	3,107,559	-	17,109,646	1,812,625	135,194	176,920	1,431,224	24,293,768		
2016-17	719,838	3,140,722	-	18,905,618	1,860,367	144,597	186,909	1,454,303	26,412,354		
2017-18	1,044,413	3,270,979	-	19,516,880	1,905,317	165,219	157,041	1,457,415	27,517,264		

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2008-09	\$ 1,247,501	\$ 758,759	\$ 3,318,605	\$ 1,213,509	\$ 1,939,676	\$ 16,087,829	\$ 160,000	\$ 432,735	\$ 2,998,457	\$ 28,157,071
2009-10	1,227,526	831,469	3,070,468	1,178,666	1,949,423	15,133,600	160,000	366,703	2,965,494	26,883,349
2010-11	1,449,459	750,685	3,183,692	1,258,125	2,110,973	14,929,147	160,000	365,561	2,945,797	27,153,439
2011-12	1,303,952	799,970	3,214,223	1,212,832	2,094,948	15,549,789	160,000	399,377	2,918,399	27,653,490
2012-13	1,611,371	746,282	3,761,020	1,209,452	2,026,063	15,803,625	160,000	434,021	2,716,454	28,468,288
2013-14	1,525,218	726,972	3,592,050	1,343,060	2,041,404	15,929,537	160,000	398,097	2,701,296	28,417,634
2014-15	1,465,848	703,337	4,384,453	1,278,360	2,245,848	16,346,444	233,132	370,274	2,384,030	29,411,726
2015-16	1,700,773	742,368	4,565,904	1,379,597	2,396,073	16,923,056	193,263	355,043	2,332,679	30,588,756
2016-17	1,540,938	841,441	4,172,472	1,487,091	2,459,477	16,649,355	193,263	367,975	1,727,528	29,439,540
2017-18	1,590,404	860,773	4,683,605	1,491,756	2,458,919	17,941,925	193,263	337,495	2,028,615	31,586,755

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

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

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2008-09	\$ 14,879,752	\$ 2,188,526	\$ 180,070	\$ 15,480	\$ 252,556	\$ 233,143	\$ 588,022	\$ 101,770	\$ 9,903,162	\$ 28,342,481
2009-10	14,896,149	1,756,737	137,646	29,883	231,790	274,183	507,538	103,838	9,897,347	27,835,111
2010-11	15,151,420	1,693,183	138,534	23,951	232,690	251,972	353,815	115,436	9,935,375	27,896,376
2011-12	15,503,870	1,731,687	134,362	30,603	182,269	215,937	276,157	102,261	9,293,353	27,470,499
2012-13	16,134,615	1,749,597	127,195	27,611	169,793	197,537	359,880	102,265	8,904,032	27,772,525
2013-14	16,246,598	1,787,209	107,766	28,476	156,447	149,392	353,604	111,246	9,100,199	28,040,937
2014-15	17,102,085	1,853,559	112,582	27,675	154,421	162,050	291,499	124,422	10,167,053	29,995,346
2015-16	17,175,133	1,812,625	102,714	20,871	142,032	187,144	312,655	393,090	9,939,582	30,085,846
2016-17	18,802,915	1,860,367	105,581	33,817	147,492	298,605	138,069	239,059	10,132,755	31,758,660
2017-18	19,536,736	1,905,317	128,861	35,607	167,873	482,714	131,516	814,557	10,413,030	33,616,211

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

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

Table 5

County of Northumberland, Virginia  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2008-09	\$ 15,889,738	\$ 15,528,432	97.73%	\$ 196,546	\$ 15,724,978	98.96%	\$ 399,253	2.51%
2009-10	15,769,623	15,429,741	97.84%	242,026	15,671,767	99.38%	508,662	3.23%
2010-11	16,041,437	15,693,936	97.83%	256,693	15,950,629	99.43%	560,820	3.50%
2011-12	16,275,738	15,971,392	98.13%	294,244	16,265,636	99.94%	561,257	3.45%
2012-13	16,995,677	16,679,439	98.14%	203,352	16,882,791	99.34%	647,572	3.81%
2013-14	17,106,506	16,736,919	97.84%	261,762	16,998,681	99.37%	710,759	4.15%
2014-15	17,840,566	17,569,040	98.48%	273,210	17,842,250	100.01%	685,239	3.84%
2015-16	17,941,860	17,621,608	98.22%	281,548	17,903,156	99.78%	647,344	3.61%
2016-17	19,591,804	19,169,559	97.84%	401,482	19,571,041	99.89%	610,191	3.11%
2017-18	20,239,412	19,933,512	98.49%	363,644	20,297,156	100.29%	725,861	3.59%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.



Table 6

County of Northumberland, Virginia  
Assessed Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Machinery and Tools	Merchant's Capital	Public Utility (2)	Total
2008-09	\$ 2,961,160,227	\$ 111,854,782	\$ 2,530,695	\$ 4,645,795	\$ 28,020,738	\$ 3,108,212,237
2009-10	3,011,546,185	102,709,252	2,318,911	4,641,003	32,584,722	3,153,800,073
2010-11	3,047,497,890	106,808,354	2,688,648	5,243,876	36,317,490	3,198,556,258
2011-12	3,080,451,758	106,163,570	5,161,162	4,939,229	45,441,422	3,242,157,141
2012-13	3,091,570,771	105,462,100	4,893,424	4,567,724	41,926,278	3,248,420,297
2013-14	3,120,026,152	105,379,492	5,828,476	4,685,002	45,044,045	3,280,963,167
2014-15	2,805,775,428	106,938,812	5,468,822	4,821,578	45,154,586	2,968,159,226
2015-16	2,810,608,837	107,339,101	5,349,593	5,015,304	47,412,637	2,975,725,472
2016-17	2,831,421,491	109,539,932	5,763,066	4,889,664	50,513,573	3,002,127,726
2017-18	2,845,060,107	111,077,054	5,269,889	4,971,022	53,156,984	3,019,535,056

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

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

Table 7

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

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Merchant's Capital	Machinery and Tools
2008-09	\$ 0.40	\$ 0.40	\$ 3.60	\$ 1.00	\$ 3.60
2009-10	0.40	0.40	3.60	1.00	3.60
2010-11	0.40	0.40	3.60	1.00	3.60
2011-12	0.40	0.40	3.60	1.00	3.60
2012-13	0.40	0.40	3.60	1.00	3.60
2013-14	0.42	0.42	3.60	1.00	3.60
2014-15	0.49	0.49	3.60	1.00	3.60
2015-16	0.49	0.49	3.60	1.00	3.60
2016-17	0.54	0.54	3.60	1.00	3.60
2017-18	0.56	0.56	3.60	1.00	3.60

(1) Per \$100 of assessed value.

County of Northumberland, Virginia  
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)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2007-08	12,259	\$ 3,050,217,867	\$ 2,036,268	0.07%	\$ 166
2008-09	12,259	3,108,212,237	1,693,657	0.05%	138
2009-10	12,330	3,153,800,073	1,353,874	0.04%	110
2010-11	12,330	3,198,556,258	1,006,775	0.03%	82
2011-12	12,330	3,242,157,141	615,000	0.02%	50
2012-13	12,330	3,248,420,297	310,000	0.01%	25
2013-14	12,330	3,280,963,167	-	0.00%	-
2014-15	12,330	2,968,159,226	-	0.00%	-
2015-16	12,330	2,975,725,472	29,580,000	0.99%	2,399
2016-17	12,330	3,002,127,726	29,580,000	0.99%	2,399
2017-18	12,330	3,019,535,056	28,630,000	0.95%	2,322

(1) Center for Public Service at the University of Virginia.

(2) Real property assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans. Excludes revenue bonds, landfill closure/postclosure care liability, capital leases, and compensated absences.

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## 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*

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To The Honorable Members of the Board of Supervisors  
County of Northumberland  
Northumberland, 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 County of Northumberland 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 Northumberland, Virginia's basic financial statements, and have issued our report thereon dated November 27, 2018.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Northumberland 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 Northumberland, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Northumberland, Virginia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

## Compliance and Other Matters

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

### Purpose of this Report

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

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

Richmond, Virginia  
November 27, 2018

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

### Report on Compliance for Each Major Federal Program

We have audited County of Northumberland, 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 Northumberland, Virginia's major federal programs for the year ended June 30, 2018. County of Northumberland, 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 Northumberland, 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*. 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 Northumberland, 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 Northumberland, Virginia's compliance.

#### *Opinion on Each Major Federal Program*

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



Richmond, Virginia  
November 27, 2018

County of Northumberland, Virginia  
 Schedule of Expenditures of Federal Awards  
 For the 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
<b>Department of Health and Human Services:</b>			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950117/0950118	\$ 15,781
Temporary Assistance for Needy Families	93.558	0400117/0400118	103,742
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117/0500118	175
Low-income Home Energy Assistance	93.568	0600417/00600418	13,792
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117/0760118	16,765
Adoption Incentive Payments	93.603	1150117/11501118	2,400
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900117/090118	312
Foster Care - Title IV-E	93.658	1100117/1100118	76,271
Adoption Assistance	93.659	1150117/11501118	100,201
Social Services Block Grant	93.667	1000117/1000118	78,977
Chafee Foster Care Independence Program	93.674	9150117/9150118	656
Children's Health Insurance Program	93.767	0540117/0540118	6,909
Medical Assistance Program	93.778	1200117/1200118	172,642
			<u>588,623</u>
<b>Total Department of Health and Human Services</b>			<b>\$ 588,623</b>
<b>Department of Justice:</b>			
Pass Through Payments:			
<i>Department of Criminal Justice:</i>			
Crime Victims Assistance	16.575	390001-CJS86015	\$ 31,940
Edward Byrne Memorial Justice Assistance Grant Program	16.738	390001-CJS81015/022	7,076
			<u>39,016</u>
<b>Total Department of Justice - pass-through</b>			<b>\$ 39,016</b>
<b>Total Department of Justice</b>			<b>\$ 39,016</b>
<b>Department of Defense:</b>			
Direct payments:			
Jr ROTC	12.u00	N/A	\$ 75,986
<b>Department of Transportation:</b>			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and Community Highway Safety	20.600	60507-50159/59255	\$ 2,023
<b>Department of Agriculture:</b>			
Pass Through Payments:			
Child Nutrition Cluster:			
<i>Department of Agriculture:</i>			
Food Distribution - Summer Food Service Program for Children	10.559	unavailable	\$ 539
<i>Department of Health:</i>			
Summer Food Service Program for Children	10.559	unavailable	24,861
<i>Department of Agriculture:</i>			
Food Distribution - National School Lunch Program	10.555	17901-45707	\$ 30,182
<i>Department of Education:</i>			
National School Lunch Program	10.555	17901-40623	271,014
School Breakfast Program	10.553	17901-40591	95,994
			<u>422,590</u>
<b>Total Child Nutrition Cluster</b>			<b>\$ 422,590</b>



County of Northumberland, Virginia  
 Schedule of Expenditures of Federal Awards  
 For the 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
Department of Agriculture: (Continued)			
Pass Through Payments: (Continued)			
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010115/0010116	169,076
Total Department of Agriculture			\$ 591,666
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 680,159
Special Education - Grants to States	84.027	17901-43071	298,772
Career and Technical Education - Basic Grants to States	84.048	17901-61095	30,553
Rural Education	84.358	17901-43481	17,710
Supporting Effective Instruction State Grant	84.367	17901-61480	61,898
Total Department of Education			\$ 1,089,092
Total Expenditures of Federal Awards			\$ 2,386,406

See accompanying notes to schedule of expenditures of federal awards.

County of Northumberland, Virginia  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

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Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Northumberland, 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 requirements of Title 2 U.S. Code of Federal Regulations Part 200. Because the Schedule presents only a selected portion of the operations of the County of Northumberland, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Northumberland, 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 or disbursed.

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 798,738
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Component Unit School Board:

School Operating Fund	\$ 1,165,078
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School Cafeteria Fund	422,590
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Total component unit School Board	\$ 1,587,668
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Total expenditures of federal awards per basic financial statements	\$ 2,386,406
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Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	\$ 2,386,406
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Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

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

County of Northumberland, Virginia  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2018

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Section I-Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_ yes ✓ no  
 Significant deficiency(ies) identified? \_\_\_\_\_ yes ✓ none reported

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

Any findings disclosed that are required to be  
 reported in accordance with 2 CFR  
 section 200.516(a)? \_\_\_\_\_ yes ✓ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I, Grants to Local Educational Agencies
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 ✓ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Northumberland, Virginia  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2018

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There were no prior audit findings.