



Financial Report

Year Ended June 30, 2019

County of Cumberland, Virginia
Financial Report
For the Year Ended June 30, 2019

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County of Cumberland, Virginia

Financial Report For the Year Ended June 30, 2019

BOARD OF SUPERVISORS

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

COUNTY SCHOOL BOARD

Ginger Sanderson, Chair

George Lee Dowdy
Eurika Tyree

Dr. Christine Ross
George Reid, Jr.

OTHER OFFICIALS

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

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

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COUNTY OF CUMBERLAND, VIRGINIA

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Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Cumberland, Virginia, as of June 30, 2019, 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 19 to the financial statements, in 2019, the County adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-9, 79 and 80-90 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 the County of Cumberland, Virginia's basic financial statements. The other supplementary information and other statistical information are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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.

Supplementary and Other Information (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019, on our consideration of the County of Cumberland, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Cumberland, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Cumberland, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 25, 2019

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

As management of the County of Cumberland, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2019.

Financial Highlights

Government-wide Financial Statements

- The net position of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,052,209 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing (uses) by (\$574,607) (Exhibit 5). General Fund contributions to the School Board totaled \$3,772,291 for the current fiscal year.

- As of the close of the current fiscal year; the County's governmental funds reported ending fund balances of \$5,813,646 a decrease of \$524,607 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,745,126 or 30.54% of total general fund expenditures.
- Governmental term obligations decreased \$2,471,337 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

Overview of the Financial Statements: (Continued)

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements: (Continued)

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$9,052,209 at the close of the most recent fiscal year.

County of Cumberland's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 11,006,638	\$ 11,338,620	\$ (8,749)	\$ 17,396	\$ 10,997,889	\$ 11,356,016
Deferred outflows of resources	339,350	500,842	5,494	6,183	344,844	507,025
Noncurrent assets	25,948,079	27,556,399	7,682,608	8,036,537	33,630,687	35,592,936
Total assets and deferred outflows	\$ 37,294,067	\$ 39,395,861	\$ 7,679,353	\$ 8,060,116	\$ 44,973,420	\$ 47,455,977
Long-term liabilities outstanding	\$ 29,035,838	\$ 31,435,808	\$ 2,061,574	\$ 2,132,941	\$ 31,097,412	\$ 33,568,749
Deferred inflows of resources	3,846,406	3,961,600	11,245	14,065	3,857,651	3,975,665
Current liabilities	951,372	885,511	14,776	9,112	966,148	894,623
Total liabilities and deferred inflows	\$ 33,833,616	\$ 36,282,919	\$ 2,087,595	\$ 2,156,118	\$ 35,921,211	\$ 38,439,037
Net position:						
Net investment in capital assets	\$ (1,660,172)	\$ (2,097,052)	\$ 5,502,906	\$ 5,792,273	\$ 3,842,734	\$ 3,695,221
Restricted	-	-	148,771	145,191	148,771	145,191
Unrestricted	5,120,623	5,209,994	(59,919)	(33,466)	5,060,704	5,176,528
Total net position	\$ 3,460,451	\$ 3,112,942	\$ 5,591,758	\$ 5,903,998	\$ 9,052,209	\$ 9,016,940

Overview of the Financial Statements: (Continued)

Government-wide Financial Analysis: (Continued)

Governmental Activities—Governmental activities increased the County's net position by \$347,509. Key elements of this decrease are as follows:

County of Cumberland, Virginia's Changes in Net Position For the Years Ended June 30, 2019 and 2018

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,166,763	\$ 444,230	\$ 428,869	\$ 434,126	\$ 1,595,632	\$ 878,356
Operating grants and contributions	3,478,097	3,139,010	-	-	3,478,097	3,139,010
Capital grants and contributions	1,131,900	1,131,900	-	-	1,131,900	1,131,900
General revenues:						
General property taxes	9,729,665	9,432,189	-	-	9,729,665	9,432,189
Other local taxes	1,201,850	1,138,808	-	-	1,201,850	1,138,808
Grants and other contributions not restricted	1,330,076	1,369,472	-	-	1,330,076	1,369,472
Other general revenues	<u>281,413</u>	<u>155,664</u>	<u>3,594</u>	<u>2,171</u>	<u>285,007</u>	<u>157,835</u>
Total revenues	<u>\$ 18,319,764</u>	<u>\$ 16,811,273</u>	<u>\$ 432,463</u>	<u>\$ 436,297</u>	<u>\$ 18,752,227</u>	<u>\$ 17,247,570</u>
Expenses:						
General government administration	\$ 2,989,532	\$ 1,478,516	\$ -	\$ -	\$ 2,989,532	\$ 1,478,516
Judicial administration	577,704	538,262	-	-	577,704	538,262
Public safety	3,140,217	2,915,478	-	-	3,140,217	2,915,478
Public works	1,569,264	1,478,367	-	-	1,569,264	1,478,367
Health and welfare	3,117,946	2,391,382	-	-	3,117,946	2,391,382
Education	5,223,117	5,291,812	-	-	5,223,117	5,291,812
Parks, recreation, and cultural	183,441	183,975	-	-	183,441	183,975
Community development	264,624	294,050	-	-	264,624	294,050
Interest and other fiscal charges	906,410	931,241	-	-	906,410	931,241
Water and sewer	<u>-</u>	<u>-</u>	<u>744,703</u>	<u>758,193</u>	<u>744,703</u>	<u>758,193</u>
Total expenses	<u>\$ 17,972,255</u>	<u>\$ 15,503,083</u>	<u>\$ 744,703</u>	<u>\$ 758,193</u>	<u>\$ 18,716,958</u>	<u>\$ 16,261,276</u>
Change in net position	\$ 347,509	\$ 1,308,190	\$ (312,240)	\$ (321,896)	\$ 35,269	\$ 986,294
Net position, beginning	<u>3,112,942</u>	<u>1,804,752</u>	<u>5,903,998</u>	<u>6,225,894</u>	<u>9,016,940</u>	<u>8,030,646</u>
Net position, ending	<u>\$ 3,460,451</u>	<u>\$ 3,112,942</u>	<u>\$ 5,591,758</u>	<u>\$ 5,903,998</u>	<u>\$ 9,052,209</u>	<u>\$ 9,016,940</u>

Overview of the Financial Statements: (Continued)

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$5,060,704, a decrease of \$684,422 in comparison with the prior year. Approximately 99% of this total amount constitutes unassigned undesignated fund balance, which is available for spending at the County's discretion. The remainder of fund balance is segregated to indicate that is not available for new spending because it has already been committed.

Proprietary funds

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

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$2,553,268 and can be mostly summarized as follows:

- \$1,299,471 in increases for nondepartmental
- \$707,404 in increases for health and welfare
- \$226,905 in increases for public safety
- \$100,113 in increases for public works

Capital Asset and Debt Administration

- **Capital assets**—The County's investment in capital assets for its governmental and enterprise operations as of June 30, 2019 totals \$33,481,916 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

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

Long-term debt—At the end of the current fiscal year, the County had total bonded debt outstanding of \$27,859,529 which is backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). The County's total debt decreased \$1,832,737 during the current fiscal year.

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

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the County was 3.4 percent in June 2019.

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

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

The fiscal year 2019 General Fund's budget increased from \$15,084,519 to \$16,623,750.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Statement of Net Position
June 30, 2019

	Primary Government			Component Units	
	Govern- mental Activities	Business - Type Activities	Total	School Board	IDA
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 4,692,507	\$ 30,088	\$ 4,722,595	\$ 821,663	\$ -
Receivables (net of allowance for uncollectibles):					
Property taxes	4,737,163	-	4,737,163	-	-
Accounts receivable	165,009	31,163	196,172	4,412	-
Prepaid items	-	-	-	32,600	-
Due from component units	610,120	-	610,120	-	-
Due from other governments	731,839	-	731,839	304,721	-
Inventory held for resale	-	-	-	-	804,005
Internal balances	70,000	(70,000)	-	-	-
Total Current Assets	\$ 11,006,638	\$ (8,749)	\$ 10,997,889	\$ 1,163,396	\$ 804,005
Noncurrent Assets:					
Net pension asset	\$ -	\$ -	\$ -	\$ 534,160	\$ -
Restricted assets	-	148,771	148,771	-	97,549
Capital assets (net of accumulated depreciation):					
Land	146,089	22,458	168,547	121,421	535,846
Equipment	664,637	32,652	697,289	1,328,490	-
Infrastructure	-	7,010,814	7,010,814	-	-
Buildings and improvements	3,555,755	467,913	4,023,668	3,445,342	1,324,118
Jointly owned assets	21,581,598	-	21,581,598	7,060,569	-
Total Noncurrent Assets	\$ 25,948,079	\$ 7,682,608	\$ 33,630,687	\$ 12,489,982	\$ 1,957,513
Total Assets	\$ 36,954,717	\$ 7,673,859	\$ 44,628,576	\$ 13,653,378	\$ 2,761,518
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 286,407	\$ 4,963	\$ 291,370	\$ 1,505,059	\$ -
OPEB related items	30,183	531	30,714	165,789	-
Accumulated decrease in fair value of hedging derivatives	22,760	-	22,760	-	-
Total deferred outflows of resources	\$ 339,350	\$ 5,494	\$ 344,844	\$ 1,670,848	\$ -
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 455,720	\$ 12,550	\$ 468,270	\$ 22,929	\$ -
Accrued liabilities	-	-	-	692,486	-
Due to primary government	-	-	-	318,804	291,316
Customer deposits	-	2,226	2,226	-	-
Accrued interest payable	472,892	-	472,892	-	-
Derivative instrument - rate swap	22,760	-	22,760	-	-
Long-term liabilities:					
Due within one year	2,148,159	71,784	2,219,943	162,718	29,343
Due in more than one year	26,887,679	1,989,790	28,877,469	13,039,263	1,751,286
Total Liabilities	\$ 29,987,210	\$ 2,076,350	\$ 32,063,560	\$ 14,236,200	\$ 2,071,945
DEFERRED INFLOWS OF RESOURCES					
Pension related items	\$ 327,605	\$ 10,813	\$ 338,418	\$ 1,903,531	\$ -
OPEB related items	24,568	432	25,000	176,835	-
Deferred revenue - property tax	3,494,233	-	3,494,233	-	-
Total deferred inflows of resources	\$ 3,846,406	\$ 11,245	\$ 3,857,651	\$ 2,080,366	\$ -
NET POSITION					
Net investment in capital assets	\$ (1,660,172)	\$ 5,502,906	\$ 3,842,734	\$ 11,315,207	\$ 79,335
Restricted:					
Debt Service	-	148,771	148,771	-	-
Unrestricted	5,120,623	(59,919)	5,060,704	(12,307,547)	610,238
Total Net Position	\$ 3,460,451	\$ 5,591,758	\$ 9,052,209	\$ (992,340)	\$ 689,573

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

COUNTY OF CUMBERLAND, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,989,532	\$ 762,007	\$ 213,485	\$ -
Judicial administration	577,704	161,521	386,733	-
Public safety	3,140,217	216,860	737,667	-
Public works	1,569,264	505	6,207	1,131,900
Health and welfare	3,117,946	-	2,199,062	-
Education	5,223,117	-	-	-
Parks, recreation, and cultural	183,441	24,490	-	-
Community development	264,624	1,380	-	-
Interest on long-term debt	906,410	-	-	-
Total governmental activities	<u>\$ 17,972,255</u>	<u>\$ 1,166,763</u>	<u>\$ 3,543,154</u>	<u>\$ 1,131,900</u>
Business-type activities:				
Water and Sewer	\$ 744,703	\$ 428,869	\$ -	\$ -
Total business-type activities	<u>\$ 744,703</u>	<u>\$ 428,869</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 18,716,958</u>	<u>\$ 1,595,632</u>	<u>\$ 3,543,154</u>	<u>\$ 1,131,900</u>
COMPONENT UNITS:				
School Board	\$ 15,439,948	\$ 93,651	\$ 11,898,668	\$ -
IDA	135,534	-	85,369	-
Total component units	<u>\$ 15,575,482</u>	<u>\$ 93,651</u>	<u>\$ 11,984,037</u>	<u>\$ -</u>
General revenues:				
General property taxes				
Local sales and use taxes				
Consumers' utility taxes				
Motor vehicle licenses				
Business license taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
County contribution to School Board				
Total general revenues				
Change in net position				
Net position - beginning				
Net position - ending				

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

Changes in Net Position				
Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business- Type Activities	Total	School Board	IDA
\$ (2,014,040)	\$ -	\$ (2,014,040)	\$ -	\$ -
(29,450)	-	(29,450)	-	-
(2,185,690)	-	(2,185,690)	-	-
(430,652)	-	(430,652)	-	-
(918,884)	-	(918,884)	-	-
(5,223,117)	-	(5,223,117)	-	-
(158,951)	-	(158,951)	-	-
(263,244)	-	(263,244)	-	-
(906,410)	-	(906,410)	-	-
<u>\$ (12,130,438)</u>	<u>\$ -</u>	<u>\$ (12,130,438)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ (315,834)</u>	<u>\$ (315,834)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ (315,834)</u>	<u>\$ (315,834)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (12,130,438)</u>	<u>\$ (315,834)</u>	<u>\$ (12,446,272)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (3,447,629)	\$ -
-	-	-	-	(50,165)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,447,629)</u>	<u>\$ (50,165)</u>
\$ 9,729,665	\$ -	\$ 9,729,665	\$ -	\$ -
558,321	-	558,321	-	-
175,912	-	175,912	-	-
239,154	-	239,154	-	-
122,524	-	122,524	-	-
105,939	-	105,939	-	-
93,916	3,594	97,510	-	49,316
187,497	-	187,497	362,719	-
1,265,019	-	1,265,019	-	-
-	-	-	4,316,986	-
<u>\$ 12,477,947</u>	<u>\$ 3,594</u>	<u>\$ 12,481,541</u>	<u>\$ 4,679,705</u>	<u>\$ 49,316</u>
<u>\$ 347,509</u>	<u>\$ (312,240)</u>	<u>\$ 35,269</u>	<u>\$ 1,232,076</u>	<u>\$ (849)</u>
<u>3,112,942</u>	<u>5,903,998</u>	<u>9,016,940</u>	<u>(2,224,416)</u>	<u>690,422</u>
<u>\$ 3,460,451</u>	<u>\$ 5,591,758</u>	<u>\$ 9,052,209</u>	<u>\$ (992,340)</u>	<u>\$ 689,573</u>

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FUND FINANCIAL STATEMENTS

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Balance Sheet - Governmental Funds
June 30, 2019

	General	Nonmajor County Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,589,629	\$ 102,878	\$ 4,692,507
Receivables (Net of allowance for uncollectibles):			
Property taxes, including penalties	4,737,163	-	4,737,163
Accounts receivable	165,009	-	165,009
Due from component units	610,120	-	610,120
Due from other funds	70,000	-	70,000
Due from other governmental units	731,839	-	731,839
Total assets	<u>\$ 10,903,760</u>	<u>\$ 102,878</u>	<u>\$ 11,006,638</u>
LIABILITIES			
Accounts payable	\$ 421,362	\$ 34,358	\$ 455,720
Total liabilities	<u>\$ 421,362</u>	<u>\$ 34,358</u>	<u>\$ 455,720</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	\$ 4,737,272	\$ -	\$ 4,737,272
Total deferred inflows of resources	<u>\$ 4,737,272</u>	<u>\$ -</u>	<u>\$ 4,737,272</u>
FUND BALANCES			
Assigned:			
Capital projects	\$ -	\$ 68,520	\$ 68,520
Unassigned	<u>5,745,126</u>	<u>-</u>	<u>5,745,126</u>
Total fund balances	<u>\$ 5,745,126</u>	<u>\$ 68,520</u>	<u>\$ 5,813,646</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
For the Year Ended June 30, 2019

		<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	5,813,646
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$ 146,089	
Equipment	664,637	
Buildings and improvements	3,555,755	
Jointly owned assets	<u>21,581,598</u>	25,948,079
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Unavailable revenue - property taxes		1,243,039
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 286,407	
OPEB related items	<u>30,183</u>	316,590
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	\$ (305,302)	
Landfill closure and post-closure	(10,306)	
General obligation bonds	(21,200,268)	
VACO/VML direct loan program	(3,295,000)	
Bond premiums	(1,779,653)	
Net pension liability	(845,667)	
Net OPEB liability	(266,312)	
State literary fund loans	(1,333,330)	
Accrued interest payable	<u>(472,892)</u>	(29,508,730)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (327,605)	
OPEB related items	<u>(24,568)</u>	<u>(352,173)</u>
Net position of governmental activities	\$	<u><u>3,460,451</u></u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2019

	General	Nonmajor County Capital Projects	Total Governmental Funds
Revenues:			
General property taxes	\$ 9,684,537	\$ -	\$ 9,684,537
Other local taxes	1,201,850	-	1,201,850
Permits, privilege fees and regulatory licenses	72,881	-	72,881
Fines and forfeitures	117,394	-	117,394
Revenue from use of money and property	92,365	1,551	93,916
Charges for services	976,488	-	976,488
Miscellaneous	187,497	-	187,497
Intergovernmental:			
Local government	1,131,900	-	1,131,900
Commonwealth	3,921,883	-	3,921,883
Federal	886,290	-	886,290
Total revenues	\$ 18,273,085	\$ 1,551	\$ 18,274,636
Expenditures:			
Current:			
General government administration	\$ 1,714,215	\$ -	\$ 1,714,215
Judicial administration	511,135	-	511,135
Public safety	3,079,674	-	3,079,674
Public works	1,765,581	34,358	1,799,939
Health and welfare	3,095,439	-	3,095,439
Education	3,789,902	-	3,789,902
Parks, recreation, and cultural	183,870	-	183,870
Community development	264,727	-	264,727
Nondepartmental	1,307,586	-	1,307,586
Debt service:			
Principal retirement	1,882,215	-	1,882,215
Interest and other fiscal charges	1,220,541	-	1,220,541
Total expenditures	\$ 18,814,885	\$ 34,358	\$ 18,849,243
Excess (deficiency) of revenues over (under) expenditures	\$ (541,800)	\$ (32,807)	\$ (574,607)
Other financing sources (uses):			
Transfers in	\$ -	\$ 35,000	\$ 35,000
Transfers (out)	(35,000)	-	(35,000)
Total other financing sources (uses)	\$ (35,000)	\$ 35,000	\$ -
Net change in fund balances	\$ (576,800)	\$ 2,193	\$ (574,607)
Fund balances at beginning of year	6,321,926	66,327	6,388,253
Fund balances at end of year	\$ 5,745,126	\$ 68,520	\$ 5,813,646

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
For the Year Ended June 30, 2019

		<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	\$	(574,607)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded the capital outlays in the current period.		
Capital outlay	\$ 42,750	
Depreciation expense	(1,106,375)	
Transfer of joint tenancy assets to Component Unit School Board from Primary Government	<u>(544,695)</u>	(1,608,320)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		45,128
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items the treatment of long-term debt and related items.		
Principal retired on general obligation bonds	\$ 1,372,928	
Principal retired on state literary fund loans	166,667	
Principal retired on VACO/VML direct loan program	<u>225,000</u>	1,764,595
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.		
Change in compensated absences	\$ 15,864	
Pension expense	195,205	
OPEB expense	13,863	
Amortization of bond premiums	280,605	
Change in landfill closure and post-closure	181,650	
Change in accrued interest payable	<u>33,526</u>	<u>720,713</u>
Change in net position of governmental activities	\$	<u><u>347,509</u></u>

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

Statement of Net Position - Proprietary Funds
June 30, 2019

	Water & Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 30,088
Accounts receivable, net	31,163
Total current assets	\$ 61,251
Noncurrent assets:	
Restricted assets	\$ 148,771
Capital Assets:	
Land	22,458
Equipment, net of depreciation	32,652
Infrastructure, net of depreciation	7,010,814
Buildings and improvements, net of depreciation	467,913
Total noncurrent assets	\$ 7,682,608
Total assets	\$ 7,743,859
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 4,963
OPEB related items	531
Total deferred outflows of resources	\$ 5,494
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 12,550
Customer deposits	2,226
Due to other funds	70,000
Long-term obligations, current portion	71,784
Total current liabilities	\$ 156,560
Noncurrent liabilities:	
Long-term obligations, noncurrent portion	\$ 1,989,790
Total liabilities	\$ 2,146,350
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 10,813
OPEB related items	432
Total deferred inflows of resources	\$ 11,245
Net Position	
Net investment in capital assets	\$ 5,502,906
Restricted:	
Debt Service	148,771
Unrestricted assets	(59,919)
Total Net Position	\$ 5,591,758

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

Statement of Revenues, Expenses and Changes in Net Position -
 Proprietary Funds
 For the Year Ended June 30, 2019

	<u>Water & Sewer Fund</u>
Operating revenues:	
Water	\$ 125,966
Sewer	270,614
Other charges for services	<u>32,289</u>
Total revenues	<u>\$ 428,869</u>
Operating expenses:	
Salaries	\$ 75,563
Fringe benefits	44,923
Contracted services	22,582
Other operating expenses	166,639
Depreciation	<u>363,447</u>
Total operating expenses	<u>\$ 673,154</u>
Operating income (loss)	<u>\$ (244,285)</u>
Nonoperating revenues (expenses):	
Interest income	\$ 3,594
Interest expense	<u>(71,549)</u>
Total nonoperating revenues (expenses)	<u>\$ (67,955)</u>
Change in net position	\$ (312,240)
Net position, beginning of year	<u>5,903,998</u>
Net position, end of year	<u><u>\$ 5,591,758</u></u>

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

Statement of Cash Flows -
 Proprietary Funds
 For the Year Ended June 30, 2019

	Water & Sewer Fund
Cash flows from operating activities:	
Receipts from customers and users	\$ 441,052
Payments for salaries and fringe benefits	(125,842)
Payments for operating activities	<u>(183,557)</u>
Net cash provided by (used for) operating activities	<u>\$ 131,653</u>
Cash flows from capital and related financing activities:	
Retirement of indebtedness	\$ (68,142)
Purchase of capital assets	(5,938)
Interest paid on loans	<u>(71,549)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (145,629)</u>
Cash flows from investing activities:	
Interest income	\$ <u>3,594</u>
Net cash provided by (used for) investing activities	<u>\$ 3,594</u>
Increase (decrease) in cash and cash equivalents	\$ (10,382)
Cash and cash equivalents - beginning - (including restricted amounts)	<u>189,241</u>
Cash and cash equivalents - ending - (including restricted amounts)	<u><u>\$ 178,859</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (244,285)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:	
Depreciation	363,447
Changes in operating assets and liabilities:	
(Increase)/decrease in accounts receivable	12,183
(Increase)/decrease in deferred outflows of resources	689
Increase/(decrease) in accounts payable	5,664
Increase/(decrease) in deferred inflows of resources	(2,820)
Increase/(decrease) in net pension liability	(2,312)
Increase/(decrease) in net OPEB liability	69
Increase/(decrease) in compensated absences	<u>(982)</u>
Net cash provided by (used for) operating activities	<u><u>\$ 131,653</u></u>

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

Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2019

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 1,148,807
Accounts receivable	<u>25,955</u>
Total assets	<u><u>\$ 1,174,762</u></u>
LIABILITIES	
Accrued liabilities	\$ 32,386
Unearned revenue	177,201
Amounts held for sheriff	79,791
Amounts held for others	869,879
Amounts held for social services clients	<u>15,505</u>
Total liabilities	<u><u>\$ 1,174,762</u></u>

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements As of June 30, 2019

Note 1—Summary of Significant Accounting Policies:

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

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

Financial Statement Presentation

Government-wide and Fund Financial Statements

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

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

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

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

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.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

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

Budgetary Comparison Schedules—Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Units—The County has no blended component units to be included for the fiscal year ended June 30, 2019.

Discretely Presented Component Units

Cumberland County School Board The School Board members are elected and are responsible for the operations of the County's School System. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report and does not have separate taxing powers. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2019.

Cumberland County Industrial Development Authority The IDA Board members are appointed by the Board of Supervisors and are responsible for the industrial development in the County. The IDA is fiscally dependent on the County. The primary funding is from the General Fund of the County. The IDA does not issue a separate financial report and does not have separate taxing powers. The financial statements of the IDA are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2019.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

C. Other Related Organizations

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

Included in the County's Annual Financial Report

None

Excluded from the County's Annual Financial Report

Crossroads Community Services Board

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

Piedmont Regional Jail Board

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

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

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

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

1. Governmental Funds

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

a. General Fund

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

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

1. Governmental Funds (Continued)

b. Capital Projects Fund

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

2. Proprietary Funds

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

Enterprise Funds

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

The County reports the following major enterprise funds:

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

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

E. Budgets and Budgetary Accounting

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

E. Budgets and Budgetary Accounting (Continued)

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

F. Cash and Cash Equivalents

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

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

G. Investments

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

H. Prepaid Items

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

I. Receivables and Payables

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

I. Receivables and Payables (Continued)

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 \$118,255 at June 30, 2019 and is comprised of property taxes in the amount of \$93,491 and utility accounts in the amount of \$24,764.

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

J. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the fiscal year ending June 30, 2019.

Property, plant and equipment of the primary government, as well as the component units, is

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

K. Deferred Outflows/Inflows of Resources

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

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

L. Pensions

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

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' 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.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

N. Compensated Absences

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

O. 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 is reported as other financing sources while discounts on debt issuances are reported as other financing uses.

P. Fund Balance

The following classifications of fund balance 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.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

P. Fund Balance (Continued)

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

Q. Use of Estimates

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

R. Net Position

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

S. Net Position Flow Assumption

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

T. Upcoming Pronouncements

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

T. Upcoming Pronouncements (Continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

Note 2—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

State statutes require that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's and Fitch Investor's Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. The County's rated debt investments as of June 30, 2019

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 2—Deposits and Investments: (Continued)

Credit Risk of Debt Securities (Continued)

were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

<u>County's Rate Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ <u>1,442,603</u>
Total	\$ <u>1,442,603</u>

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 CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 2—Deposits and Investments: (Continued)

Fair Value Measurements (Continued)

The County has the following recurring fair value measurements as of June 30, 2019:

Investment Type	Fair Value Measurement Using		
	Balance June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments in derivative instruments:			
Interest rate swap liability	\$ 22,760	\$ -	\$ 78,204
Total	<u>\$ 22,760</u>	<u>\$ -</u>	<u>\$ 78,204</u>
Investments measured at NAV:			
Virginia Investment Pool	<u>\$ 1,228,289</u>		
Total investments measured at NAV	<u>\$ 1,228,289</u>		
Total investments measured at fair value	<u>\$ 1,251,049</u>		

As of June 30, 2019, there were no withdraw limitations association with investments held by the Virginia Investment Pool.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2019, there is no portion of the County's portfolio, excluding the LGIP that exceed 5% of the total portfolio. At present the County does not have a policy related to custodial credit risk.

External Investment Pools

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

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COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 2—Deposits and Investments: (Continued)

Interest Rate Risk

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

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 1,442,603	\$ 1,442,603
Total	\$ 1,442,603	\$ 1,442,603

Restricted Assets

Restricted assets at June 30, 2019 are comprised of the following:

	Primary Government Business-type Activities	Component Unit IDA
Debt service reserves	\$ 148,771	\$ 97,549
Total	\$ 148,771	\$ 97,549

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COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 3—Due from Other Governmental Units

At June 30, 2019 the County and School Board had receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 187,017
Local sales taxes	116,939	-
Communication taxes	51,807	-
Public assistance	49,379	-
Comprehensive services	293,622	-
Shared expenses	95,410	-
Rolling stock tax	107	-
Mobile home titling taxes	1,746	-
Recordation tax	3,230	-
Rental tax	1,214	-
E-911 wireless	6,970	-
Payments in lieu of taxes	26,866	-
Other	1,918	-
Federal Government:		
School funds	-	117,704
Public assistance	82,631	-
Total	<u>\$ 731,839</u>	<u>\$ 304,721</u>

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

Primary Government:

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

Details of obligations between the primary government and its component units as of June 30, 2019 are as follows:

	<u>Due from Primary Government/ Component Unit</u>	<u>Due to Primary Government/ Component Unit</u>
Primary Government:		
General	\$ 610,120	\$ -
Component Unit-IDA	-	291,316
Component Unit-School Board:		
School Operating	-	318,804
Total	<u>\$ 610,120</u>	<u>\$ 610,120</u>

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 5—Interfund Transfers:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 35,000
County Capital Projects	35,000	-
School Operating	-	810,244
School Cafeteria	810,244	-
Total	<u>\$ 845,244</u>	<u>\$ 845,244</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.

Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2019:

	<u>Balance July 1, 2018,</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Primary Government:				
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 146,089	\$ -	\$ -	\$ 146,089
Capital assets being depreciated:				
Buildings and improvements	\$ 6,943,167	\$ -	\$ -	\$ 6,943,167
Equipment	2,695,136	42,750	18,000	2,719,886
Jointly owned assets	31,587,415	-	751,424	30,835,991
Total capital assets being depreciated	<u>\$ 41,225,718</u>	<u>\$ 42,750</u>	<u>\$ 769,424</u>	<u>\$ 40,499,044</u>
Accumulated depreciation:				
Buildings and improvements	\$ 3,204,515	\$ 182,897	\$ -	\$ 3,387,412
Equipment	1,920,671	152,578	18,000	2,055,249
Jointly owned assets	8,690,222	770,900	206,729	9,254,393
Total accumulated depreciation	<u>\$ 13,815,408</u>	<u>\$ 1,106,375</u>	<u>\$ 224,729</u>	<u>\$ 14,697,054</u>
Total capital assets being depreciated, net	<u>\$ 27,410,310</u>	<u>\$ (1,063,625)</u>	<u>\$ 544,695</u>	<u>\$ 25,801,990</u>
Governmental activities capital assets, net	<u>\$ 27,556,399</u>	<u>\$ (1,063,625)</u>	<u>\$ 544,695</u>	<u>\$ 25,948,079</u>

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 6—Capital Assets: (Continued)

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

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Primary Government:				
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ <u>22,458</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>22,458</u>
Capital assets being depreciated:				
Equipment	\$ 278,668	\$ -	\$ -	\$ 278,668
Infrastructure	11,488,898	5,938	-	11,494,836
Buildings and improvements	<u>1,511,814</u>	<u>-</u>	<u>-</u>	<u>1,511,814</u>
Total capital assets being depreciated	\$ <u>13,279,380</u>	\$ <u>5,938</u>	\$ <u>-</u>	\$ <u>13,285,318</u>
Accumulated depreciation:				
Equipment	\$ 220,505	\$ 25,511	\$ -	\$ 246,016
Infrastructure	4,196,480	287,542	-	4,484,022
Buildings and improvements	<u>993,507</u>	<u>50,394</u>	<u>-</u>	<u>1,043,901</u>
Total accumulated depreciation	\$ <u>5,410,492</u>	\$ <u>363,447</u>	\$ <u>-</u>	\$ <u>5,773,939</u>
Total capital assets being depreciated, net	\$ <u>7,868,888</u>	\$ <u>(357,509)</u>	\$ <u>-</u>	\$ <u>7,511,379</u>
Business-type activities capital assets, net	\$ <u><u>7,891,346</u></u>	\$ <u><u>(357,509)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>7,533,837</u></u>

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COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 6—Capital Assets: (Continued)

Component Unit - School Board:	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 121,421	\$ -	\$ -	\$ 121,421
Total capital assets not being depreciated	\$ 121,421	\$ -	\$ -	\$ 121,421
Capital assets being depreciated:				
Buildings and improvements	\$ 6,920,862	\$ -	\$ -	\$ 6,920,862
Equipment	2,763,969	503,774	99,900	3,167,843
Jointly owned assets	9,336,783	-	(751,424)	10,088,207
Total capital assets being depreciated	\$ 19,021,614	\$ 503,774	\$ (651,524)	\$ 20,176,912
Accumulated depreciation:				
Buildings and improvements	\$ 3,317,060	\$ 158,460	\$ -	\$ 3,475,520
Equipment	1,698,124	149,554	8,325	1,839,353
Jointly owned assets	2,568,704	252,205	(206,729)	3,027,638
Total accumulated depreciation	\$ 7,583,888	\$ 560,219	\$ (198,404)	\$ 8,342,511
Total capital assets being depreciated, net	\$ 11,437,726	\$ (56,445)	\$ (453,120)	\$ 11,834,401
Governmental activities capital assets, net	\$ 11,559,147	\$ (56,445)	\$ (453,120)	\$ 11,955,822

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COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 6—Capital Assets: (Continued)

Component Unit - Industrial Development Authority:	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 535,846	\$ -	\$ -	\$ 535,846
Capital assets being depreciated:				
Buildings and improvements	\$ 1,705,691	\$ -	\$ -	\$ 1,705,691
Accumulated depreciation:				
Buildings and improvements	338,930	42,643	-	381,573
Total capital assets being depreciated, net	\$ 1,366,761	\$ (42,643)	\$ -	\$ 1,324,118
Business-type activities capital assets, net	\$ 1,902,607	\$ (42,643)	\$ -	\$ 1,859,964

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

Primary Government:

Governmental activities:

General government administration	\$ 34,643
Judicial administration	87,466
Public safety	171,244
Public works	28,130
Health and welfare	11,429
Education	770,900
Parks, recreation and cultural	784
Community development	1,779
Total	\$ 1,106,375

Business-type activities:

Water and Sewer Fund	\$ 363,447
Depreciation expense	\$ 308,014
Depreciation expense - joint tenancy assets	252,205
Total	\$ 560,219
Component Unit-Industrial Development Authority	\$ 42,643

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 7—Deferred Outflows/Inflows of Resources:

Deferred/unavailable revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Unearned/unavailable revenue totaling \$4,737,272 is comprised of the following:

	<u>Government-wide Statements Governmental Activities</u>	<u>Balance Sheet Governmental Funds</u>
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures.	\$ -	\$ 1,243,039
2nd half assessments due in December 2019	3,271,263	3,271,263
Prepaid property taxes due in December 2019, but paid in advance by the taxpayers.	<u>222,970</u>	<u>222,970</u>
Total deferred inflows of resources	<u>\$ 3,494,233</u>	<u>\$ 4,737,272</u>

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COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 8—Long-Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Issuances / Increases	Retirements / Decreases	Balance June 30, 2019	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	\$ 321,166	\$ 36,211	\$ 52,075	\$ 305,302	\$ 30,530
Landfill closure and post-closure	191,956	-	181,650	10,306	-
Derivative instrument liability	78,204	-	55,444	22,760	-
Net pension liability	1,006,854	1,281,209	1,442,396	845,667	-
Net OPEB liability	262,381	45,204	41,273	266,312	-
Direct borrowings and placements:					
General obligations bonds	22,573,196	-	1,372,928	21,200,268	1,448,834
General obligations bond premiums	2,060,258	-	280,605	1,779,653	267,128
VACO/VML direct loan program	3,520,000	-	225,000	3,295,000	235,000
State literary fund loans	1,499,997	-	166,667	1,333,330	166,667
Total Governmental Activities	<u>\$ 31,514,012</u>	<u>\$ 1,362,624</u>	<u>\$ 3,818,038</u>	<u>\$ 29,058,598</u>	<u>\$ 2,148,159</u>
Reconciliation to amounts reported on Exhibit 1:					
Total above	\$ 31,514,012	\$ 1,362,624	\$ 3,818,038	\$ 29,058,598	
Less: Derivative instrument liability	<u>(78,204)</u>	<u>-</u>	<u>(55,444)</u>	<u>(22,760)</u>	
Total as adjusted	<u>\$ 31,435,808</u>	<u>\$ 1,362,624</u>	<u>\$ 3,762,594</u>	<u>\$ 29,035,838</u>	
Per Exhibit 1:					
Due within one year				\$ 2,148,159	
Due in more than one year				<u>26,887,679</u>	
Total as adjusted				<u>\$ 29,035,838</u>	

	Balance July 1, 2018	Issuances / Increases	Retirements / Decreases	Balance June 30, 2019	Amounts Due Within One Year
Business-type Activities:					
Water and Sewer Fund:					
Compensated absences	\$ 11,524	\$ 1,152	\$ 2,134	\$ 10,542	\$ 1,054
Net pension liability	17,725	23,966	26,278	15,413	-
Net OPEB liability	4,619	796	727	4,688	-
Direct borrowing and placements:					
Revenue bonds	2,099,073	-	68,142	2,030,931	70,730
Total Business-type Activities	<u>\$ 2,132,941</u>	<u>\$ 25,914</u>	<u>\$ 97,281</u>	<u>\$ 2,061,574</u>	<u>\$ 71,784</u>

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	Governmental Activities						Business-type Activities	
	Direct Borrowings and Direct Placements						Direct Borrowings and Direct Placements	
	General Obligation Bonds		State Literary Fund Loans		VACO/VML Loan Program		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,448,834	\$ 903,418	\$ 166,667	\$ 40,000	\$ 235,000	\$ 152,053	\$ 70,730	\$ 68,962
2021	1,524,518	834,410	166,667	35,000	245,000	140,214	73,562	66,130
2022	1,597,024	761,804	166,666	30,000	260,000	127,855	76,466	63,226
2023	1,676,928	687,895	166,666	25,000	270,000	114,986	79,494	60,198
2024	1,766,612	606,395	166,666	20,000	285,000	101,449	82,609	57,083
2025	1,865,584	514,349	166,666	15,000	295,000	87,402	85,943	53,749
2026	1,965,548	417,270	166,666	10,000	310,000	72,547	89,376	50,316
2027	2,076,556	314,854	166,666	5,000	325,000	57,003	92,956	46,736
2028	2,343,664	218,930	-	-	340,000	40,823	96,652	43,040
2029	2,425,000	138,636	-	-	355,000	23,887	100,584	39,108
2030	2,510,000	50,828	-	-	375,000	6,051	104,646	35,046
2031	-	-	-	-	-	-	108,883	30,809
2032	-	-	-	-	-	-	113,271	26,421
2033	-	-	-	-	-	-	117,914	21,778
2034	-	-	-	-	-	-	122,726	16,966
2035	-	-	-	-	-	-	97,839	13,413
2036	-	-	-	-	-	-	33,385	11,495
2037	-	-	-	-	-	-	25,786	9,602
2038	-	-	-	-	-	-	26,314	9,074
2039	-	-	-	-	-	-	26,852	8,536
2040	-	-	-	-	-	-	27,380	8,008
2041	-	-	-	-	-	-	27,962	7,426
2042	-	-	-	-	-	-	28,535	6,853
2043	-	-	-	-	-	-	29,119	6,269
2044	-	-	-	-	-	-	29,700	5,688
2045	-	-	-	-	-	-	30,323	5,065
2046	-	-	-	-	-	-	30,943	4,445
2047	-	-	-	-	-	-	31,577	3,811
2048	-	-	-	-	-	-	32,215	3,173
2049	-	-	-	-	-	-	32,882	2,506
2050	-	-	-	-	-	-	33,555	1,833
2051	-	-	-	-	-	-	34,242	1,146
2052	-	-	-	-	-	-	34,942	446
2053	-	-	-	-	-	-	1,568	1,381
Total	\$ 21,200,268	\$ 5,448,789	\$ 1,333,330	\$ 180,000	\$ 3,295,000	\$ 924,270	\$ 2,030,931	\$ 789,738

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements As of June 30, 2019 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Governmental Activities:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Compensated absences (payable from the General Fund)					\$ 305,302	\$ 30,530
Net OPEB liability (payable from the General Fund)					\$ 266,312	\$ -
Net pension liability (payable from the General Fund)					\$ 845,667	\$ -
Landfill closure and post-closure					\$ 10,306	\$ -
Derivative instrument liability					\$ 22,760	\$ -
Total long-term obligations incurred by the County					\$ 1,450,347	\$ 30,530
Direct borrowings and placements:						
General Obligation Bonds:						
VPSA Bond outstanding \$14,295,000 plus unamortized premium of \$1,779,653.	3.05% through 5.5%	11/01/16	07/25/29	\$ 17,301,562	\$ 16,074,653	\$ 892,128
General Obligation Bond outstanding \$5,953,268.	3.00% through 5.10%	11/08/07	07/25/27	11,620,646	5,953,268	593,834
Lease Revenue Refunding Bond outstanding \$952,000.	2.31%	09/06/12	07/15/22	2,223,000	952,000	230,000
Total General Obligation Bonds					\$ 22,979,921	\$ 1,715,962
Other Long-Term Debt:						
State Literary Fund Loan	3.00%	02/27/97	02/01/27	5,000,000	\$ 1,333,330	\$ 166,667
VACO/VML Direct Loan	3.40%	11/02/09	11/01/29	5,000,000	3,295,000	235,000
Total Other Long-Term Debt					\$ 4,628,330	\$ 401,667
Total Direct Borrowings and Placements					\$ 27,608,251	\$ 2,117,629
Total long-term obligations incurred by the County					\$ 4,722,587	\$ 265,530
Total long-term obligations incurred by School Board, payable from the General Fund					\$ 24,336,011	\$ 1,882,629
Total long-term obligations - governmental activities					\$ 29,058,598	\$ 2,148,159

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COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Business-type Activities:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Business-Type Activities	Amount Due Within One Year
Compensated absences (payable from the Enterprise Fund)					\$ 10,542	\$ 1,054
Net OPEB liability (payable from the Enterprise Fund)					\$ 4,688	\$ -
Net pension liability (payable from the Enterprise Fund)					\$ 15,413	\$ -
Direct borrowings and placements:						
<u>Revenue Bonds:</u>						
Series 1995 and Series A Sewer Revenue Bond	4.50%	10/31/95	10/31/35	\$ 1,548,800	\$ 958,742	\$ 43,187
Series 1996 Sewer Revenue Bonds	4.50%	10/09/96	10/09/36	344,500	221,357	9,314
Series 2012 Sewer Revenue Bonds	2.00%	06/01/12	06/01/52	939,000	850,832	18,229
Total Revenue Bonds					\$ 2,030,931	\$ 70,730
Total Direct Borrowings and Placements					\$ 2,030,931	\$ 70,730
Total long-term obligations - business-type activities					\$ 2,061,574	\$ 71,784

Interest rate swap

Objective of the interest rate swap.

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

Terms - November 2009 issue - The bonds and the related swap agreement mature on November 1, 2029. The swap's notional value of \$3,317,760 is more than the balance outstanding on the bonds payable of \$3,295,000. The difference of \$22,760 is reported in these financial statements as a derivative instrument within the long-term obligations of the County.

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

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

	Year Ended June 30, 2019
Fair value	\$ 22,760
Change in fair value	(55,444)

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 8—Long-Term Obligations: (Continued)**Component Units:**

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2019:

	<u>Balance at July 1, 2018</u>	<u>Issuances / Increases</u>	<u>Retirements / Decreases</u>	<u>Balance at June 30, 2019</u>	<u>Amounts Due Within One Year</u>
School Board:					
Compensated absences	\$ 382,740	\$ 5,412	\$ 38,274	\$ 349,878	\$ 34,988
Net pension liability	11,632,195	2,428,201	3,604,303	10,456,093	-
Net OPEB liabilities	1,865,853	200,160	310,618	1,755,395	-
Direct borrowing and placements:					
Ameresco performance contract	<u>758,235</u>	<u>-</u>	<u>117,620</u>	<u>640,615</u>	<u>127,730</u>
Total	<u>\$ 14,639,023</u>	<u>\$ 2,633,773</u>	<u>\$ 4,070,815</u>	<u>\$ 13,201,981</u>	<u>\$ 162,718</u>
Industrial Development Authority:					
Direct borrowing and placements:					
Rural development loan	<u>\$ 1,808,782</u>	<u>\$ -</u>	<u>\$ 28,153</u>	<u>\$ 1,780,629</u>	<u>\$ 29,343</u>

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COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 8—Long-Term Obligations: (Continued)

Component Units: (Continued)

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

Year Ending June 30,	School Board		IDA	
	Direct Borrowings and Direct Placements		Direct Borrowings and Direct Placements	
	Ameresco Performance Contract		Rural Development Loan	
	Principal	Interest	Principal	Interest
2020	\$ 127,730	\$ 31,070	\$ 29,343	\$ 72,897
2021	138,458	24,875	30,577	71,663
2022	149,838	18,160	31,862	70,378
2023	161,905	10,893	33,202	69,038
2024	62,684	3,040	34,598	67,642
2025	-	-	36,052	66,188
2026	-	-	37,568	64,672
2027	-	-	39,147	63,093
2028	-	-	40,793	61,447
2029	-	-	42,508	59,732
2030	-	-	44,295	57,945
2031	-	-	46,157	56,083
2032	-	-	48,097	54,143
2033	-	-	50,119	52,121
2034	-	-	52,226	50,014
2035	-	-	54,421	47,819
2036	-	-	56,709	45,531
2037	-	-	59,093	43,147
2038	-	-	61,577	40,663
2039	-	-	64,166	38,074
2040	-	-	66,863	35,377
2041	-	-	69,674	32,566
2042	-	-	72,603	29,636
2043	-	-	75,655	26,584
2044	-	-	78,836	23,404
2045	-	-	82,150	20,090
2046	-	-	85,604	16,636
2047	-	-	89,202	13,038
2048	-	-	92,952	9,288
2049	-	-	96,860	5,380
2050	-	-	77,720	1,298
Total	\$ 640,615	\$ 88,038	\$ 1,780,629	\$ 1,365,587

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements As of June 30, 2019 (Continued)

Note 8—Long-Term Obligations: (Continued)

Component Units: (Continued)

Details of long-term obligations are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Component Unit Activities	Amount Due Within One Year
<u>Component Unit School Board:</u>						
Compensated absences (payable from the School Fund)					\$ 349,878	\$ 34,988
Net OPEB liability (payable from the School Fund)					\$ 10,456,093	\$ -
Net pension liability (payable from the School Fund)					\$ 1,755,395	\$ -
Direct borrowings and placements:						
<u>Financial lease:</u>						
Ameresco	4.85%	06/13/05	06/13/24	\$ 1,621,471	\$ 640,615	\$ 127,730
Total outstanding debt - component unit - School Board					\$ 13,201,981	\$ 162,718
<u>Component Unit IDA:</u>						
Direct borrowings and placements:						
<u>Notes payable:</u>						
Rural Development loan	4.85%	04/23/10	04/23/50	\$ 2,000,000	\$ 1,780,629	\$ 29,343
Total outstanding debt - component unit - IDA					\$ 1,780,629	\$ 29,343

Note 9—Landfill Closure and Post Closure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfills when closed and to perform certain maintenance and monitoring functions at the landfill sites after closure. The County will also incur the estimated total closure and post closure cost of \$10,306 over the next six years. All amounts recognized are based on what it would cost to perform all closure and post closure care at year-end. Actual cost may be higher due to inflation. If these estimates are inadequate or additional post closure requirements are determined (due to changes in technology or regulations, for example), these cost may need to be covered by charges to future landfill users or taxpayers. The County has demonstrated financial assurance requirements for closure, post closure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

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COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 10—Pension Plans:

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.

Plan Description

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, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 10—Pension Plans: (Continued)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, and 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, and 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	40	24
Inactive members:		
Vested inactive members	7	7
Non-vested inactive members	13	19
Inactive members active elsewhere in VRS	50	10
Total inactive members	70	36
Active members	82	38
Total covered employees	192	98

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 10—Pension Plans: (Continued)

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

The County’s contractually required employer contribution rate for the year ended June 30, 2019 was 8.31% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the pension plan from the County were \$270,178 and \$317,500 for the years ended June 30, 2019 and June 30, 2018, respectively.

The Component Unit School Board’s contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2019 was 1.31% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by 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 \$7,231 and \$17,079 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability (Asset)

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. The County’s and Component Unit School Board’s (nonprofessional) net pension liabilities were measured as of June 30, 2018. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2017, and rolled forward to the measurement date of June 30, 2018.

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, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 10—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

* 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.

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 10—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

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%

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, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
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.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 10—Pension Plans: (Continued)

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

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.

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

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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%

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 10—Pension Plans: (Continued)

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

All Others (Non 10 Largest) - Hazardous Duty:

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

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%.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 10—Pension Plans: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (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 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 13,629,760	\$ 12,605,181	\$ 1,024,579
Changes for the year:			
Service cost	\$ 362,667	\$ -	\$ 362,667
Interest	933,127	-	933,127
Differences between expected and actual experience	(57,125)	-	(57,125)
Contributions - employer	-	317,501	(317,501)
Contributions - employee	-	164,944	(164,944)
Net investment income	-	928,489	(928,489)
Benefit payments, including refunds of employee contributions	(598,750)	(598,750)	-
Administrative expenses	-	(7,934)	7,934
Other changes	-	(832)	832
Net changes	\$ 639,919	\$ 803,418	\$ (163,499)
Balances at June 30, 2018	\$ 14,269,679	\$ 13,408,599	\$ 861,080

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 10—Pension Plans: (Continued)

Changes in Net Pension Liability (Asset) (Continued)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at June 30, 2017	\$ 2,638,179	\$ 3,143,201	\$ (505,022)
Changes for the year:			
Service cost	\$ 68,704	\$ -	\$ 68,704
Interest	181,168	-	181,168
Differences between expected and actual experience	530	-	530
Contributions - employer	-	17,078	(17,078)
Contributions - employee	-	33,113	(33,113)
Net investment income	-	231,556	(231,556)
Benefit payments, including refunds of employee contributions	(100,141)	(100,141)	-
Administrative expenses	-	(2,001)	2,001
Other changes	-	(206)	206
Net changes	\$ 150,261	\$ 179,399	\$ (29,138)
Balances at June 30, 2018	\$ 2,788,440	\$ 3,322,600	\$ (534,160)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 2,770,319	\$ 861,080	\$ (724,825)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ (195,517)	\$ (534,160)	\$ (819,100)

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 10—Pension Plans: (Continued)

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

For the year ended June 30, 2019, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$70,884 and \$(72,594), respectively. At June 30, 2019, 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	\$ 13,879	\$ 229,091	\$ 326	\$ 4,559
Change of assumptions	7,313	-	-	2,816
Net difference between projected and actual earnings on pension plan investments	-	109,327	-	27,739
Employer contributions subsequent to the measurement date	270,178	-	7,231	-
Total	\$ 291,370	\$ 338,418	\$ 7,557	\$ 35,114

\$270,178 and \$7,231 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability (Asset) in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2020	\$ (82,152)	\$ 2,932
2021	(90,137)	(2,768)
2022	(134,839)	(32,279)
2023	(10,099)	(2,673)
Thereafter	-	-

Pension Plan Data

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually required employer contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,124,004 and \$1,155,818 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$10,456,093 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.09593% as compared to 0.10205% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$613,538. 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.

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COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 10—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

At June 30, 2019, 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	\$ -	\$ 894,356
Change in assumptions	125,117	-
Net difference between projected and actual earnings on pension plan investments	-	221,504
Changes in proportion and differences between employer contributions and proportionate share of contributions	248,381	752,557
Employer contributions subsequent to the measurement date	<u>1,124,004</u>	<u>-</u>
Total	<u>\$ 1,497,502</u>	<u>\$ 1,868,417</u>

\$1,124,004 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2020	\$ (153,848)
2021	(338,280)
2022	(618,172)
2023	(269,697)
2024	(114,922)

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 10—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

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

Inflation	2.5%
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.

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

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 10—Pension Plans: (Continued)

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, 2018, 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	\$	46,679,555
Plan Fiduciary Net Position		34,919,563
Employers' Net Pension Liability (Asset)	\$	<u>11,759,992</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		74.81%

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

The long-term expected rate of return and discount rate information previously described also apply to this plan.

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:

	<u>Rate</u>		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 15,971,446	\$ 10,456,093	\$ 5,890,705

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Pension Plan Fiduciary Net Position

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

Aggregate Pension Information

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 291,370	\$ 338,418	\$ 861,080	\$ 70,884	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	7,557	35,114	(534,160)	(72,594)
School Board Professional	-	-	-	-	1,497,502	1,868,417	10,456,093	613,538
Totals	<u>\$ 291,370</u>	<u>\$ 338,418</u>	<u>\$ 861,080</u>	<u>\$ 70,884</u>	<u>\$ 1,505,059</u>	<u>\$ 1,903,531</u>	<u>\$ 9,921,933</u>	<u>\$ 540,944</u>

Note 11—Risk Management:

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

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

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

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

Note 12—Litigation:

At June 30, 2019, 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.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 13—Surety Bond Information:

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

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

Plan Description

The Group Life Insurance (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. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI 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 GLI Program OPEB.

The specific information for GLI Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Benefit Amounts (Continued)

the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI 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 GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the County were \$17,714 and \$17,608 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the GLI Program from the Component Unit School Board professional group were \$38,736 and \$38,265 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions to the Group Life Insurance Program from the Component Unit School Board nonprofessional group were \$3,517 and \$3,556 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the County reported a liability of \$271,000 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$575,791 and \$55,000, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the County's proportion was 0.01781% as compared to 0.01773% at June 30, 2017. At June 30, 2018, the Component Unit School Board professional and nonprofessional groups' proportion was 0.04069% and 0.00360%, respectively as compared to 0.04364% and 0.00374% respectively at June 30, 2017.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

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

For the year ended June 30, 2019, the County recognized GLI OPEB expense of \$3,000. For the year ended June 30, 2019, the Component Unit School Board professional group recognized GLI OPEB expense of (\$2,795). For the year ended June 30, 2019, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of (\$2,000). 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, 2019, 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	\$ 13,000	\$ 5,000	\$ 27,951	\$ 10,249	\$ 3,000	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	9,000	-	18,634	-	2,000
Change in assumptions	-	11,000	3,727	24,224	-	2,000
Changes in proportion	-	-	-	38,200	-	-
Employer contributions subsequent to the measurement date	17,714	-	38,736	-	3,517	-
Total	\$ 30,714	\$ 25,000	\$ 70,414	\$ 91,307	\$ 6,517	\$ 5,000

\$17,714, \$38,736 and \$3,517, 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

	Primary Government	Component Unit School Board (professional)	Component Unit School Board (nonprofessional)
Year Ended June 30			
2020	\$ (4,000)	\$ (14,907)	\$ (1,000)
2021	(4,000)	(14,907)	(1,000)
2022	(4,000)	(14,907)	-
2023	(1,000)	(9,317)	-
2024	1,000	(5,590)	-
Thereafter	-	-	-

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Actuarial Assumptions

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

Inflation	2.5%
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.

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered 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

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

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
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.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	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 CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

NET GLI OPEB Liability

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

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a 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%.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

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 ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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	\$ 354,000	\$ 271,000	\$ 203,000
Component School Board (professional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	752,814	575,791	432,309
Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	72,000	55,000	41,000

GLI Program Fiduciary Net Position

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC 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 HIC 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 HIC Program OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

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

HIC Program Notes

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.19% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Program were \$88,858 and \$88,661 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$1,124,604 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee HIC Program was 0.09568% as compared to 0.10200% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$81,989. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,628
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	926
Change of assumptions	-	10,182
Change in proportion	-	64,792
Employer contributions subsequent to the measurement date	88,858	-
Total	\$ 88,858	\$ 80,528

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

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

\$88,189 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2020	\$	(12,958)
2021		(12,958)
2022		(12,958)
2023		(12,958)
2024		(12,958)
Thereafter		(15,738)

Actuarial Assumptions

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

Inflation	2.5%
Salary increases, including inflation	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.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Actuarial Assumptions (Continued)

Mortality Rates - Teachers (Continued)

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the 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 HIC Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,381,313
Plan Fiduciary Net Position		111,639
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,269,674</u>

Plan Fiduciary Net Position as a Percentage
of the Total Teacher Employee HIC OPEB Liability 8.08%

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Net Teacher Employee HIC OPEB Liability (Continued)

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

Long-Term Expected Rate of Return

The long-term expected rate of return on 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 ended June 30, 2018, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

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

The following presents the school division's proportionate share of the VRS Teacher Employee HIC 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	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 1,256,039	\$ 1,124,604	\$ 1,012,606

Teacher Employee HIC OPEB Fiduciary Net Position

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

Note 16 - 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, 2019 was \$4,500.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 17—Summary of Other Postemployment Benefit Plans:

Aggregate OPEB Information

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
RS OPEB Plans:				
Group Life Insurance Program (Note 14):				
County	\$ 30,714	\$ 25,000	\$ 271,000	\$ 3,000
School Board Nonprofessional	6,517	5,000	55,000	(2,000)
School Board Professional	70,414	91,307	575,791	(2,795)
Teacher Health Insurance Credit Program (Note 15)	88,858	80,528	1,124,604	81,989
Line of Duty Act Program (Note 16)	-	-	-	4,500
Totals	<u>\$ 196,503</u>	<u>\$ 201,835</u>	<u>\$ 2,026,395</u>	<u>\$ 84,694</u>

Note 18—Commitments and Contingencies:

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

Note 19 - Adoption of Accounting Principles:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual - General Fund
 For the Year Ended June 30, 2019

	General Fund			Variance With Amended Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
General property taxes	\$ 9,151,500	\$ 9,309,808	\$ 9,684,537	\$ 374,729
Other local taxes	1,097,600	1,097,600	1,201,850	104,250
Permits, privilege fees and regulatory licenses	84,600	84,600	72,881	(11,719)
Fines and forfeitures	150,000	150,000	117,394	(32,606)
Revenue from use of money and property	55,000	55,000	92,365	37,365
Charges for services	266,360	481,041	976,488	495,447
Miscellaneous	573,001	586,035	187,497	(398,538)
Intergovernmental:				
Henrico County	1,131,900	1,131,900	1,131,900	-
Commonwealth	3,234,689	3,853,662	3,921,883	68,221
Federal	879,100	1,032,006	886,290	(145,716)
Total revenues	\$ 16,623,750	\$ 17,781,652	\$ 18,273,085	\$ 491,433
Expenditures:				
Current:				
General government administration	\$ 1,624,239	\$ 1,812,747	\$ 1,714,215	\$ 98,532
Judicial administration	540,430	535,409	511,135	24,274
Public safety	2,968,133	3,195,038	3,079,674	115,364
Public works	1,678,300	1,778,413	1,765,581	12,832
Health and welfare	2,299,759	3,007,163	3,095,439	(88,276)
Education	3,913,419	3,923,031	3,789,902	133,129
Parks, recreation, and cultural	179,277	182,473	183,870	(1,397)
Community development	269,274	286,395	264,727	21,668
Nondepartmental	19,122	1,318,593	1,307,586	11,007
Debt service:				
Principal retirement	1,882,215	1,882,215	1,882,215	-
Interest and other fiscal charges	1,214,582	1,220,541	1,220,541	-
Total expenditures	\$ 16,588,750	\$ 19,142,018	\$ 18,814,885	\$ 327,133
Excess (deficiency) of revenues over (under) expenditures	\$ 35,000	\$ (1,360,366)	\$ (541,800)	\$ 818,566
Other financing sources (uses):				
Transfers (out)	\$ (35,000)	\$ (35,000)	\$ (35,000)	\$ -
Total other financing sources (uses)	\$ (35,000)	\$ (35,000)	\$ (35,000)	\$ -
Net change in fund balance	\$ -	\$ (1,395,366)	\$ (576,800)	\$ 818,566
Fund balance at beginning of year	-	1,395,366	6,321,926	4,926,560
Fund balance at end of year	\$ -	\$ -	\$ 5,745,126	\$ 5,745,126

Schedule of Changes in Net Pension Liability and Related Ratios -
Primary Government
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 362,667	\$ 363,229	\$ 367,059	\$ 357,908	\$ 352,993
Interest	933,127	911,967	857,886	795,647	755,446
Changes of assumptions	-	16,935	-	-	-
Differences between expected and actual experience	(57,125)	(436,805)	58,650	239,099	-
Benefit payments, including refunds of employee contributions	(598,750)	(507,340)	(514,676)	(492,362)	(575,920)
Net change in total pension liability	\$ 639,919	\$ 347,986	\$ 768,919	\$ 900,292	\$ 532,519
Total pension liability - beginning	13,629,760	13,281,774	12,512,855	11,612,563	11,080,044
Total pension liability - ending (a)	<u>\$ 14,269,679</u>	<u>\$ 13,629,760</u>	<u>\$ 13,281,774</u>	<u>\$ 12,512,855</u>	<u>\$ 11,612,563</u>
Plan fiduciary net position					
Contributions - employer	\$ 317,501	\$ 305,607	\$ 306,917	\$ 303,955	\$ 341,947
Contributions - employee	164,944	166,588	158,417	156,837	152,078
Net investment income	928,489	1,375,517	196,283	489,630	1,460,970
Benefit payments, including refunds of employee contributions	(598,750)	(507,340)	(514,676)	(492,362)	(575,920)
Administrative expense	(7,934)	(7,803)	(6,872)	(6,637)	(7,868)
Other	(832)	(1,232)	(83)	(103)	77
Net change in plan fiduciary net position	\$ 803,418	\$ 1,331,337	\$ 139,986	\$ 451,320	\$ 1,371,284
Plan fiduciary net position - beginning	12,605,181	11,273,844	11,133,858	10,682,538	9,311,254
Plan fiduciary net position - ending (b)	<u>\$ 13,408,599</u>	<u>\$ 12,605,181</u>	<u>\$ 11,273,844</u>	<u>\$ 11,133,858</u>	<u>\$ 10,682,538</u>
County's net pension liability - ending (a) - (b)	\$ 861,080	\$ 1,024,579	\$ 2,007,930	\$ 1,378,997	\$ 930,025
Plan fiduciary net position as a percentage of the total pension liability	93.97%	92.48%	84.88%	88.98%	91.99%
Covered payroll	\$ 3,386,248	\$ 3,241,811	\$ 3,183,996	\$ 3,132,238	\$ 3,034,140
County's net pension liability as a percentage of covered payroll	25.43%	31.61%	63.06%	44.03%	30.65%

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

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios -
Component Unit School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 68,704	\$ 74,760	\$ 75,961	\$ 80,101	\$ 82,791
Interest	181,168	172,661	169,820	159,638	150,317
Changes of assumptions	-	(11,480)	-	-	-
Differences between expected and actual experience	530	(18,587)	(109,876)	5,173	-
Benefit payments, including refunds of employee contributions	(100,141)	(91,510)	(99,132)	(99,786)	(100,104)
Net change in total pension liability	\$ 150,261	\$ 125,844	\$ 36,773	\$ 145,126	\$ 133,004
Total pension liability - beginning	2,638,179	2,512,335	2,475,562	2,330,436	2,197,432
Total pension liability - ending (a)	\$ 2,788,440	\$ 2,638,179	\$ 2,512,335	\$ 2,475,562	\$ 2,330,436
Plan fiduciary net position					
Contributions - employer	\$ 17,078	\$ 17,630	\$ 38,186	\$ 38,806	\$ 38,406
Contributions - employee	33,113	33,609	33,819	34,418	34,781
Net investment income	231,556	345,385	49,420	124,689	374,177
Benefit payments, including refunds of employee contributions	(100,141)	(91,510)	(99,132)	(99,786)	(100,104)
Administrative expense	(2,001)	(1,994)	(1,754)	(1,709)	(2,023)
Other	(206)	(307)	(21)	(25)	19
Net change in plan fiduciary net position	\$ 179,399	\$ 302,813	\$ 20,518	\$ 96,393	\$ 345,256
Plan fiduciary net position - beginning	3,143,201	2,840,388	2,819,870	2,723,477	2,378,221
Plan fiduciary net position - ending (b)	\$ 3,322,600	\$ 3,143,201	\$ 2,840,388	\$ 2,819,870	\$ 2,723,477
School Division's net pension liability (asset) - ending (a) - (b)	\$ (534,160)	\$ (505,022)	\$ (328,053)	\$ (344,308)	\$ (393,041)
Plan fiduciary net position as a percentage of the total pension liability	119.16%	119.14%	113.06%	113.91%	116.87%
Covered payroll	\$ 683,891	\$ 690,599	\$ 693,284	\$ 696,646	\$ 695,620
School Division's net pension liability (asset) as a percentage of covered payroll	-78.11%	-73.13%	-47.32%	-49.42%	-56.50%

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

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

For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.09593%	0.10205%	10.21000%	0.10414%	0.09699%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 10,456,093	\$ 11,632,195	\$ 13,267,119	\$ 12,299,670	\$ 11,721,000
Employer's Covered Payroll	7,082,218	7,514,491	7,834,253	7,538,428	7,075,901
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	147.64%	154.80%	169.35%	163.16%	165.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%	72.92%	68.28%	70.68%	70.88%

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

Schedule of Employer Contributions -
Pension Plan

For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2019	\$ 270,178	\$ 270,178	\$ -	\$ 3,366,412	8.03%
2018	317,500	317,500	-	3,386,248	9.38%
2017	305,607	305,607	-	3,241,811	9.43%
2016	310,440	310,440	-	3,183,996	9.75%
2015	305,393	305,393	-	3,132,238	9.75%
2014	342,251	342,251	-	3,034,140	11.28%
2013	355,515	355,515	-	3,151,733	11.28%
2012	271,268	271,268	-	2,984,250	9.09%
2011	261,393	261,393	-	2,875,613	9.09%
2010	218,644	218,644	-	3,019,940	7.24%
Component Unit School Board (nonprofessional)					
2019	\$ 7,231	\$ 7,231	\$ -	\$ 676,392	1.07%
2018	17,079	17,079	-	683,891	2.50%
2017	17,630	17,630	-	690,599	2.55%
2016	39,032	39,032	-	693,284	5.63%
2015	39,221	39,221	-	696,646	5.63%
2014	42,781	42,781	-	695,620	6.15%
2013	43,647	43,647	-	709,705	6.15%
2012	37,805	37,805	-	683,627	5.53%
2011	38,136	38,136	-	689,616	5.53%
2010	42,867	42,867	-	756,029	5.67%
Component Unit School Board (professional)					
2019	\$ 1,124,004	\$ 1,124,004	\$ -	\$ 7,493,922	15.00%
2018	1,155,818	1,155,818	-	7,082,218	16.32%
2017	1,101,624	1,101,624	-	7,514,491	14.66%
2016	1,101,496	1,101,496	-	7,834,253	14.06%
2015	1,093,072	1,093,072	-	7,538,428	14.50%
2014	825,062	825,062	-	7,075,901	11.66%
2013	770,332	770,332	-	6,606,621	11.66%
2012	433,633	433,633	-	6,850,442	6.33%
2011	623,853	623,853	-	6,986,035	3.93%
2010	614,122	614,122	-	6,970,738	8.81%

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

Notes to Required Supplementary Information -
Pension Plan
Year Ended June 30, 2019

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

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

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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%

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%

Component Unit School Board - Professional Employees

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

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

Date (1)	Employer's	Employer's	Employer's Covered Payroll (4)	Employer's	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
	Proportion of the	Proportionate		Proportionate Share	
	Net GLI OPEB	Share of the		of the Net GLI OPEB	
	Liability (Asset)	Net GLI OPEB		Liability (Asset)	
(2)	(3)	(5)			
Primary Government:					
2018	0.01781%	\$ 271,000	\$ 3,386,248	8.00%	51.22%
2017	0.01773%	267,000	3,241,811	8.24%	48.86%
Component Unit School Board (nonprofessional):					
2018	0.00360%	\$ 55,000	\$ 683,891	8.04%	51.22%
2017	0.00374%	56,000	690,599	8.11%	48.86%
Component Unit School Board (professional):					
2018	0.04069%	\$ 575,791	\$ 7,082,218	8.13%	51.22%
2017	0.04364%	612,127	7,514,491	8.15%	48.86%

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

Schedule of Employer Contributions -
 Group Life Insurance Program
 Years Ended June 30, 2017 through June 30, 2019

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
(1)	(2)	(3)	(4)	(5)	
Primary Government:					
2019	\$ 17,714	\$ 17,714	-	\$ 3,406,576	0.52%
2018	17,608	17,608		3,386,248	0.52%
2017	17,003	17,003		3,241,811	0.52%
Component Unit School Board (nonprofessional)					
2019	\$ 3,517	\$ 3,517	-	\$ 676,392	0.52%
2018	3,556	3,556		683,891	0.52%
2017	3,591	3,591		690,599	0.52%
Component Unit School Board (professional)					
2019	\$ 38,736	\$ 38,736	-	\$ 7,454,473	0.52%
2018	38,265	38,265		7,082,218	0.54%
2017	38,200	38,200		7,514,491	0.51%

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

Notes to Required Supplementary Information -
Group Life Insurance Program
For the Year Ended June 30, 2019

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

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

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

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%

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

Date	Employer's Proportion of the Net HIC OPEB Liability (Asset)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	Employer's Covered Payroll	Employer's	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability
				Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	
(1)	(2)	(3)	(4)	(5)	(6)
2018	0.09568% \$	1,215,000 \$	7,082,218	17.16%	8.08%
2017	0.10200%	1,197,726	7,514,491	15.94%	7.04%

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

Schedule of Employer Contributions -
Teacher Employee Health Insurance Credit (HIC) Program
Years Ended June 30, 2017 through June 30, 2019

Date	Contributions in Relation to				Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	
2019	\$ 88,868	\$ 88,868	\$ -	\$ 7,405,667	1.20%
2018	88,661	88,661	-	7,082,218	1.25%
2017	82,378	82,378	-	7,514,491	1.10%

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

Notes to Required Supplementary Information -
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Year Ended June 30, 2019

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

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

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

OTHER SUPPLEMENTARY INFORMATION

Combining Statement of Fiduciary Net Position -
Agency Funds
June 30, 2019

	Agency Funds					Totals
	Special Welfare Fund	Erosion and Sediment Control Bond Escrow Fund	Health Insurance Fund	Sheriff's Forfeiture Fund	The Governor's School of Southside Virginia	
ASSETS						
Cash and cash equivalents	\$ 15,505	\$ -	\$ -	\$ 79,791	\$ 1,053,511	\$ 1,148,807
Accounts receivable	-	-	-	-	25,955	25,955
Total assets	<u>\$ 15,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,791</u>	<u>\$ 1,079,466</u>	<u>\$ 1,174,762</u>
LIABILITIES						
Accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 32,386	\$ 32,386
Unearned revenue	-	-	-	-	177,201	177,201
Amounts held for sheriff	-	-	-	79,791	-	79,791
Amounts held for others	-	-	-	-	869,879	869,879
Amounts held for social services clients	15,505	-	-	-	-	15,505
Total liabilities	<u>\$ 15,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,791</u>	<u>\$ 1,079,466</u>	<u>\$ 1,174,762</u>

Combining Statement of Changes in Assets and Liabilities -
Agency Funds
Year Ended June 30, 2019

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ <u>13,870</u>	\$ <u>16,002</u>	\$ <u>14,367</u>	\$ <u>15,505</u>
Liabilities:				
Amounts held for social service clients	\$ <u>13,870</u>	\$ <u>16,002</u>	\$ <u>14,367</u>	\$ <u>15,505</u>
Sheriff's Forfeiture Fund:				
Assets:				
Cash and cash equivalents	\$ <u>77,294</u>	\$ <u>6,068</u>	\$ <u>3,571</u>	\$ <u>79,791</u>
Liabilities:				
Amounts held for sheriff	\$ <u>77,294</u>	\$ <u>6,068</u>	\$ <u>3,571</u>	\$ <u>79,791</u>
Erosion and Sediment Control Bond Escrow Fund:				
Assets:				
Cash and cash equivalents	\$ <u>29,298</u>	\$ <u>56</u>	\$ <u>29,354</u>	\$ <u>-</u>
Liabilities:				
Amounts held for others	\$ <u>29,298</u>	\$ <u>56</u>	\$ <u>29,354</u>	\$ <u>-</u>
Health Insurance Fund:				
Assets:				
Cash and cash equivalents	\$ (641,254)	\$ 1,726,015	\$ 1,084,761	\$ -
Accounts receivable	<u>62,331</u>	<u>-</u>	<u>62,331</u>	<u>-</u>
Total assets	\$ <u>(578,923)</u>	\$ <u>1,726,015</u>	\$ <u>1,147,092</u>	\$ <u>-</u>
Liabilities:				
Amounts held for insurance benefits	\$ <u>(578,923)</u>	\$ <u>1,726,015</u>	\$ <u>1,147,092</u>	\$ <u>-</u>
The Governor's School of Southside Virginia:				
Assets:				
Cash and cash equivalents	\$ 955,689	\$ 1,011,901	\$ 914,079	\$ 1,053,511
Accounts receivable	<u>-</u>	<u>25,955</u>	<u>-</u>	<u>25,955</u>
Total assets	\$ <u>955,689</u>	\$ <u>1,037,856</u>	\$ <u>914,079</u>	\$ <u>1,079,466</u>
Liabilities:				
Accounts payable	\$ 3,744	\$ -	\$ 3,744	\$ -
Accrued liabilities	28,787	3,599	-	32,386
Unearned revenue	151,426	25,775	-	177,201
Amounts held for others	<u>771,732</u>	<u>1,008,482</u>	<u>910,335</u>	<u>869,879</u>
Total liabilities	\$ <u>955,689</u>	\$ <u>1,037,856</u>	\$ <u>914,079</u>	\$ <u>1,079,466</u>

Combining Statement of Changes in Assets and Liabilities -
 Agency Funds
 Year Ended June 30, 2019 (Continued)

Totals -- All agency funds

Assets:

Cash and cash equivalents	\$ 434,897	\$ 2,760,042	\$ 2,046,132	\$ 1,148,807
Accounts receivable	62,331	25,955	62,331	25,955
Total assets	<u>\$ 497,228</u>	<u>\$ 2,785,997</u>	<u>\$ 2,108,463</u>	<u>\$ 1,174,762</u>

Liabilities:

Accounts payable	\$ 3,744	\$ -	\$ 3,744	\$ -
Accrued liabilities	28,787	3,599	-	32,386
Unearned revenue	151,426	25,775	-	177,201
Amounts held for social service clients	13,870	16,002	14,367	15,505
Amounts held for others	801,030	1,008,538	939,689	869,879
Amounts held for insurance benefits	(578,923)	1,726,015	1,147,092	-
Amounts held for sheriff	77,294	6,068	3,571	79,791
Total liabilities	<u>\$ 497,228</u>	<u>\$ 2,785,997</u>	<u>\$ 2,108,463</u>	<u>\$ 1,174,762</u>

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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Combining Balance Sheet -
Discretely Presented Component Unit - School Board
June 30, 2019

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 692,486	\$ 129,177	\$ 821,663
Accounts receivable	4,412	-	4,412
Prepaid items	32,600	-	32,600
Due from other governmental units	<u>304,721</u>	<u>-</u>	<u>304,721</u>
Total assets	<u>\$ 1,034,219</u>	<u>\$ 129,177</u>	<u>\$ 1,163,396</u>
LIABILITIES			
Accounts payable	\$ 22,929	\$ -	\$ 22,929
Accrued liabilities	692,486	-	692,486
Due to primary government	<u>318,804</u>	<u>-</u>	<u>318,804</u>
Total liabilities	<u>\$ 1,034,219</u>	<u>\$ -</u>	<u>\$ 1,034,219</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	\$ 32,600	\$ -	\$ 32,600
Restricted:			
Special Revenue	-	129,177	129,177
Unassigned	<u>(32,600)</u>	<u>-</u>	<u>(32,600)</u>
Total fund balances	<u>\$ -</u>	<u>\$ 129,177</u>	<u>\$ 129,177</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Total fund balances per above		\$	129,177
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets, cost		\$ 20,298,333	
Accumulated depreciation		<u>(8,342,511)</u>	11,955,822
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds:			
Net pension asset			534,160
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items		\$ 1,505,059	
OPEB related items		<u>165,789</u>	1,670,848
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Compensated absences		\$ (349,878)	
Ameresco performance contract		(640,615)	
Net pension liability		(10,456,093)	
Net OPEB liabilities		<u>(1,755,395)</u>	(13,201,981)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items		\$ (1,903,531)	
OPEB related items		<u>(176,835)</u>	(2,080,366)
Net position of General Government Activities			<u>\$ (992,340)</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2019

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
Revenues:			
Charges for services	\$ -	\$ 93,651	\$ 93,651
Miscellaneous	314,973	47,746	362,719
Intergovernmental:			
County contribution to School Board	3,772,291	-	3,772,291
Commonwealth	10,053,556	-	10,053,556
Federal	1,845,112	-	1,845,112
Total revenues	<u>\$ 15,985,932</u>	<u>\$ 141,397</u>	<u>\$ 16,127,329</u>
Expenditures:			
Education	<u>\$ 15,175,688</u>	<u>\$ 904,442</u>	<u>\$ 16,080,130</u>
Total expenditures	<u>\$ 15,175,688</u>	<u>\$ 904,442</u>	<u>\$ 16,080,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 810,244</u>	<u>\$ (763,045)</u>	<u>\$ 47,199</u>
Other financing sources (uses):			
Transfers in	\$ -	\$ 810,244	\$ 810,244
Transfers (out)	<u>(810,244)</u>	<u>-</u>	<u>(810,244)</u>
Total other financing sources (uses)	<u>\$ (810,244)</u>	<u>\$ 810,244</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ 47,199	\$ 47,199
Fund balance at beginning of year	<u>-</u>	<u>81,978</u>	<u>81,978</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 129,177</u></u>	<u><u>\$ 129,177</u></u>

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances
To the Statement of Activities -
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2019

		Component Unit School Board
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	\$	47,199
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeds capital outlays in the current period.		
Capital outlay	\$ 503,774	
Depreciation expense	(560,219)	
Transfer of joint tenancy assets to Component Unit School Board from Primary Government	<u>544,695</u>	488,250
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(91,575)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal retired on Ameresco performance contract		117,620
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.		
Pension expense	\$ 584,624	
OPEB expense	53,096	
Change in compensated absences	<u>32,862</u>	<u>670,582</u>
Change in net position of governmental activities	\$	<u><u>1,232,076</u></u>

Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual -
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2019

	School Operating Fund			Variance With Amended Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
Miscellaneous	\$ 145,199	\$ 296,743	\$ 314,973	\$ 18,230
Intergovernmental:				
County contribution to School Board	3,905,419	3,911,837	3,772,291	(139,546)
Commonwealth	9,465,831	10,124,184	10,053,556	(70,628)
Federal	1,609,141	1,621,263	1,845,112	223,849
Total revenues	\$ 15,125,590	\$ 15,954,027	\$ 15,985,932	\$ 31,905
Expenditures:				
Education	\$ 13,432,984	\$ 15,913,923	\$ 15,175,688	\$ 738,235
Total expenditures	\$ 13,432,984	\$ 15,913,923	\$ 15,175,688	\$ 738,235
Excess (deficiency) of revenues over (under) expenditures	\$ 1,692,606	\$ 40,104	\$ 810,244	\$ 770,140
Other financing sources (uses):				
Transfers (out)	(1,692,606)	(40,104)	(810,244)	(770,140)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

*DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY*

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Statement of Net Position

Discretely Presented Component Unit - Industrial Development Authority

June 30, 2019

	Discretely Presented Component Unit - IDA
ASSETS	
Current assets:	
Inventory held for resale	\$ 804,005
Total current assets	\$ 804,005
Noncurrent assets:	
Restricted assets	\$ 97,549
Capital Assets:	
Land	535,846
Buildings and improvements, net of depreciation	1,324,118
Total noncurrent assets	\$ 1,957,513
Total Assets	\$ 2,761,518
LIABILITIES	
Current liabilities:	
Due to primary government	\$ 291,316
Long-term obligations, current portion	29,343
Total current liabilities	\$ 320,659
Noncurrent liabilities:	
Long-term obligations, noncurrent portion	1,751,286
Total Liabilities	\$ 2,071,945
Net Position	
Net investment in capital assets	\$ 79,335
Unrestricted assets	610,238
Total Net Position	\$ 689,573
Total Liabilities and Net Position	\$ 2,761,518

Statement of Revenues, Expenses and Changes in Net Position
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2019

	Discretely Presented Component Unit - IDA
Operating revenues:	
Rent	\$ 45,900
Total operating revenues	<u>\$ 45,900</u>
Operating expenses:	
Depreciation	\$ 42,643
Other operating expenses	<u>18,803</u>
Total operating expenses	<u>\$ 61,446</u>
Operating income (loss)	<u>\$ (15,546)</u>
Nonoperating revenues (expenses):	
Interest income	\$ 3,416
Interest expense	(74,088)
Contribution from County of Cumberland	<u>85,369</u>
Total nonoperating revenues (expenses)	<u>\$ 14,697</u>
Increase (decrease) in net position	\$ (849)
Net position, beginning of year	<u>690,422</u>
Net position, end of year	<u><u>\$ 689,573</u></u>

Statement of Cash Flows -
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2019

	Discretely Presented Component Unit - IDA
Cash flows from operating activities:	
Receipts from customers and users	\$ 45,900
Payments for operating activities	<u>(18,803)</u>
Net cash provided by (used for) operating activities	\$ <u>27,097</u>
Cash flows from noncapital financing activities:	
Contribution from County of Cumberland	\$ <u>85,369</u>
Net cash provided by (used for) noncapital financing activities	\$ <u>85,369</u>
Cash flows from capital and related financing activities:	
Retirement of indebtedness	\$ (28,153)
Interest paid on loans	<u>(74,088)</u>
Net cash provided by (used for) capital and related financing activities	\$ <u>(102,241)</u>
Cash flows from investing activities:	
Interest income	\$ <u>3,416</u>
Net cash provided by (used for) investing activities	\$ <u>3,416</u>
Increase (decrease) in cash and cash equivalents	\$ 13,641
Cash and cash equivalents at beginning of year	<u>83,908</u>
Cash and cash equivalents at end of year	\$ <u><u>97,549</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (15,546)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operations:	
Depreciation	<u>42,643</u>
Net cash provided by (used for) operating activities	\$ <u><u>27,097</u></u>

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SUPPORTING SCHEDULES

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Governmental Funds -
Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2019

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,850,000	\$ 5,963,043	\$ 6,036,550	\$ 73,507
Real and personal public service corporation property taxes	860,000	860,000	965,853	105,853
Personal property taxes	1,950,000	1,990,265	2,046,509	56,244
Mobile homes	40,000	40,000	40,760	760
Airplane taxes	4,500	4,500	5,643	1,143
Machinery and tools taxes	200,000	205,000	277,502	72,502
Penalties	115,000	115,000	127,717	12,717
Interest	132,000	132,000	184,003	52,003
Total general property taxes	\$ 9,151,500	\$ 9,309,808	\$ 9,684,537	\$ 374,729
Other local taxes:				
Local sales and use taxes	\$ 500,000	\$ 500,000	\$ 558,321	\$ 58,321
Consumers' utility taxes	173,000	173,000	175,912	2,912
Business license taxes	111,000	111,000	122,524	11,524
Bank franchise tax	15,000	15,000	17,133	2,133
Motor vehicle licenses	230,000	230,000	239,154	9,154
Tax on deeds	16,000	16,000	19,840	3,840
Taxes on recordation and wills	52,600	52,600	68,966	16,366
Total other local taxes	\$ 1,097,600	\$ 1,097,600	\$ 1,201,850	\$ 104,250
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 8,000	\$ 8,000	\$ 7,531	\$ (469)
Building and related permits	69,200	69,200	54,668	(14,532)
Transfer fees	400	400	437	37
Land use and other general government fees	4,500	4,500	9,040	4,540
Zoning and other fees	2,500	2,500	1,205	(1,295)
Total permits, privilege fees and regulatory licenses	\$ 84,600	\$ 84,600	\$ 72,881	\$ (11,719)
Fines and Forfeitures:				
Court fines and forfeitures	\$ 150,000	\$ 150,000	\$ 117,394	\$ (32,606)
Total fines and forfeitures	\$ 150,000	\$ 150,000	\$ 117,394	\$ (32,606)
Revenue from use of money and property:				
Revenue from use of money	\$ 40,000	\$ 40,000	\$ 88,213	\$ 48,213
Revenue from use of property	15,000	15,000	4,152	(10,848)
Total revenue from use of money and property	\$ 55,000	\$ 55,000	\$ 92,365	\$ 37,365

Governmental Funds -
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2019 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (continued)				
Charges for services:				
Sheriff's and other public safety fees	\$ 360	\$ 360	\$ 360	\$ -
Law library fees	1,200	1,200	1,989	789
DNA analysis fees	-	-	106	106
Courthouse maintenance fees	7,000	7,000	6,748	(252)
Jail admission fee	1,000	1,000	1,622	622
Courthouse security	34,000	34,000	30,522	(3,478)
Document reproduction fees	-	-	2,967	2,967
Court appointed attorney	1,500	1,500	1,098	(402)
Court clerks	2,000	2,000	2,160	160
Commonwealth attorney fees	800	800	1,173	373
Ambulance and rescue service fees	200,000	200,000	152,573	(47,427)
Sanitation and waste removal fees	-	-	505	505
Host agreement fees	-	214,205	750,000	535,795
Recreation fees	16,000	16,476	24,490	8,014
Planning and community development	2,500	2,500	175	(2,325)
Total charges for services	\$ 266,360	\$ 481,041	\$ 976,488	\$ 495,447
Miscellaneous:				
Miscellaneous	\$ 573,001	\$ 586,035	\$ 187,497	\$ (398,538)
Total miscellaneous	\$ 573,001	\$ 586,035	\$ 187,497	\$ (398,538)
Total revenue from local sources	\$ 11,378,061	\$ 11,764,084	\$ 12,333,012	\$ 568,928
Intergovernmental:				
Local government:				
Henrico County - reservoir operation	\$ 1,131,900	\$ 1,131,900	\$ 1,131,900	\$ -
Total local government	\$ 1,131,900	\$ 1,131,900	\$ 1,131,900	\$ -
Revenue from the Commonwealth:				
Payments in lieu of taxes	\$ 40,000	\$ 40,000	\$ 26,866	\$ (13,134)
Noncategorical aid:				
Rental tax	\$ 800	\$ 800	\$ 7,479	\$ 6,679
Mobile home titling taxes	40,000	40,000	11,569	(28,431)
Tax on deeds	14,000	14,000	-	(14,000)
Communication taxes	362,000	362,000	324,584	(37,416)
Rolling stock tax	-	-	107	107
Recordation tax	16,000	16,000	22,556	6,556
Animal friendly plates	-	122	122	-
PPTRA	871,735	871,735	871,736	1
Total noncategorical aid	\$ 1,304,535	\$ 1,304,657	\$ 1,238,153	\$ (66,504)

Governmental Funds -
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2019 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 170,099	\$ 170,099	\$ 168,887	\$ (1,212)
Sheriff	582,811	582,811	599,930	17,119
Commissioner of the Revenue	82,444	82,444	84,509	2,065
Treasurer	98,262	98,262	93,221	(5,041)
Registrar/electoral board	42,423	42,423	35,755	(6,668)
Clerk of the Circuit Court	159,984	159,984	161,948	1,964
DMV	19,000	19,000	23,772	4,772
Total shared expenses	\$ 1,155,023	\$ 1,155,023	\$ 1,168,022	\$ 12,999
Other categorical aid:				
Litter control	\$ -	\$ -	\$ 6,207	\$ 6,207
Fire programs grant	-	34,793	34,793	-
Victim/witness program	-	-	6,897	6,897
E-911 wireless	52,000	52,000	41,226	(10,774)
Records preservant grant - courts	-	28,311	28,311	-
Emergency management grant	-	-	11,746	11,746
Comprehensive Services Act	500,000	982,205	866,774	(115,431)
Public assistance and welfare	183,131	256,673	492,888	236,215
Total other categorical aid	\$ 735,131	\$ 1,353,982	\$ 1,488,842	\$ 134,860
Total categorical aid	\$ 1,890,154	\$ 2,509,005	\$ 2,656,864	\$ 147,859
Total revenue from the Commonwealth	\$ 3,234,689	\$ 3,853,662	\$ 3,921,883	\$ 68,221
Revenue from the Federal Government:				
Categorical aid:				
Public assistance and welfare	\$ 856,100	\$ 1,009,006	\$ 768,065	\$ (240,941)
Victim/witness program	-	-	20,690	20,690
Comprehensive Services Act - SSBG	-	-	21,926	21,926
Law enforcement block grant	-	-	1,200	1,200
Social services cost allocation reimbursement	23,000	23,000	49,409	26,409
Rural development equipment grant	-	-	25,000	25,000
Total categorical aid	\$ 879,100	\$ 1,032,006	\$ 886,290	\$ (145,716)
Total revenue from the Federal Government	\$ 879,100	\$ 1,032,006	\$ 886,290	\$ (145,716)
Total General Fund	\$ 16,623,750	\$ 17,781,652	\$ 18,273,085	\$ 491,433

Governmental Funds -
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2019 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 1,551	\$ 1,551
Total County Capital Projects Fund	\$ -	\$ -	\$ 1,551	\$ 1,551
Total Revenues -- Primary Government	\$ 16,623,750	\$ 17,781,652	\$ 18,274,636	\$ 492,984
Component Unit -- School Board:				
School Operating Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous	\$ 145,199	\$ 296,743	\$ 314,973	\$ 18,230
Total miscellaneous	\$ 145,199	\$ 296,743	\$ 314,973	\$ 18,230
Total revenue from local sources	\$ 145,199	\$ 296,743	\$ 314,973	\$ 18,230
Revenue from local governments:				
Intergovernmental:				
County contribution to School Board	\$ 3,905,419	\$ 3,911,837	\$ 3,772,291	\$ (139,546)
Total revenue from local governments	\$ 3,905,419	\$ 3,911,837	\$ 3,772,291	\$ (139,546)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,664,633	\$ 1,664,633	\$ 1,594,005	\$ (70,628)
Basic school aid	4,201,063	4,706,997	4,706,997	-
Special education	436,390	436,390	436,390	-
FICA - instructional	278,605	278,605	278,605	-
VRS - instructional	615,815	615,815	615,815	-
Group life - instructional	18,934	18,934	18,934	-
Remedial education	284,916	284,916	284,916	-
Textbook payments	90,785	90,785	90,785	-
Vocational education	229,916	229,916	229,916	-
State lottery	328,330	328,330	328,330	-
At risk	541,562	541,562	541,562	-
Reduced K-3	323,897	323,897	323,897	-
Technology	131,000	131,000	131,000	-
Other state funds	319,985	472,404	472,404	-
Total categorical aid	\$ 9,465,831	\$ 10,124,184	\$ 10,053,556	\$ (70,628)
Total revenue from the Commonwealth	\$ 9,465,831	\$ 10,124,184	\$ 10,053,556	\$ (70,628)

Governmental Funds -
Schedule of Revenues - Budget and Actual
Year Ended June 30, 2019 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 515,415	\$ 515,415	\$ 590,998	\$ 75,583
Title VI-B -- Special Education	259,630	259,630	297,704	38,074
School food	663,611	675,733	760,926	85,193
Other federal funds	170,485	170,485	195,484	24,999
Total categorical aid	\$ 1,609,141	\$ 1,621,263	\$ 1,845,112	\$ 223,849
Total revenue from the federal government	\$ 1,609,141	\$ 1,621,263	\$ 1,845,112	\$ 223,849
Total School Operating Fund	\$ 15,125,590	\$ 15,954,027	\$ 15,985,932	\$ 31,905
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ -	\$ -	\$ 93,651	\$ 93,651
Total charges for services	\$ -	\$ -	\$ 93,651	\$ 93,651
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 47,746	\$ 47,746
Total miscellaneous	\$ -	\$ -	\$ 47,746	\$ 47,746
Total revenue from local sources	\$ -	\$ -	\$ 141,397	\$ 141,397
Total School Cafeteria Fund	\$ -	\$ -	\$ 141,397	\$ 141,397
Total Revenues -- Component Unit -- School Board	\$ 15,125,590	\$ 15,954,027	\$ 16,127,329	\$ 173,302

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Governmental Funds -
Schedule of Expenditures - Budget and Actual
For the Year Ended June 30, 2019

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 46,117	\$ 46,117	\$ 45,095	\$ 1,022
General and financial administration:				
County administrator	\$ 298,724	\$ 320,955	\$ 321,894	\$ (939)
Legal services	1,000	93,501	93,501	-
Independent Auditor	36,000	55,700	55,692	8
Commissioner of the revenue	259,158	259,158	251,998	7,160
Assessor	104,000	104,000	56,737	47,263
Treasurer	293,670	306,031	306,031	-
Accounting	157,046	193,002	193,001	1
Data Processing	305,491	308,408	279,997	28,411
Total general and financial administration	\$ 1,455,089	\$ 1,640,755	\$ 1,558,851	\$ 81,904
Board of Elections:				
Electoral board and officials	\$ 25,096	\$ 27,938	\$ 22,212	\$ 5,726
Registrar	97,937	97,937	88,057	9,880
Total board of elections	\$ 123,033	\$ 125,875	\$ 110,269	\$ 15,606
Total general government administration	\$ 1,624,239	\$ 1,812,747	\$ 1,714,215	\$ 98,532
Judicial administration:				
Courts:				
Circuit court	\$ 14,800	\$ 14,800	\$ 11,627	\$ 3,173
General district court	7,630	7,630	7,967	(337)
Special magistrates	1,125	1,125	26	1,099
Law library	1,200	1,200	360	840
Victim / witness	69,370	34,538	20,588	13,950
Clerk of the circuit court	224,407	254,218	254,197	21
Total courts	\$ 318,532	\$ 313,511	\$ 294,765	\$ 18,746
Commonwealth's attorney:				
Commonwealth's attorney	\$ 221,898	\$ 221,898	\$ 216,370	\$ 5,528
Total judicial administration	\$ 540,430	\$ 535,409	\$ 511,135	\$ 24,274

Governmental Funds -
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2019 (Continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
General Fund: (Continued)				
Public safety:				
Law enforcement and traffic control:				
Sheriff and other law enforcement	\$ 1,661,393	\$ 1,634,201	\$ 1,634,960	\$ (759)
School resource officer	66,404	96,024	96,022	2
Total law enforcement and traffic control	\$ 1,727,797	\$ 1,730,225	\$ 1,730,982	\$ (757)
Fire and rescue services:				
Fire and rescue services	\$ 660,605	\$ 850,708	\$ 767,073	\$ 83,635
Total fire and rescue services	\$ 660,605	\$ 850,708	\$ 767,073	\$ 83,635
Correction and detention:				
Correction and detention	\$ 285,000	\$ 322,655	\$ 322,653	\$ 2
Total correction and detention	\$ 285,000	\$ 322,655	\$ 322,653	\$ 2
Inspections:				
Building	\$ 142,981	\$ 142,981	\$ 137,928	\$ 5,053
Total inspections	\$ 142,981	\$ 142,981	\$ 137,928	\$ 5,053
Other protection:				
Animal control	\$ 125,800	\$ 122,519	\$ 110,887	\$ 11,632
E-911	25,200	25,200	10,015	15,185
Probation office	550	550	56	494
Medical examiner (coroner)	200	200	80	120
Total other protection	\$ 151,750	\$ 148,469	\$ 121,038	\$ 27,431
Total public safety	\$ 2,968,133	\$ 3,195,038	\$ 3,079,674	\$ 115,364
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 924,674	\$ 974,504	\$ 958,958	\$ 15,546
Total sanitation and waste removal	\$ 924,674	\$ 974,504	\$ 958,958	\$ 15,546

Governmental Funds -
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2019 (Continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
General Fund: (Continued)				
Public works: (Continued)				
Maintenance of general buildings and grounds:				
General properties	\$ 753,626	\$ 803,909	\$ 806,623	\$ (2,714)
Total maintenance of general buildings and grounds	\$ 753,626	\$ 803,909	\$ 806,623	\$ (2,714)
Total public works	\$ 1,678,300	\$ 1,778,413	\$ 1,765,581	\$ 12,832
Health and welfare:				
Health:				
Supplement of local health department	\$ 92,417	\$ 80,417	\$ 79,615	\$ 802
Contributions to area agency	5,000	5,000	5,000	-
Total health	\$ 97,417	\$ 85,417	\$ 84,615	\$ 802
Mental health and mental retardation:				
Chapter X board	\$ 34,000	\$ 34,000	\$ 34,000	\$ -
Total mental health and mental retardation	\$ 34,000	\$ 34,000	\$ 34,000	\$ -
Welfare:				
Welfare administration & public assistance	\$ 1,384,961	\$ 1,621,060	\$ 1,493,996	\$ 127,064
CSA - management	33,381	34,481	34,478	3
CSA - at risk youth	750,000	1,232,205	1,448,350	(216,145)
Total welfare	\$ 2,168,342	\$ 2,887,746	\$ 2,976,824	\$ (89,078)
Total health and welfare	\$ 2,299,759	\$ 3,007,163	\$ 3,095,439	\$ (88,276)
Education:				
Contributions to community colleges	\$ 8,000	\$ 17,612	\$ 17,611	\$ 1
Contributions to school board component unit	3,905,419	3,905,419	3,772,291	133,128
Total education	\$ 3,913,419	\$ 3,923,031	\$ 3,789,902	\$ 133,129
Parks, recreation and cultural:				
Parks and recreation				
Recreation centers and playgrounds	\$ 63,827	\$ 67,023	\$ 68,420	\$ (1,397)
Library:				
Local library	\$ 115,450	\$ 115,450	\$ 115,450	\$ -
Total parks, recreation and cultural	\$ 179,277	\$ 182,473	\$ 183,870	\$ (1,397)

Governmental Funds -
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2019 (Continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning	\$ 112,765	\$ 111,045	\$ 94,104	\$ 16,941
Contribution to IDA	70,590	88,669	85,369	3,300
Other community development	30,090	30,852	30,853	(1)
Total planning and community development	\$ 213,445	\$ 230,566	\$ 210,326	\$ 20,240
Environmental management:				
Cooperative extension program	\$ 55,829	\$ 55,829	\$ 54,401	\$ 1,428
Total environmental management	\$ 55,829	\$ 55,829	\$ 54,401	\$ 1,428
Total community development	\$ 269,274	\$ 286,395	\$ 264,727	\$ 21,668
Nondepartmental:				
Miscellaneous	\$ 19,122	\$ 19,122	\$ 8,115	\$ 11,007
Contribution to fiduciary fund	-	1,299,471	1,299,471	-
Total nondepartmental	\$ 19,122	\$ 1,318,593	\$ 1,307,586	\$ 11,007
Debt service:				
Principal retirement	\$ 1,882,215	\$ 1,882,215	\$ 1,882,215	\$ -
Interest and fiscal charges	1,214,582	1,220,541	1,220,541	-
Total debt service	\$ 3,096,797	\$ 3,102,756	\$ 3,102,756	\$ -
Total General Fund	\$ 16,588,750	\$ 19,142,018	\$ 18,814,885	\$ 327,133
County Capital Projects Fund:				
Capital outlay / projects:				
Public Works:				
Equipment purchase	\$ 35,000	\$ 35,000	\$ 34,358	\$ 642
Total County Capital Projects Fund	\$ 35,000	\$ 35,000	\$ 34,358	\$ -
Total Expenditures -- Primary Government	\$ 16,623,750	\$ 19,177,018	\$ 18,849,243	\$ 327,133

Governmental Funds -

Schedule of Expenditures - Budget and Actual

Year Ended June 30, 2019 (Continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Component Unit -- School Board:				
School Operating Fund:				
Education:				
Instruction - general	\$ 9,718,916	\$ 11,886,841	\$ 10,805,856	\$ 1,080,985
Administration, attendance and health	1,185,263	1,185,263	1,189,570	(4,307)
Pupil transportation services	1,352,944	1,616,168	1,603,673	12,495
Operation and maintenance services	983,072	1,033,072	1,089,643	(56,571)
School food services	-	-	52,498	(52,498)
Technology	192,789	192,579	434,448	(241,869)
Total education	\$ 13,432,984	\$ 15,913,923	\$ 15,175,688	\$ 738,235
Total School Operating Fund	\$ 13,432,984	\$ 15,913,923	\$ 15,175,688	\$ 738,235
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services	\$ 19,510	\$ 19,510	\$ 904,442	\$ (884,932)
Total School Cafeteria Fund	\$ 19,510	\$ 19,510	\$ 904,442	\$ (884,932)
Total Expenditures--Component Unit-- School Board	\$ 13,452,494	\$ 15,933,433	\$ 16,080,130	\$ (146,697)

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OTHER STATISTICAL INFORMATION

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COUNTY OF CUMBERLAND, VIRGINIA

Table 1

Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government		Judicial Admini- stration	Public Safety	Public Works	Health and Welfare	Education	Recreation and Cultural	Community Develop- ment	Interest on Debt	Water & Sewer	Total										
	Admini- stration																					
2009-10	\$	1,581,085	\$	438,445	\$	2,186,375	\$	1,445,732	\$	1,907,322	\$	6,066,332	\$	177,854	\$	427,487	\$	2,535,022	\$	662,686	\$	17,428,340
2010-11		1,339,647		438,398		2,181,972		1,461,077		1,903,164		5,255,483		208,402		729,559		2,150,144		620,279		16,288,125
2011-12		1,425,743		471,552		2,238,713		1,263,236		1,762,706		5,851,389		223,140		367,939		2,039,794		646,448		16,290,660
2012-13		1,295,829		454,536		2,200,219		1,315,917		1,543,412		4,045,744		216,682		505,311		4,071,529		652,560		16,301,739
2013-14		1,342,469		570,586		2,473,338		1,458,828		1,857,983		6,332,577		206,844		294,208		1,480,431		690,967		16,708,231
2014-15		1,214,016		554,421		2,554,065		1,464,246		1,932,796		7,070,705		204,057		297,632		1,374,340		730,577		17,396,855
2015-16		1,465,910		511,441		2,475,680		1,342,077		2,206,638		6,149,408		189,675		344,232		1,273,467		751,153		16,709,681
2016-17		1,509,663		611,572		2,790,135		1,398,307		2,265,269		8,217,856		164,143		183,331		1,262,892		733,133		19,136,301
2017-18		1,478,516		538,262		2,915,478		1,478,367		2,391,382		5,291,812		183,975		294,050		931,241		758,193		16,261,276
2018-19		2,989,532		577,704		3,140,217		1,569,264		3,117,946		5,223,117		183,441		264,624		906,410		744,703		18,716,958

COUNTY OF CUMBERLAND, VIRGINIA

Table 2

Government-wide Revenues
Last Ten Fiscal Years

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

COUNTY OF CUMBERLAND, VIRGINIA

Table 3

General Government Revenues by Source (1)

Last Ten Fiscal Years

Fiscal Year	General			Permit Privilege		Revenues from the			Charges for		Inter-	
	Property Taxes	Other Local Taxes	Fees & Regulatory Licenses	Fines & Forfeitures	Use of Money & Property	Services	Miscellaneous	govern- mental	Total			
2009-10	\$ 7,348,317	\$ 1,363,354	\$ 59,063	\$ 113,623	\$ 59,441	\$ 854,198	\$ 559,921	\$ 16,540,010	\$ 26,897,927			
2010-11	8,438,080	1,334,909	66,405	125,207	134,952	868,884	589,840	17,846,477	29,404,754			
2011-12	8,400,789	1,284,734	61,946	156,539	98,136	843,312	802,416	15,604,891	27,252,763			
2012-13	8,763,622	973,823	64,569	167,216	85,999	895,970	989,541	14,685,826	26,626,566			
2013-14	8,514,952	947,716	58,837	155,961	79,467	896,444	775,774	15,720,847	27,149,998			
2014-15	8,297,371	984,107	61,476	147,655	81,272	2,833,525	693,876	16,360,294	29,459,576			
2015-16	8,535,525	978,723	53,823	102,033	83,689	350,882	605,095	16,289,560	26,999,330			
2016-17	9,189,650	1,036,014	54,021	121,288	71,328	364,036	429,620	16,363,309	27,629,266			
2017-18	9,393,834	1,138,808	102,103	147,244	99,569	319,046	421,306	16,519,805	28,141,715			
2018-19	9,684,537	1,201,850	72,881	117,394	92,365	1,070,139	550,214	17,838,743	30,628,123			

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

COUNTY OF CUMBERLAND, VIRGINIA

Table 4

General Government Expenditures by Function (1) (2)

Last Ten Fiscal Years

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Recreation and Cultural	Community Development	Debt Service	Non-Departmental	Total
2009-10	\$ 1,586,866	\$ 348,507	\$ 2,036,541	\$ 1,519,811	\$ 1,923,523	\$ 21,123,845	\$ 175,255	\$ 443,285	\$ 3,964,104	\$ -	\$ 33,121,737
2010-11	1,320,620	351,836	2,087,633	1,350,482	1,872,248	14,496,027	203,921	730,065	4,073,922	92,516	26,579,270
2011-12	1,433,261	381,156	2,172,963	1,312,227	1,773,658	15,492,195	220,829	362,387	4,034,774	80,400	27,263,850
2012-13	1,284,193	365,187	2,144,206	1,366,527	1,532,749	14,493,758	211,070	506,361	26,941,616	59,919	48,905,586
2013-14	1,332,303	485,454	2,384,014	1,383,846	1,854,124	15,504,216	203,510	293,126	3,855,932	9,887	27,306,412
2014-15	1,392,027	474,705	2,595,776	1,439,178	1,960,970	16,879,087	203,446	300,431	3,830,264	14,324	29,090,208
2015-16	1,455,925	426,292	2,452,995	1,340,675	2,223,773	15,672,638	193,257	347,466	3,799,866	10,842	27,923,729
2016-17	1,491,707	516,789	2,867,416	1,342,372	2,263,105	15,537,401	161,631	175,965	19,597,731	9,870	43,963,987
2017-18	1,555,263	462,981	3,140,058	1,441,125	2,419,759	15,391,420	184,439	295,323	3,093,828	8,070	27,992,266
2018-19	1,714,215	511,135	3,079,674	1,799,939	3,095,439	16,097,741	183,870	264,727	3,102,756	1,307,586	31,157,082

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

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

COUNTY OF CUMBERLAND, VIRGINIA

Table 5

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Current		Percent of Levy Collected	Delinquent		Percent of		Outstanding		Percent of Delinquent Taxes to Tax Levy
	Total (1) Tax Levy	Tax (1) Collections		Tax (2) Collections	Total Tax Collections	Total Tax Collections to Tax Levy	Delinquent Taxes			
2009-10	\$ 8,168,244	\$ 7,740,534	94.76%	\$ 323,129	\$ 8,063,663	98.72%	\$ 937,772	11.48%		
2010-11	9,121,905	8,676,195	95.11%	377,159	9,053,354	99.25%	971,461	10.65%		
2011-12	9,121,509	8,636,836	94.69%	338,643	8,975,479	98.40%	1,094,179	12.00%		
2012-13	9,220,367	8,792,518	95.36%	530,713	9,323,231	101.12%	1,036,767	11.24%		
2013-14	9,087,831	8,776,534	96.57%	349,633	9,126,167	100.42%	1,038,108	11.42%		
2014-15	8,978,881	8,670,652	95.92%	390,400	9,061,063	101.28%	1,012,552	11.32%		
2015-16	9,273,465	8,907,664	96.06%	321,394	9,229,058	99.52%	1,099,043	11.85%		
2016-17	9,755,229	9,342,283	95.77%	333,592	9,675,875	99.19%	1,216,729	12.47%		
2017-18	9,990,333	9,661,505	96.71%	338,316	9,999,821	100.09%	1,197,911	11.99%		
2018-19	10,133,475	9,887,658	97.57%	315,597	10,203,255	100.69%	1,243,039	12.27%		

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Includes personal and real property

COUNTY OF CUMBERLAND, VIRGINIA

Table 6

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Public Service	Airplane	Machinery & Tools	Total
2009-10	\$ 795,199,387	\$ 54,473,377	\$ 8,597,263	\$ 60,485,203	\$ 1,427,581	\$ 2,504,409	\$ 922,687,220
2010-11	850,430,361	57,149,558	7,110,616	67,684,115	1,184,500	2,117,341	985,676,491
2011-12	855,916,262	57,564,245	7,187,152	75,200,914	1,415,432	2,264,637	999,548,642
2012-13	861,560,435	57,729,401	7,183,790	82,283,896	1,387,700	2,125,112	1,012,270,334
2013-14	809,456,777	57,899,353	7,131,049	84,616,150	1,759,366	2,237,038	963,099,733
2014-15	754,161,126	57,654,972	5,097,583	89,308,219	1,282,000	2,607,358	910,111,258
2015-16	755,647,443	57,656,604	5,141,805	99,504,783	989,730	3,548,241	922,488,606
2016-17	759,331,246	62,781,046	5,221,031	103,601,117	986,126	4,289,336	936,209,902
2017-18	763,102,189	64,737,067	5,284,455	113,931,238	954,838	4,258,997	952,268,784
2018-19	768,962,086	64,743,501	5,472,864	121,991,999	989,886	7,356,394	969,516,730

Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Public Service	Airplane	Machinery & Tools
2009-10	\$ 0.59/0.70	\$ 4.40	\$ 0.59/0.70	\$ 0.50	\$ 3.75
2010-11	0.70/0.68	4.50	0.70/0.68	0.50	3.75
2011-12	0.68/0.68	4.50	0.68/0.68	0.50	3.75
2012-13	0.68/0.68	4.50	0.68/0.68	0.50	3.75
2013-14	0.68/0.74	4.50	0.68/0.74	0.50	3.75
2014-15	0.68/0.74	4.50	0.68/0.74	0.50	3.75
2015-16	0.74/0.78	4.50	0.74/0.78	0.50	3.75
2016-17	0.78/0.78	4.50	0.78/0.78	0.50	3.75
2017-18	0.78/0.78	4.50	0.78/0.78	0.50	3.75
2018-19	0.78/0.78	4.50	0.78/0.78	0.50	3.75

COUNTY OF CUMBERLAND, VIRGINIA

Table 7

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net General Obligation		Net Bonded Debt per Capita
					Debt to Assessed Value	Debt to Assessed Value	
2009-10	9,017	\$ 878,249,436	\$ 43,674,733	\$ 43,674,733	0.0497	\$	4,844
2010-11	9,017	922,687,220	43,297,088	43,297,088	0.0469		4,802
2011-12	9,017	985,676,491	41,310,143	41,310,143	0.0419		4,581
2012-13	9,017	999,548,642	42,039,384	42,039,384	0.0421		4,662
2013-14	9,017	1,012,270,334	39,735,906	39,735,906	0.0393		4,407
2014-15	10,052	963,099,733	37,344,422	37,344,422	0.0388		3,715
2015-16	10,052	910,111,258	34,889,571	34,889,571	0.0383		3,471
2016-17	10,052	922,488,606	31,309,519	31,309,519	0.0339		3,115
2017-18	10,052	936,209,902	29,692,266	29,692,266	0.0317		2,954
2018-18	10,052	952,268,784	27,859,529	27,859,529	0.0293		2,772

(1) Bureau of the Census.

(2) From Table 6

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

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COMPLIANCE

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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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Cumberland, Virginia as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County of Cumberland, Virginia's basic financial statements, and have issued our report thereon dated October 25, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Cumberland, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

County of Cumberland, Virginia's Response to Findings

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

Purpose of this Report

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



Richmond, Virginia
October 25, 2019



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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Cumberland, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Cumberland, Virginia's major federal programs for the year ended June 30, 2019. County of Cumberland, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Cumberland, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Cumberland Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, County of Cumberland, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 25, 2019

COUNTY OF CUMBERLAND, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2019

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Primary Government:			
<u>UNITED STATES DEPARTMENT OF AGRICULTURE:</u>			
<u>Direct payments:</u>			
Community Facilities Loans and Grants Cluster:			
Community Facilities Loans and Grants	10.766	n/a	\$ 25,000
<u>Pass through payments:</u>			
Department of Social Services:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0040111	\$ 152,312
Total Department of Agriculture			\$ 177,312
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Pass Through Payments:</u>			
Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	39001-10220	\$ 20,690
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Unknown	1,200
Total Department of Justice			\$ 21,890
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Pass through payments:</u>			
Virginia Department of Social Services:			
Promoting Safe and Stable Families	93.556	Unknown	\$ 1,091
Refugee and Entrant Assistance - State Administered Programs	93.566	0500111	69
Low Income Home Energy Assistance	93.568	0600411	18,376
Stephanie Tubbs Jones Child Welfare Service Programs	93.645	0900111	137
Foster Care Title IV - E	93.658	1100111	151,060
Adoption Assistance	93.659	1120111	66,424
Social Services Block Grant	93.667	1000111	98,713
Chafee Foster Care Independence Program	93.674	9150111	864
Children's Health Insurance Program	93.767	0540111	3,364
Medicaid Cluster:			
Medical Assistance Program	93.778	1200111	169,018
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	0400111	157,375
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760111	20,597
Total Department of Health and Human Services			\$ 687,088
Total Primary Government			\$ 886,290

COUNTY OF CUMBERLAND, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2019 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Component Unit - School Board:			
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass through payments:</u>			
Department of Agriculture:			
Child Nutrition Discretionary Grants Limited Availability	10.579	Unknown	\$ 12,122
Child Nutrition Cluster:			
Food distribution - Summer Food Service Program for Children	10.559	Unknown	\$ 9,289
Food distribution - National School Lunch Program	10.555	Unknown	52,498
Department of Education:			
National School Lunch Program	10.555	406230	455,464
School Breakfast Program	10.553	405910	243,675
Total Child Nutrition Cluster			<u>760,926</u>
Total Department of Agriculture			\$ <u>773,048</u>
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Pass through payments:</u>			
Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	429010	\$ 590,997
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	430710, 871380	\$ 297,704
Special Education - Preschool grants	84.173	625210	7,069
Total Special Education Cluster (IDEA):			<u>304,773</u>
Career and Technical Education - Basic Grants to States	84.048	610950, 866470	32,703
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	614800	58,393
Rural Education	84.358	434810	25,041
Student Support and Academic Enrichment Program	84.424	S424A170048	32,970
English Language Acquisition State Grants	84.365	605120	3,924
Total Department of Education			\$ <u>1,048,801</u>
<u>DEPARTMENT OF DEFENSE:</u>			
<u>Direct payments:</u>			
ROTC Language and Culture Training Grants	12.357	n/a	\$ <u>23,263</u>
Total Department of Defense			\$ <u>23,263</u>
Total Component Unit School Board			\$ <u>1,845,112</u>
Total Expenditures of Federal Awards			\$ <u>2,731,402</u>

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the County of Cumberland, Virginia under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the reporting requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Cumberland, Virginia, it is not intended to and does not present the financial position, changes in net position or cash flows of the County of Cumberland, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - De Minimis Cost Rate

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

Note 6 - Loan Balances

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

Note 7 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 886,290
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Total primary government	\$ 886,290
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Component Unit School Board:

School Operating Fund	\$ 1,845,112
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Total Component Unit School Board	\$ 1,845,112
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Total federal expenditures per basic financial statements	\$ 2,731,402
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 2,731,402
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COUNTY OF CUMBERLAND, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with
2 CFR section 200.516(a)?

No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A
and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

COUNTY OF CUMBERLAND, VIRGINIA

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2019

Section IV - Commonwealth of Virginia Findings and Questioned Costs

Finding 2019-001:

Financial Reporting

Criteria:

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

Condition:

The School Board held their public hearing on February 22, 2018 on the FY18-19 budget but did not provide 10 days of public notice to the citizens within the school division. The public hearing was not advertised in a news publication.

Effect of Condition:

The citizens within the school division were not given ample notice to attend the public hearing of the FY18-19 School Budget.

Cause of Condition:

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

Recommendation:

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

Management's Recommendation:

The School Board office is considering corrective action for FY20.

Section V - Prior Year Findings

Finding 2018-001

Finding: The School Board FY17-18 budget was did not provide 10 days of public notice to the citizens prior to hearing.

Status: Corrective action has not been fully implemented. Finding repeated in current year as 2019-001.