



**Financial Report**  
**Year Ended June 30, 2017**

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County of Cumberland, Virginia

Financial Report

Year Ended June 30, 2017

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County of Cumberland, Virginia

Financial Report  
June 30, 2017

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BOARD OF SUPERVISORS

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

COUNTY SCHOOL BOARD

Ginger Sanderson, Chair

George Lee Dowdy  
Eurika Tyree

Dr. Christine Ross  
George Reid, Jr.

OTHER OFFICIALS

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

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



COUNTY OF CUMBERLAND, VIRGINIA

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report

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To the Honorable Members of the Board of Supervisors  
County of 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, 2017, 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, 2017, 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.

## *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 funding on pages 4-9, 73 and 74-78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Cumberland, Virginia's basic financial statements. The other supplementary information and other statistical information are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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.

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 November 22, 2017, 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 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 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, Farnell, Cox Associates*

Charlottesville, Virginia

November 22, 2017

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2017.

### 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 \$1,881,513 (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 \$966,069 (Exhibit 4). General Fund contributions to the School Board totaled \$3,789,890 for the current fiscal year.

- As of the close of the current fiscal year; the County's governmental funds reported ending fund balances of \$6,235,077 an increase of \$966,069 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,837,536 or 18.18% of total general fund expenditures.
- Governmental term obligations decreased \$460,557 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 \$1,881,513 at the close of the most recent fiscal year.

#### County of Cumberland's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 10,518,245	\$ 9,529,210	\$ 36,609	\$ 53,927	\$ 10,554,854	\$ 9,583,137
Deferred outflows of resources	945,471	828,528	-	-	945,471	828,528
Noncurrent assets	<u>22,588,988</u>	<u>26,859,845</u>	<u>8,376,623</u>	<u>8,740,327</u>	<u>30,965,611</u>	<u>35,600,172</u>
Total assets and deferred outflows	<u>\$ 34,052,704</u>	<u>\$ 37,217,583</u>	<u>\$ 8,413,232</u>	<u>\$ 8,794,254</u>	<u>\$ 42,465,936</u>	<u>\$ 46,011,837</u>
Long-term liabilities outstanding	\$ 32,109,329	\$ 31,991,746	\$ 2,104,630	\$ 2,168,724	\$ 34,213,959	\$ 34,160,470
Deferred inflows of resources	3,351,895	3,756,421	-	-	3,351,895	3,756,421
Current liabilities	<u>2,940,965</u>	<u>3,437,886</u>	<u>77,604</u>	<u>77,166</u>	<u>3,018,569</u>	<u>3,515,052</u>
Total liabilities and deferred inflows	<u>\$ 38,402,189</u>	<u>\$ 39,186,053</u>	<u>\$ 2,182,234</u>	<u>\$ 2,245,890</u>	<u>\$ 40,584,423</u>	<u>\$ 41,431,943</u>
Net position:						
Net investment in capital assets	\$ (9,364,039)	\$ (6,202,819)	\$ 6,072,698	\$ 6,374,444	\$ (3,291,341)	\$ 171,625
Restricted	397,841	397,069	143,030	141,907	540,871	538,976
Unrestricted	<u>4,616,713</u>	<u>3,837,280</u>	<u>15,270</u>	<u>32,013</u>	<u>4,631,983</u>	<u>3,869,293</u>
Total net position	<u>\$ (4,349,485)</u>	<u>\$ (1,968,470)</u>	<u>\$ 6,230,998</u>	<u>\$ 6,548,364</u>	<u>\$ 1,881,513</u>	<u>\$ 4,579,894</u>

The County's net position decreased by \$2,698,381 during the current fiscal year.

## Overview of the Financial Statements: (Continued)

### Government-wide Financial Analysis: (Continued)

Governmental Activities—Governmental activities decreased the County’s net position by \$2,381,015. Key elements of this decrease are as follows:

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

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 305,384	\$ 275,170	\$ 414,608	\$ 376,586	\$ 719,992	\$ 651,756
Operating grants and contributions	2,887,084	2,802,462	-	-	2,887,084	2,802,462
Capital grants and contributions	1,131,900	1,131,900	-	-	1,131,900	1,131,900
<b>General revenues:</b>						
General property taxes	9,270,856	8,616,541	-	-	9,270,856	8,616,541
Other local taxes	1,036,014	978,723	-	-	1,036,014	978,723
Grants and other contributions not restricted	1,289,257	1,316,056	-	-	1,289,257	1,316,056
Other general revenues	101,658	194,015	1,159	632	102,817	194,647
<b>Total revenues</b>	<b>\$ 16,022,153</b>	<b>\$ 15,314,867</b>	<b>\$ 415,767</b>	<b>\$ 377,218</b>	<b>\$ 16,437,920</b>	<b>\$ 15,692,085</b>
<b>Expenses:</b>						
<b>General government administration</b>						
General government administration	\$ 1,509,663	\$ 1,465,910	\$ -	\$ -	\$ 1,509,663	\$ 1,465,910
Judicial administration	611,572	511,441	-	-	611,572	511,441
Public safety	2,790,135	2,475,680	-	-	2,790,135	2,475,680
Public works	1,398,307	1,342,077	-	-	1,398,307	1,342,077
Health and welfare	2,265,269	2,206,638	-	-	2,265,269	2,206,638
Education	8,217,856	6,149,408	-	-	8,217,856	6,149,408
Parks, recreation, and cultural	164,143	189,675	-	-	164,143	189,675
Community development	183,331	344,232	-	-	183,331	344,232
Interest and other fiscal charges	1,262,892	1,273,467	-	-	1,262,892	1,273,467
Water and sewer	-	-	733,133	751,153	733,133	751,153
<b>Total expenses</b>	<b>\$ 18,403,168</b>	<b>\$ 15,958,528</b>	<b>\$ 733,133</b>	<b>\$ 751,153</b>	<b>\$ 19,136,301</b>	<b>\$ 16,709,681</b>
Increase(decrease) in net position before transfers	\$ (2,381,015)	\$ (643,661)	\$ (317,366)	\$ (373,935)	\$ (2,698,381)	\$ (1,017,596)
Transfers	-	(508,767)	-	508,767	-	-
<b>Change in net position</b>	<b>\$ (2,381,015)</b>	<b>\$ (1,152,428)</b>	<b>\$ (317,366)</b>	<b>\$ 134,832</b>	<b>\$ (2,698,381)</b>	<b>\$ (1,017,596)</b>
Net position, beginning	(1,968,470)	(816,042)	6,548,364	6,413,532	4,579,894	5,597,490
<b>Net position, ending</b>	<b>\$ (4,349,485)</b>	<b>\$ (1,968,470)</b>	<b>\$ 6,230,998</b>	<b>\$ 6,548,364</b>	<b>\$ 1,881,513</b>	<b>\$ 4,579,894</b>

For the most part, increases in expenditures closely paralleled inflation and growth in the demand for services.

## Overview of the Financial Statements: (Continued)

### Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$6,235,377, an increase of \$966,069 in comparison with the prior year. Approximately 94% 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 \$17,625,046 and can be briefly summarized as follows:

- \$16,314,710 in increases for debt service - due to bond refunding
- \$485,129 in increases for public safety
- \$325,756 in increases for health and welfare
- \$221,890 in increases for community development

Of this increase, \$16,314,710 increase due to issuance of refunded bonds and \$653,460 was to be funded from state and federal revenues and most of the remainder was from fund balances.

### Capital Asset and Debt Administration

- Capital assets—The County's investment in capital assets for its governmental and enterprise operations as of June 30, 2017 totals \$30,424,740 (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 \$31,309,519 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). During the year the County issued \$17,301,562 (\$14,895,000 par amount plus \$2,406,562 premium) of bonds to refund \$16,935,000 of 2012 bonds. The County's total debt decreased \$3,580,052 during the current fiscal year.

Additional information on the County of Cumberland, Virginia's long-term debt can be found in Note 9 of this report.

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

The unemployment rate for the County was 4.2 percent in June 2017.

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

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

The fiscal year 2018 General Fund's budget increased from \$14,083,567 to \$14,253,654.

## 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  
At June 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business - Type Activities	Total	School Board	IDA
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 4,686,938	\$ 55,877	\$ 4,742,815	\$ 733,765	\$ -
Receivables (net of allowance for uncollectibles):					
Property taxes	4,531,022	-	4,531,022	-	-
Accounts receivable	51,667	50,732	102,399	-	-
Prepaid items	-	-	-	48,967	-
Due from component units	783,466	-	783,466	-	-
Due from other governments	395,152	-	395,152	451,950	-
Inventory for resale	-	-	-	-	804,005
Internal balances	70,000	(70,000)	-	-	-
Total Current Assets	\$ 10,518,245	\$ 36,609	\$ 10,554,854	\$ 1,234,682	\$ 804,005
Noncurrent Assets:					
Net pension asset	\$ -	\$ -	\$ -	\$ 328,053	\$ -
Restricted assets	397,841	143,030	540,871	-	73,669
Capital assets (net of accumulated depreciation):					
Land	146,089	22,458	168,547	121,421	535,846
Construction in progress	-	310,732	310,732	-	-
Equipment	494,220	83,673	577,893	910,265	-
Infrastructure	-	7,248,029	7,248,029	-	-
Buildings and improvements	3,933,258	568,701	4,501,959	3,801,009	1,409,403
Jointly owned assets	17,617,580	-	17,617,580	13,070,797	-
Total Noncurrent Assets	\$ 22,588,988	\$ 8,376,623	\$ 30,965,611	\$ 18,231,545	\$ 2,018,918
Total Assets	\$ 33,107,233	\$ 8,413,232	\$ 41,520,465	\$ 19,466,227	\$ 2,822,923
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension contributions subsequent to measurement date	\$ 311,862	\$ -	\$ 311,862	\$ 1,120,408	\$ -
Difference between actual and expected experience	158,617	-	158,617	1,889	-
Difference between projected and actual earnings on plan investments	294,050	-	294,050	830,625	-
Difference in proportion and differences between employer contributions	-	-	-	584,169	-
Accumulated decrease in fair value of hedging derivatives	180,942	-	180,942	-	-
Total deferred outflows of resources	\$ 945,471	\$ -	\$ 945,471	\$ 2,537,091	\$ -
Total Assets and Deferred Outflows of Resources	\$ 34,052,704	\$ 8,413,232	\$ 42,465,936	\$ 22,003,318	\$ 2,822,923
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	\$ 169,258	\$ 8,807	\$ 178,065	\$ 8,767	\$ -
Accrued liabilities	-	-	-	691,776	-
Due to primary government	-	-	-	492,150	291,316
Customer deposits	-	2,226	2,226	-	-
Accrued interest payable	659,174	-	659,174	-	-
Derivative instrument - rate swap	180,942	-	180,942	-	-
Long-term liabilities:					
Due within one year	1,931,591	66,571	1,998,162	146,200	27,024
Due in more than one year	32,109,329	2,104,630	34,213,959	14,368,285	1,808,699
Total Liabilities	\$ 35,050,294	\$ 2,182,234	\$ 37,232,528	\$ 15,707,178	\$ 2,127,039
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Difference between actual and expected experience	\$ -	\$ -	\$ -	\$ 499,670	\$ -
Changes in proportionate share of employer contributions	-	-	-	256,849	-
Deferred revenue	3,351,895	-	3,351,895	-	-
Total deferred inflows of resources	\$ 3,351,895	\$ -	\$ 3,351,895	\$ 756,519	\$ -
<b>NET POSITION</b>					
Net investment in capital assets	\$ (9,364,039)	\$ 6,072,698	\$ (3,291,341)	\$ 17,037,161	\$ 183,195
Restricted:					
Debt Service	397,841	143,030	540,871	-	-
Unrestricted	4,616,713	15,270	4,631,983	(11,497,540)	512,689
Total Net Position	\$ (4,349,485)	\$ 6,230,998	\$ 1,881,513	\$ 5,539,621	\$ 695,884
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 34,052,704	\$ 8,413,232	\$ 42,465,936	\$ 22,003,318	\$ 2,822,923

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

COUNTY OF CUMBERLAND, VIRGINIA

Statement of Activities  
 Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 1,509,663	\$ 8,018	\$ 204,958	\$ -
Judicial administration	611,572	161,388	420,039	-
Public safety	2,790,135	103,484	694,397	-
Public works	1,398,307	8,463	35,442	1,131,900
Health and welfare	2,265,269	-	1,532,248	-
Education	8,217,856	-	-	-
Parks, recreation, and cultural	164,143	14,676	-	-
Community development	183,331	9,355	-	-
Interest on long-term debt	1,262,892	-	-	-
Total governmental activities	<u>\$ 18,403,168</u>	<u>\$ 305,384</u>	<u>\$ 2,887,084</u>	<u>\$ 1,131,900</u>
Business-type activities:				
Water and Sewer	\$ 733,133	\$ 414,608	\$ -	\$ -
Total business-type activities	<u>\$ 733,133</u>	<u>\$ 414,608</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 19,136,301</u>	<u>\$ 719,992</u>	<u>\$ 2,887,084</u>	<u>\$ 1,131,900</u>
<b>COMPONENT UNITS:</b>				
School Board	\$ 15,622,360	\$ 233,961	\$ 11,055,068	\$ -
IDA	132,680	-	357,909	-
Total component units	<u>\$ 15,755,040</u>	<u>\$ 233,961</u>	<u>\$ 11,412,977</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	
\$ (1,296,687)	\$ -	\$ (1,296,687)	\$ -	\$ -	
(30,145)	-	(30,145)	-	-	
(1,992,254)	-	(1,992,254)	-	-	
(222,502)	-	(222,502)	-	-	
(733,021)	-	(733,021)	-	-	
(8,217,856)	-	(8,217,856)	-	-	
(149,467)	-	(149,467)	-	-	
(173,976)	-	(173,976)	-	-	
(1,262,892)	-	(1,262,892)	-	-	
<u>\$ (14,078,800)</u>	<u>\$ -</u>	<u>\$ (14,078,800)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (318,525)	\$ (318,525)	\$ -	\$ -	
\$ -	\$ (318,525)	\$ (318,525)	\$ -	\$ -	
<u>\$ (14,078,800)</u>	<u>\$ (318,525)</u>	<u>\$ (14,397,325)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (4,333,331)	\$ -	
-	-	-	-	225,229	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,333,331)</u>	<u>\$ 225,229</u>	
\$ 9,270,856	\$ -	\$ 9,270,856	\$ -	\$ -	
441,663	-	441,663	-	-	
172,279	-	172,279	-	-	
228,304	-	228,304	-	-	
111,415	-	111,415	-	-	
82,353	-	82,353	-	-	
70,428	1,159	71,587	900	50,456	
31,230	-	31,230	398,390	-	
1,289,257	-	1,289,257	-	-	
-	-	-	7,332,738	-	
<u>\$ 11,697,785</u>	<u>\$ 1,159</u>	<u>\$ 11,698,944</u>	<u>\$ 7,732,028</u>	<u>\$ 50,456</u>	
\$ (2,381,015)	\$ (317,366)	\$ (2,698,381)	\$ 3,398,697	\$ 275,685	
(1,968,470)	6,548,364	4,579,894	2,140,924	420,199	
<u>\$ (4,349,485)</u>	<u>\$ 6,230,998</u>	<u>\$ 1,881,513</u>	<u>\$ 5,539,621</u>	<u>\$ 695,884</u>	

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## Fund Financial Statements

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Balance Sheet - Governmental Funds  
At June 30, 2017

	General	County Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,674,263	\$ 12,675	\$ 4,686,938
Restricted assets	397,841	-	397,841
Receivables (Net of allowance for uncollectibles):			
Property taxes, including penalties	4,531,022	-	4,531,022
Accounts receivable	51,667	-	51,667
Due from component units	783,466	-	783,466
Due from other funds	70,000	-	70,000
Due from other governmental units	395,152	-	395,152
Total assets	<u>\$ 10,903,411</u>	<u>\$ 12,675</u>	<u>\$ 10,916,086</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 156,583	\$ 12,675	\$ 169,258
Total liabilities	<u>\$ 156,583</u>	<u>\$ 12,675</u>	<u>\$ 169,258</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property tax	\$ 4,511,451	\$ -	\$ 4,511,451
<b>FUND BALANCES</b>			
Restricted:			
Debt service	\$ 397,841	\$ -	\$ 397,841
Unassigned:			
General	5,837,536	-	5,837,536
Total fund balances	<u>\$ 6,235,377</u>	<u>\$ -</u>	<u>\$ 6,235,377</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 10,903,411</u>	<u>\$ 12,675</u>	<u>\$ 10,916,086</u>
Detailed explanation of adjustments from balance sheet to government-wide statement of net position:			
Total Fund Balances per Balance Sheet			\$ 6,235,377
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the County as a whole.			22,191,147
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.			(659,174)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by unavailable revenues in the governmental funds and thus are not included in the fund balance.			1,159,556
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Items related to the measurement of net pension liability			294,050
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.			311,862
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net position - see note 8			(34,040,920)
Deferred outflows related to measurement of net pension liability			158,617
Net position of general government activities			<u>\$ (4,349,485)</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  
 Year Ended June 30, 2017

	General	County Capital Projects	Total Governmental Funds
<b>Revenues:</b>			
General property taxes	\$ 9,189,650	\$ -	\$ 9,189,650
Other local taxes	1,036,014	-	1,036,014
Permits, privilege fees and regulatory licenses	54,021	-	54,021
Fines and forfeitures	121,288	-	121,288
Revenue from use of money and property	70,412	16	70,428
Charges for services	130,075	-	130,075
Miscellaneous	31,230	-	31,230
<b>Intergovernmental:</b>			
Local government	1,131,900	-	1,131,900
Commonwealth	3,430,922	-	3,430,922
Federal	745,419	-	745,419
<b>Total revenues</b>	<b>\$ 15,940,931</b>	<b>\$ 16</b>	<b>\$ 15,940,947</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government administration	\$ 1,491,707	\$ -	\$ 1,491,707
Judicial administration	516,789	-	516,789
Public safety	2,755,028	112,388	2,867,416
Public works	1,328,187	14,185	1,342,372
Health and welfare	2,263,105	-	2,263,105
Education	3,801,027	48,827	3,849,854
Parks, recreation, and cultural	161,631	-	161,631
Community development	175,965	-	175,965
Nondepartmental	9,870	-	9,870
<b>Debt service:</b>			
Principal retirement	18,511,098	-	18,511,098
Interest and other fiscal charges	1,086,633	-	1,086,633
<b>Total expenditures</b>	<b>\$ 32,101,040</b>	<b>\$ 175,400</b>	<b>\$ 32,276,440</b>
Excess (deficiency) of revenues over (under) expenditures	\$ (16,160,109)	\$ (175,384)	\$ (16,335,493)
<b>Other financing sources (uses):</b>			
Issuance of refunding bonds	\$ 14,895,000	\$ -	\$ 14,895,000
Premium on debt	2,406,562	-	2,406,562
Transfers in	-	161,120	161,120
Transfers (out)	(161,120)	-	(161,120)
<b>Total other financing sources (uses)</b>	<b>\$ 17,140,442</b>	<b>\$ 161,120</b>	<b>\$ 17,301,562</b>
<b>Net change in fund balances</b>	<b>\$ 980,333</b>	<b>\$ (14,264)</b>	<b>\$ 966,069</b>
Fund balances at beginning of year	5,255,044	14,264	5,269,308
Fund balances at end of year	<u>\$ 6,235,377</u>	<u>\$ -</u>	<u>\$ 6,235,377</u>

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities - Governmental Funds  
Year Ended June 30, 2017

	Primary Government Governmental Funds
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
Net change in fund balances - total governmental funds	\$ 966,069
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded the capital outlays in the current period. The following details support this adjustment.</p>	
Capital outlay	\$ 304,039
Depreciation expense	<u>(1,032,820)</u> (728,781)
Transfer of joint tenancy assets and other assets from Primary Government to the Component Unit School Board	(3,542,848)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of deferred taxes.	81,206
Change in deferred inflows related to the measurement of the net pension liability	281,947
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items the treatment of long-term debt and related items. A summary of items supporting this adjustment is as follows:</p>	
Principal retired on note payable and general obligation bonds	\$ 18,245,304
Lease revenue bond proceeds	(14,895,000)
Premium on debt	(2,406,562)
Principal retired on state literary fund loans	<u>166,667</u> 1,110,409
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:</p>	
Change in pension liability	\$ (628,933)
Change in deferred outflows related to the measurement of the net pension liability	275,672
Change in deferred outflows related to pension contribution payments subsequent to measurement date	1,422
Change in compensated absences	(20,919)
Change in accrued interest payable	<u>(176,259)</u> (549,017)
Change in net position of governmental activities	<u>\$ (2,381,015)</u>

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

Statement of Net Position - Proprietary Funds  
At June 30, 2017

	<u>Water &amp; Sewer Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 55,877
Accounts receivable	50,732
	<u>106,609</u>
Total current assets	\$ 106,609
Noncurrent assets:	
Restricted assets	\$ 143,030
Capital Assets:	
Land	22,458
Construction in progress	310,732
Equipment, net of depreciation	83,673
Infrastructure, net of depreciation	7,248,029
Buildings and improvements, net of depreciation	568,701
	<u>8,376,623</u>
Total noncurrent assets	\$ 8,376,623
Total Assets	<u>\$ 8,483,232</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 8,807
Customer deposits	2,226
Due to other funds	70,000
Long-term obligations, current portion	66,571
	<u>147,604</u>
Total current liabilities	\$ 147,604
Noncurrent liabilities:	
Long-term obligations, noncurrent portion	2,104,630
Total Liabilities	<u>\$ 2,252,234</u>
<b>Net Position</b>	
Net investment in capital assets	\$ 6,072,698
Restricted:	
Debt Service	143,030
Unrestricted assets	15,270
	<u>6,230,998</u>
Total Net Position	\$ 6,230,998
Total Liabilities and Net Position	<u>\$ 8,483,232</u>

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

Statement of Revenues, Expenses and Changes in Net Position  
 Proprietary Funds  
 Year Ended June 30, 2017

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	<u>Water &amp; Sewer Fund</u>
Operating revenues:	
Water	\$ 125,647
Sewer	263,252
Other charges for services	<u>25,709</u>
Total revenues	<u>\$ 414,608</u>
Operating expenses:	
Salaries	\$ 90,366
Fringe benefits	41,368
Contracted services	7,347
Other operating expenses	152,613
Depreciation	<u>364,827</u>
Total operating expenses	<u>\$ 656,521</u>
Operating income (loss)	<u>\$ (241,913)</u>
Nonoperating revenues (expenses):	
Interest income	\$ 1,159
Interest expense	<u>(76,612)</u>
Total nonoperating revenues (expenses)	<u>\$ (75,453)</u>
Change in net position	\$ (317,366)
Net position, beginning of year	<u>6,548,364</u>
Net position, end of year	<u><u>\$ 6,230,998</u></u>

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

Statement of Cash Flows -  
 Proprietary Funds  
 Year Ended June 30, 2017

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	<u>Water &amp; Sewer Fund</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 407,543
Payments for salaries and fringe benefits	(130,126)
Payments for operating activities	<u>(162,144)</u>
Net cash provided by (used for) operating activities	<u>\$ 115,273</u>
Cash flows from capital and related financing activities:	
Retirement of indebtedness	\$ (63,081)
Interest paid on loans	<u>(76,612)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (139,693)</u>
Cash flows from investing activities:	
Interest income	<u>\$ 1,159</u>
Net cash provided by (used for) investing activities	<u>\$ 1,159</u>
Increase (decrease) in cash and cash equivalents	\$ (23,261)
Cash and cash equivalents - beginning - (including restricted \$141,907)	<u>222,168</u>
Cash and cash equivalents - ending - (including restricted \$143,030)	<u><u>\$ 198,907</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (241,913)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:	
Depreciation	364,827
Changes in operating assets and liabilities:	
(Increase)/decrease in accounts receivable	(7,066)
Increase/(decrease) in accounts payable	(2,183)
Increase/(decrease) in compensated absences	<u>1,608</u>
Net cash provided by (used for) operating activities	<u><u>\$ 115,273</u></u>

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

Statement of Fiduciary Net Position - Fiduciary Funds  
 At June 30, 2017

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 239,026
Accounts receivable	<u>52,696</u>
Total assets	<u><u>\$ 291,722</u></u>
<b>LIABILITIES</b>	
Amounts held for others	<u><u>\$ 291,722</u></u>

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

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# COUNTY OF CUMBERLAND, VIRGINIA

## Notes to Financial Statements As of June 30, 2017

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### Note 1—Summary of Significant Accounting Policies:

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

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

#### Financial Statement Presentation

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

#### Government-wide and Fund Financial Statements

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

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

Statement of Net Position—The Statement of Net Position is designed to display financial position of the primary government (government 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).

## COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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

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

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

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

#### A. Financial Reporting Entity

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

#### B. Individual Component Unit Disclosures

*Blended Component Units*—The County has no blended component units to be included for the fiscal year ended June 30, 2017.

##### *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, 2017.

## COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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

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#### B. Individual Component Unit Disclosure (Continued)

Cumberland County Industrial Development Authority The IDA Board members are appointed by the Board of Supervisors and are responsible for the industrial development in the County. The IDA is fiscally dependent on the County. The primary funding is from the General Fund of the County. The IDA does not issue a separate financial report and does not have separate taxing powers. The financial statements of the IDA are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2017.

#### 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, Nottoway and Cumberland. The Board is governed by a 15 member Board of Directors. One elected official and one consumer appointed by the County Board of Supervisors represents each County. The 15th member rotates between the Counties. Amelia County serves as the fiscal agent for the Board. The County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

##### Piedmont Regional Jail Board

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

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

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

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

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

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

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

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

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

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

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following major 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 service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for reporting purposes.

b. Capital Projects Fund

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

2. Proprietary Funds

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

Enterprise Funds

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

The County reports the following major enterprise funds:

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

3. Fiduciary Funds (Trust and Agency Funds) account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds, which consist of the 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.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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

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

4. Component Unit

The Cumberland County School Board has the following funds:

Governmental Fund:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Cumberland and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

Special Revenue Funds: Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

School Cafeteria Fund - This fund accounts for the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales and state and federal grants. This fund is considered a major fund.

E. Budgets and Budgetary Accounting

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

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

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

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**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).

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 \$187,840 at June 30, 2017 and is comprised of property taxes in the amount of \$167,877 and utility accounts in the amount of \$16,963.

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 15<sup>th</sup> and the second on November 15<sup>th</sup>. Personal property taxes are payable November 15<sup>th</sup>. 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.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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

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J. Capital Assets (Continued)

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, 2017.

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

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has several 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 contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as an increase to or a reduction of the net pension asset or liability next fiscal year. The remaining items are difference between actual and expected experience, difference between actual and expected returns, and difference in proportion and differences between employer contributions. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. One is the deferred amount on property tax revenue. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup>, and amounts prepaid on the 2<sup>nd</sup> half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the 2<sup>nd</sup> half installments are reported as deferred inflows of resources. In addition, certain items related to the net pension asset or liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

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

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**L. Pensions**

For purposes of measuring the net pension asset, liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's Retirement Plan and the additions to/deductions from the County'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. Upcoming Pronouncements**

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

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

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

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

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**M. Upcoming Pronouncements (Continued)**

Statement No. 86, *Certain Debt Extinguishment Issues*, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

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

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

**N. Compensated Absences**

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

**O. Long-term Obligations**

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

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

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

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**P. Fund Equity**

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

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

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

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

**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.

## COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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

#### 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.

### 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, 2017 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.

Rated Debt Investments	County's Rate Debt Investments' Values	
	Fair Quality Ratings	
	AAAm	Unrated
Local Government Investment Pool	\$ 5,327	\$ -
First America Treas Oblig Fund	13,215	-
Bear Stearns Fund	-	384,625
Total	\$ 18,542	\$ 384,625

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 2—Deposits and Investments: (Continued)

Fair Value Measurements

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

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

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

The County has the following recurring fair value measurements as of June 30, 2017:

Investment Type	Fair Value Measurement Using		
	Balance June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
First America Treas Oblig Fund	\$ 13,215	\$ 13,215	\$ -
Investments in derivative instruments			
Interest rate swap liability	180,942	-	180,942
Total	\$ 194,157	\$ 13,215	\$ 180,942

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, 2017, 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.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 2—Deposits and Investments: (Continued)

External Investment Pools

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

Interest Rate Risk

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

Investment Type	Investment Maturities (in years)	
	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 5,327	5,327
Bear Stearns Fund	384,625	\$ 384,625
Total	\$ 389,952	\$ 389,952

Restricted Assets

Restricted assets at June 30, 2017 are comprised of the following:

	Primary Government			Component Unit IDA
	Governmental Activities	Business-type Activities	Total	
Debt service reserves	\$ 397,841	\$ 143,030	\$ 540,871	\$ 73,669
Total	\$ 397,841	\$ 143,030	\$ 540,871	\$ 73,669

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 3—Due From Other Governmental Units:**

At June 30, 2017 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	\$ -	\$ 279,526
Local sales taxes	45,237	-
Communication taxes	30,067	-
Public assistance	29,202	-
Comprehensive services	94,924	-
Shared expenses	90,472	-
Other	53,420	-
Federal Government:		
School funds	-	172,424
Public assistance	51,830	-
Total	<u>\$ 395,152</u>	<u>\$ 451,950</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, 2017 are as follows:

	<u>Due from Primary Government/ Component Unit</u>	<u>Due to Primary Government/ Component Unit</u>
Primary Government:		
General	\$ 783,466	\$ -
Component Unit-IDA	-	291,316
Component Unit-School Board:		
School Operating	-	492,150
Total	<u>\$ 783,466</u>	<u>\$ 783,466</u>

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 5—Interfund Transfers:**

Interfund transfers for the year ended June 30, 2017 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 161,120
County Capital Projects	<u>161,120</u>	<u>-</u>
Total	<u>\$ 161,120</u>	<u>\$ 161,120</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, 2017:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 142,089	\$ 4,000	\$ -	\$ 146,089
Construction in progress	<u>396,051</u>	<u>48,826</u>	<u>444,877</u>	<u>-</u>
Total capital assets not being depreciated	<u>\$ 538,140</u>	<u>\$ 52,826</u>	<u>\$ 444,877</u>	<u>\$ 146,089</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 6,904,293	\$ 62,294	\$ -	\$ 6,966,587
Equipment	2,946,341	188,919	-	3,135,260
Jointly owned assets	<u>27,116,595</u>	<u>-</u>	<u>3,097,971</u>	<u>24,018,624</u>
Total capital assets being depreciated	<u>\$ 36,967,229</u>	<u>\$ 251,213</u>	<u>\$ 3,097,971</u>	<u>\$ 34,120,471</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,852,626	\$ 180,703	\$ -	\$ 3,033,329
Equipment	2,563,776	77,264	-	2,641,040
Jointly owned assets	<u>5,626,191</u>	<u>774,853</u>	<u>-</u>	<u>6,401,044</u>
Total accumulated depreciation	<u>\$ 11,042,593</u>	<u>\$ 1,032,820</u>	<u>\$ -</u>	<u>\$ 12,075,413</u>
Total capital assets being depreciated, net	<u>\$ 25,924,636</u>	<u>\$ (781,607)</u>	<u>\$ 3,097,971</u>	<u>\$ 22,045,058</u>
Governmental activities capital assets, net	<u>\$ 26,462,776</u>	<u>\$ (728,781)</u>	<u>\$ 3,542,848</u>	<u>\$ 22,191,147</u>

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 6—Capital Assets: (Continued)

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

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
<b>Primary Government:</b>				
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 22,458	\$ -	\$ -	\$ 22,458
Construction in progress	<u>310,732</u>	<u>-</u>	<u>-</u>	<u>310,732</u>
Total capital assets not being depreciated	<u>\$ 333,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 333,190</u>
Capital assets being depreciated:				
Equipment	\$ 305,167	\$ -	\$ -	\$ 305,167
Water and sewer lines	11,161,108	-	-	11,161,108
Buildings and improvements	<u>1,511,814</u>	<u>-</u>	<u>-</u>	<u>1,511,814</u>
Total capital assets being depreciated	<u>\$ 12,978,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,978,089</u>
Accumulated depreciation:				
Equipment	\$ 186,088	\$ 35,406	\$ -	\$ 221,494
Water and sewer lines	3,634,052	279,027	-	3,913,079
Buildings and improvements	<u>892,719</u>	<u>50,394</u>	<u>-</u>	<u>943,113</u>
Total accumulated depreciation	<u>\$ 4,712,859</u>	<u>\$ 364,827</u>	<u>\$ -</u>	<u>\$ 5,077,686</u>
Total capital assets being depreciated, net	<u>\$ 8,265,230</u>	<u>\$ (364,827)</u>	<u>\$ -</u>	<u>\$ 7,900,403</u>
Business-type activities capital assets, net	<u>\$ 8,598,420</u>	<u>\$ (364,827)</u>	<u>\$ -</u>	<u>\$ 8,233,593</u>

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 6—Capital Assets: (Continued)

Component Unit - School Board:	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>Governmental Activities:</b>				
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	\$ 6,675,253	\$ 444,877	\$ -	\$ 7,120,130
Equipment	3,720,839	239,640	-	3,960,479
Jointly owned assets	13,807,603	3,097,971	-	16,905,574
Total capital assets being depreciated	\$ 24,203,695	\$ 3,782,488	\$ -	\$ 27,986,183
Accumulated depreciation:				
Buildings and improvements	\$ 3,172,941	\$ 146,180	\$ -	\$ 3,319,121
Equipment	2,945,808	104,406	-	3,050,214
Jointly owned assets	3,586,455	248,322	-	3,834,777
Total accumulated depreciation	\$ 9,705,204	\$ 498,908	\$ -	\$ 10,204,112
Total capital assets being depreciated, net	\$ 14,498,491	\$ 3,283,580	\$ -	\$ 17,782,071
Governmental activities capital assets, net	\$ 14,619,912	\$ 3,283,580	\$ -	\$ 17,903,492

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 6—Capital Assets: (Continued)

Component Unit - Industrial Development Authority:	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 535,846	\$ -	\$ -	\$ 535,846
Construction in progress	233,976	570,029	804,005	-
Total capital assets not being depreciated	\$ 769,822	\$ 570,029	\$ 804,005	\$ 535,846
Capital assets being depreciated:				
Buildings and improvements	\$ 1,705,691	\$ -	\$ -	\$ 1,705,691
Accumulated depreciation:				
Buildings and improvements	253,646	42,642	-	296,288
Total capital assets being depreciated, net	\$ 1,452,045	\$ (42,642)	\$ -	\$ 1,409,403
Business-type activities capital assets, net	\$ 2,221,867	\$ 527,387	\$ 804,005	\$ 1,945,249

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

Primary Government:	
Governmental activities:	
General government administration	\$ 21,646
Judicial administration	87,466
Public safety	81,158
Public works	61,511
Health and welfare	3,176
Education	774,853
Parks, recreation and cultural	1,232
Community development	1,778
Total	\$ 1,032,820
Business-type activities:	
Water and Sewer Fund	\$ 364,827
Component Unit-School Board	\$ 250,586
* Depreciation expense above	\$ 250,586
Depreciation expense - joint tenancy assets	248,322
Total depreciation expense prior page	\$ 498,908
Component Unit-Industrial Development Authority	\$ 42,642

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (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. Unearned/unavailable revenue totaling \$4,511,451 is comprised of the following:

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Deferred property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures.	\$ -	\$ 1,159,556
2nd half assessments due in December 2017	3,186,300	3,186,300
Prepaid property taxes due in December 2017, but paid in advance by the taxpayers.	165,595	165,595
Total deferred inflows of resources	\$ <u>3,351,895</u>	\$ <u>4,511,451</u>

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (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, 2017:

	Balance July 1, 2016	Issuances / Increases	Retirements / Decreases	Balance June 30, 2017	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 277,639	\$ 58,484	\$ 37,565	\$ 298,558	\$ 29,856
Landfill closure and post-closure	179,246	-	-	179,246	-
General obligations bonds	26,892,264	14,895,000	18,040,304	23,746,960	1,173,764
VACO/VML direct loan program	3,940,000	-	205,000	3,735,000	215,000
Bond premiums	-	2,406,562	-	2,406,562	346,304
Derivative instrument liability	341,093	-	160,151	180,942	-
Net pension liability	1,378,997	1,290,550	661,617	2,007,930	-
State literary fund loans	1,833,331	-	166,667	1,666,664	166,667
Total Governmental Activities	<u>\$ 34,842,570</u>	<u>\$ 18,650,596</u>	<u>\$ 19,271,304</u>	<u>\$ 34,221,862</u>	<u>\$ 1,931,591</u>
Reconciliation to amounts reported on Exhibit 1:					
Total above	\$ 34,842,570	\$ 18,650,596	\$ 19,271,304	\$ 34,221,862	
Less: Derivative instrument liability	<u>(341,093)</u>	<u>-</u>	<u>(160,151)</u>	<u>(180,942)</u>	
Total as adjusted	<u>\$ 34,501,477</u>	<u>\$ 18,650,596</u>	<u>\$ 19,111,153</u>	<u>\$ 34,040,920</u>	
Per Exhibit 1:					
Due within one year				\$ 1,931,591	
Due in more than one year				<u>32,109,329</u>	
Total as adjusted				<u>\$ 34,040,920</u>	
	Balance July 1, 2016	Issuances / Increases	Retirements / Decreases	Balance June 30, 2017	Amounts Due Within One Year
<b>Business-type Activities:</b>					
<b>Water and Sewer Fund:</b>					
Compensated absences	\$ 8,698	\$ 3,451	\$ 1,843	\$ 10,306	\$ 1,031
Revenue bonds	2,223,976	-	63,081	2,160,895	65,540
Total Business-type Activities	<u>\$ 2,232,674</u>	<u>\$ 3,451</u>	<u>\$ 64,924</u>	<u>\$ 2,171,201</u>	<u>\$ 66,571</u>
Total primary government	<u>\$ 36,734,151</u>	<u>\$ 18,654,047</u>	<u>\$ 19,176,077</u>	<u>\$ 36,212,121</u>	<u>\$ 1,998,162</u>

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (continued)

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

Year Ending June 30,	Governmental Activities						Business-type Activities	
	General Obligation Bonds		State Literary Fund Loans		VACO/VML Loan Program		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,173,764	\$ 1,162,326	\$ 166,667	\$ 50,000	\$ 215,000	\$ 173,885	\$ 65,540	\$ 74,152
2019	1,372,928	968,741	166,667	45,000	225,000	163,160	68,104	71,588
2020	1,448,834	903,418	166,667	40,000	235,000	152,053	70,730	68,962
2021	1,524,518	834,410	166,667	35,000	245,000	140,214	73,562	66,130
2022	1,597,024	761,804	166,666	30,000	260,000	127,855	76,466	63,226
2023	1,676,928	687,895	166,666	25,000	270,000	114,986	79,494	60,198
2024	1,766,612	606,395	166,666	20,000	285,000	101,449	82,609	57,083
2025	1,865,584	514,349	166,666	15,000	295,000	87,402	85,943	53,749
2026	1,965,548	417,270	166,666	10,000	310,000	72,547	89,376	50,316
2027	2,076,556	314,854	166,666	5,000	325,000	57,003	92,956	46,736
2028	2,343,664	218,930	-	-	340,000	40,823	96,652	43,040
2029	2,425,000	138,636	-	-	355,000	23,887	100,584	39,108
2030	2,510,000	50,828	-	-	375,000	6,051	104,646	35,046
2031	-	-	-	-	-	-	108,883	30,809
2032	-	-	-	-	-	-	113,271	26,421
2033	-	-	-	-	-	-	117,915	21,777
2034	-	-	-	-	-	-	122,726	16,966
2035	-	-	-	-	-	-	95,663	12,157
2036	-	-	-	-	-	-	31,594	10,195
2037	-	-	-	-	-	-	25,786	9,602
2038	-	-	-	-	-	-	26,314	9,074
2039	-	-	-	-	-	-	26,852	8,536
2040	-	-	-	-	-	-	27,380	8,008
2041	-	-	-	-	-	-	27,963	7,426
2042	-	-	-	-	-	-	28,535	6,853
2043	-	-	-	-	-	-	29,119	6,269
2044	-	-	-	-	-	-	29,700	5,688
2045	-	-	-	-	-	-	30,323	5,065
2046	-	-	-	-	-	-	30,943	4,445
2047	-	-	-	-	-	-	31,577	3,811
2048	-	-	-	-	-	-	32,215	3,173
2049	-	-	-	-	-	-	32,882	2,506
2050	-	-	-	-	-	-	33,555	1,833
2051	-	-	-	-	-	-	34,242	1,146
2052	-	-	-	-	-	-	34,942	446
2053	-	-	-	-	-	-	1,853	6
Total	\$ 23,746,960	\$ 7,579,856	\$ 1,666,664	\$ 275,000	\$ 3,735,000	\$ 1,261,315	\$ 2,160,895	\$ 931,546

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (continued)

Governmental Activities:

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

General Obligation Bonds:

\$4,190,000 obligation dated June 24, 1997, payable in various principal annual installments through July 15, 2017, interest payable semi-annually at rates ranging from 4.80% to 6.375%	\$ 360,000
\$11,620,646 obligation dated November 8, 2007, payable in various principal annual installments through July 15, 2027, interest payable semi-annually at 5.1%	7,096,960
\$2,223,000 refunding obligation dated September 6, 2012, payable in various principal annual installments through July 15, 2022, interest payable semi-annually at 2.31%	1,395,000
\$14,895,000 refunding obligation dated November 1, 2016, payable in various principal annual installments through July 15, 2029, interest payable semi-annually at 2.19%	<u>14,895,000</u>
Total General Obligation Bonds	<u>\$ 23,746,960</u>

VACO/VMLDIRECT LOAN PROGRAM:

\$5,000,000 VACO/VML public improvement note, issued November 2, 2009, due in principal annual installments through November 1, 2029, interest payable monthly at 3.3975%	<u>\$ 3,735,000</u>
Total VACO/VML DIRECT LOAN PROGRAM	<u>\$ 3,735,000</u>

State Literary Fund Loans:

\$5,000,000, issued February 27, 1997, due in principal annual installments of \$166,667 through February 1, 2027, interest payable annually at 3%	<u>\$ 1,666,664</u>
Total State Literary Fund Loans	<u>\$ 1,666,664</u>

Net pension liability	<u>\$ 2,007,930</u>
Bond premium	<u>\$ 2,406,562</u>
Compensated absences	<u>\$ 298,558</u>
Landfill closure and post-closure	<u>\$ 179,246</u>
Total Governmental Activities long-term obligations	<u><u>\$ 34,040,920</u></u>

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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Note 8—Long-Term Obligations: (Continued)

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Primary Government: (continued)

Business-type Activities:

Revenue Bonds:

\$1,548,800 series 1995 and Series A Sewer Revenue Bonds. Series A of \$772,000 and Series B of \$776,800 issued October 31, 1995 through the Commonwealth of Virginia. Interest payable for Series and Series A at 4.50% per year, interest only payable on the first and second anniversary dates of closing and thereafter payable in monthly installments of combined principal and interest of \$3,544 for Series A and \$3,566 for Series B each month for a period of thirty-eight years, until paid, each payment to be applied first to interest accrued to such payment date and then to principal, and such financial installment, if not sooner paid, to be due and payable within forty years. \$ 1,037,333

\$344,500 series 1996 Sewer Revenue Bonds issued October 9, 1996 through the Commonwealth of Virginia. Interest payable at 4.50%, interest payable on the first and second anniversary dates of closing and thereafter payable in monthly installments of combined principal and interest of \$1,582 for a period of thirty-eight years, until paid. Each payment to be applied first to interest accrued to such payment date and then to principal, and such final installment, if not sooner paid, to be due and payable within forty years. 236,984

\$939,000 series 2012 Sewer Revenue Bonds issued June 1, 2012 through the Commonwealth of Virginia. Interest payable at 2.00%, interest payable on the first and second anniversary dates of closing and thereafter payable in monthly installments of combined principal and interest of \$2,949 for a period of thirty-eight years, until paid. Each payment to be applied first to interest accrued to such payment date and then to principal, and such final installment, if not sooner paid, to be due and payable within forty years. 886,578

Total Revenue Bonds \$ 2,160,895

Compensated absences 10,306

Total Business-type Activities long-term obligations \$ 2,171,201

Total Primary Government \$ 36,212,121

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (continued)

Interest rate swap

*Objective of the interest rate swap.*

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

Terms - November 2009 issue - The bonds and the related swap agreement mature on November 1, 2029. The swap's notional value of \$3,915,942 is more than the balance outstanding on the bonds payable of \$3,735,000. The difference of \$180,942 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:

	<u>Year Ended</u> <u>June 30, 2017</u>	
Fair value	\$	180,942
Change in fair value		160,151

**Component Units:**

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2017:

	<u>Balance at</u> <u>July 1, 2016</u>	<u>Issuances /</u> <u>Increases</u>	<u>Retirements /</u> <u>Decreases</u>	<u>Balance at</u> <u>June 30, 2017</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
School Board:					
Compensated absences	\$ 367,827	\$ 84,848	\$ 71,640	\$ 381,035	\$ 38,104
Net pension liability	12,299,670	3,093,418	2,125,969	13,267,119	-
Ameresco performance contract	965,458	-	99,127	866,331	108,096
<b>Total</b>	<u>\$ 13,632,955</u>	<u>\$ 3,178,266</u>	<u>\$ 2,296,736</u>	<u>\$ 14,514,485</u>	<u>\$ 146,200</u>
Industrial Development Authority:					
Rural development loan	<u>\$ 1,861,656</u>	<u>\$ -</u>	<u>\$ 25,933</u>	<u>\$ 1,835,723</u>	<u>\$ 27,024</u>

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 8—Long-Term Obligations: (Continued)

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

Year Ending June 30,	School Board		IDA	
	Ameresco Performance Contract		Rural Development Loan	
	Principal	Interest	Principal	Interest
2018	\$ 108,096	\$ 42,017	\$ 27,024	\$ 75,216
2019	117,620	36,774	28,160	74,080
2020	127,730	31,070	29,343	72,897
2021	138,458	24,875	30,577	71,663
2022	149,838	18,160	31,862	70,378
2023	161,905	10,893	33,202	69,038
2024	62,684	3,040	34,598	67,642
2025	-	-	36,052	66,188
2026	-	-	37,568	64,672
2027	-	-	39,147	63,093
2028	-	-	40,793	61,447
2029	-	-	42,508	59,732
2030	-	-	44,295	57,945
2031	-	-	46,157	56,083
2032	-	-	48,097	54,143
2033	-	-	50,119	52,121
2034	-	-	52,226	50,014
2035	-	-	54,421	47,819
2036	-	-	56,709	45,531
2037	-	-	59,093	43,147
2038	-	-	61,577	40,663
2039	-	-	64,166	38,074
2040	-	-	66,863	35,377
2041	-	-	69,674	32,566
2042	-	-	72,603	29,636
2043	-	-	75,655	26,584
2044	-	-	78,836	23,404
2045	-	-	82,150	20,090
2046	-	-	85,604	16,636
2047	-	-	89,202	13,038
2048	-	-	92,952	9,288
2049	-	-	96,860	5,380
2050	-	-	77,630	1,381
Total	\$ 866,331	\$ 166,829	\$ 1,835,723	\$ 1,514,966

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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

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Details of long-term obligations are as follows:

Component Unit School Board:

Ameresco performance contract lease dated June 13, 2005, payable in various annual installments through June 2024. Interest payable at 4.85%. The energy contract was used to acquire energy savings contracts undertaken to save the Cumberland County Schools energy savings.	\$ 866,331
Net pension liability	13,267,119
Compensated absences	381,035
Total long-term obligations	<u>\$ 14,514,485</u>

Industrial Development Authority:

\$2,000,000 Rural Development loan dated April 23, 2010 payable in monthly installments of \$8,520 beginning May 23, 2010 through April 23, 2050, interest at 4.1%	<u>\$ 1,835,723</u>
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Debt Refunding:

On November 1, 2016 the County of Cumberland issued \$17,301,562 (\$14,895,000 par amount plus \$2,406,562 premium) of Virginia Public School Authority, 2016 Fall Pool to advance refund \$16,935,000 of Series 2012 Refunding Bonds. As a result the Series 2012 Refunding Bonds which mature between December 1, 2016 and December 1, 2029 are considered to be defeased and the liability for these bonds has been removed from the Statement of Net Assets. The County advanced refunded the bonds to reduce its debt service savings by \$367,373.

**Note 9—Landfill Closure and Post Closure Care Cost:**

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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 \$179,246 over the next eight years. All amounts recognized are based on what it would cost to perform all closure and post closure care at year-end. Actual cost may be higher due to inflation. If these estimates are inadequate or additional post closure requirements are determined (due to changes in technology or regulations, for example), these cost may need to be covered by charges to future landfill users or taxpayers. The County has demonstrated financial assurance requirements for closure, post closure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 10—Pension Plan:

*Plan Description*

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b></p> <p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b></p> <p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b></p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> </ul>

Note 10—Pension Plan: (Continued)

*Plan Description (Continued)*

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members (Cont.)</b> Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

Note 10—Pension Plan: (Continued)

*Plan Description (Continued)*

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

Note 10—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component:</u> (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b> The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <u>Defined Benefit Component:</u> See definition under Plan 1.</p>

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Calculating the Benefit (Cont.)</b> An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit (Cont.)</b></p>	<p><b>Calculating the Benefit (Cont.)</b> <u><b>Defined Contribution Component:</b></u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b> A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b> <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b> <u><b>Defined Benefit Component:</b></u> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u> Not applicable.</p>

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

*Plan Description (Continued)*

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> </ul> <p>The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</p> <ul style="list-style-type: none"> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><u>Defined Contribution Component:</u> Not applicable.</p>

*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2017 (Continued)

Note 10—Pension Plan: (Continued)

*Employees Covered by Benefit Terms*

As of the June 30, 2015 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	43	25
Inactive members:		
Vested inactive members	7	4
Non-vested inactive members	11	17
Inactive members active elsewhere in VRS	45	11
Total inactive members	63	32
Active members	78	38
Total covered employees	184	95

*Contributions*

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

The County's contractually required contribution rate for the year ended June 30, 2017 was 9.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$311,862 and \$310,440 for the years ended June 30, 2017 and June 30, 2016, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 2.72% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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Note 10—Pension Plan: (Continued)

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*Contributions (Continued)*

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$18,784 and \$39,032 for the years ended June 30, 2017 and June 30, 2016, respectively.

*Net Pension Liability*

The County's and Component Unit School Board's (nonprofessional) net pension liability or asset was measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liability or asset was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

*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, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, 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: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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Note 10—Pension Plan: (Continued)

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*Actuarial Assumptions - General Employees (Continued)*

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

*Actuarial Assumptions - Public Safety Employees*

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, 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, 2017 (Continued)

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Note 10—Pension Plan: (Continued)

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*Actuarial Assumptions - Public Safety Employees (Continued)*

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

*Long-Term Expected Rate of Return*

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 10—Pension Plan: (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. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*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, 2015	\$ 12,512,855	\$ 11,133,858	\$ 1,378,997
Changes for the year:			
Service cost	\$ 367,059	\$ -	\$ 367,059
Interest	857,886	-	857,886
Differences between expected and actual experience	58,650	-	58,650
Contributions - employer	-	306,917	(306,917)
Contributions - employee	-	158,417	(158,417)
Net investment income	-	196,283	(196,283)
Benefit payments, including refunds of employee contributions	(514,676)	(514,676)	-
Administrative expenses	-	(6,872)	6,872
Other changes	-	(83)	83
Net changes	\$ 768,919	\$ 139,986	\$ 628,933
Balances at June 30, 2016	\$ 13,281,774	\$ 11,273,844	\$ 2,007,930

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

*Changes in Net Pension Liability (Asset) (Continued)*

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at June 30, 2015	\$ 2,475,562	\$ 2,819,870	\$ (344,308)
Changes for the year:			
Service cost	\$ 75,961	\$ -	\$ 75,961
Interest	169,820	-	169,820
Differences between expected and actual experience	(109,876)	-	(109,876)
Contributions - employer	-	38,186	(38,186)
Contributions - employee	-	33,819	(33,819)
Net investment income	-	49,420	(49,420)
Benefit payments, including refunds of employee contributions	(99,132)	(99,132)	-
Administrative expenses	-	(1,754)	1,754
Other changes	-	(21)	21
Net changes	\$ 36,773	\$ 20,518	\$ 16,255
Balances at June 30, 2016	\$ 2,512,335	\$ 2,840,388	\$ (328,053)

*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)	\$ 3,821,452	\$ 2,007,930	\$ 506,979
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ (11,493)	\$ (328,053)	\$ (593,119)

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

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

For the year ended June 30, 2017, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$378,231 and \$(19,882), respectively. At June 30, 2017, 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	\$ 158,617	\$ -	\$ 1,889	\$ 70,352
Net difference between projected and actual earnings on pension plan investments	294,050	-	73,060	-
Employer contributions subsequent to the measurement date	311,862	-	18,784	-
Total	<u>\$ 764,529</u>	<u>\$ -</u>	<u>\$ 93,733</u>	<u>\$ 70,352</u>

\$311,862 and \$18,784 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. 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)
2018	\$ 82,148	\$ (37,240)
2019	72,830	(29,938)
2020	181,464	42,384
2021	116,225	29,391
Thereafter	-	-

## COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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### Note 10—Pension Plan: (Continued)

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#### Component Unit School Board (professional)

##### *Plan Description*

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

##### *Contributions*

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

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$1,101,624 and \$1,028,089 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$13,267,119 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 0.10210% as compared to 0.10414% at June 30, 2015.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2017, the school division recognized pension expense of \$1,335,000. Since there was a change in proportionate share between June 30, 2015 and June 30, 2016, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, 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	\$ -	\$ 429,318
Difference in proportion and differences between employer contributions	584,169	-
Net difference between projected and actual earnings on pension plan investments	757,565	-
Changed in proportionate share of employer contributions	-	256,849
Employer contributions subsequent to the measurement date	<u>1,101,624</u>	<u>-</u>
Total	<u>\$ 2,443,358</u>	<u>\$ 686,167</u>

\$1,101,624 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 ended June 30, 2018. 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>	
2018	\$ 8,345
2019	8,345
2020	439,517
2021	247,576
Thereafter	(48,217)

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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Note 10—Pension Plan: (Continued)

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Component Unit School Board (professional) (Continued)

*Actuarial Assumptions*

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, 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-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

*Long-Term Expected Rate of Return*

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 10—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

*Discount Rate*

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 18,912,191	\$ 13,267,119	\$ 8,616,934

*Pension Plan Fiduciary Net Position*

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2017 (Continued)

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**Note 11—Risk Management:**

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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:**

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At June 30, 2017, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable.

**Note 13—Surety Bond Information:**

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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**Note 14—Commitments and Contingencies:**

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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 15—Other Postemployment Benefits:**

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The County offers postemployment medical coverage to its retired employees, however has experienced limited participation in the plan in previous years and no employees are currently enrolled in the program. As such, the County has elected not to obtain an actuarial valuation to determine liability for this benefit in accordance with the financial reporting requirements of GASB 45 and believes there is no material effect on the County's financial position.

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## **Required Supplementary Information**

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

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Schedule of Revenues, Expenditures and Changes in Fund Balance -  
 Budget and Actual -- General Fund  
 Year Ended June 30, 2017

	General Fund			Variance With Amended Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
General property taxes	\$ 8,540,000	\$ 8,540,000	\$ 9,189,650	\$ 649,650
Other local taxes	989,000	989,000	1,036,014	47,014
Permits, privilege fees and regulatory licenses	60,000	60,000	54,021	(5,979)
Fines and forfeitures	145,000	145,000	121,288	(23,712)
Revenue from use of money and property	74,000	74,000	70,412	(3,588)
Charges for services	116,360	116,360	130,075	13,715
Miscellaneous	19,300	20,728	31,230	10,502
Intergovernmental:				
Henrico County	1,131,900	1,131,900	1,131,900	-
Commonwealth	3,008,913	3,609,064	3,430,922	(178,142)
Federal	836,406	889,715	745,419	(144,296)
Total revenues	\$ 14,920,879	\$ 15,575,767	\$ 15,940,931	\$ 365,164
Expenditures:				
Current:				
General government administration	\$ 1,385,582	\$ 1,532,137	\$ 1,491,707	\$ 40,430
Judicial administration	456,516	519,032	516,789	2,243
Public safety	2,321,830	2,806,959	2,755,028	51,931
Public works	1,277,414	1,341,666	1,328,187	13,479
Health and welfare	1,966,391	2,292,147	2,263,105	29,042
Education	3,781,419	3,785,556	3,801,027	(15,471)
Parks, recreation, and cultural	180,149	180,149	161,631	18,518
Community development	261,552	483,442	175,965	307,477
Nondepartmental	16,000	16,101	9,870	6,231
Debt service:				
Principal retirement	2,581,098	18,511,098	18,511,098	-
Interest and other fiscal charges	1,212,668	1,597,378	1,086,633	510,745
Total expenditures	\$ 15,440,619	\$ 33,065,665	\$ 32,101,040	\$ 964,625
Excess (deficiency) of revenues over (under) expenditures	\$ (519,740)	\$ (17,489,898)	\$ (16,160,109)	\$ 1,329,789
Other financing sources (uses):				
Issuance of refunding bonds	\$ -	\$ 16,314,710	\$ 14,895,000	\$ (1,419,710)
Premium on debt	-	-	2,406,562	2,406,562
Transfers (out)	-	(161,120)	(161,120)	-
Total other financing sources (uses)	\$ -	\$ 16,153,590	\$ 17,140,442	\$ 986,852
Net change in fund balance	\$ (519,740)	\$ (1,336,308)	\$ 980,333	\$ 2,316,641
Fund balance at beginning of year	519,740	1,336,308	5,255,044	3,918,736
Fund balance at end of year	\$ -	\$ -	\$ 6,235,377	\$ 6,235,377

Schedule of Changes in Net Pension Liability and Related Ratios  
 Primary Government  
 Years Ended June 30, 2015 through June 30, 2017

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

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

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
 Component Unit School Board (nonprofessional)  
 Years Ended June 30, 2015 through June 30, 2017

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

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

Schedule of Employer's Proportionate Share of the Net Pension Liability  
 Years Ended June 30, 2015 through June 30, 2017

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
<b>Component Unit School Board (professional)</b>					
2016	0.09730%	\$ 16,237,119	\$ 7,514,491	216.08%	n/a
2015	0.09730%	12,299,670	7,834,253	157.00%	n/a
2014	0.09699%	11,721,000	7,028,172	166.77%	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.

\* The amounts presented have a measurement date of the previous fiscal year end.

Schedule of Employer Contributions  
Last Ten Fiscal Years

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2017	\$ 311,862	\$ 311,862	\$ -	\$ 3,241,811	9.62%
2016	310,440	310,440	-	3,183,996	9.75%
2015	305,393	305,393	-	3,132,238	9.75%
2014	342,251	342,251	-	3,034,140	11.28%
2013	355,515	355,515	-	3,151,733	11.28%
2012	271,268	271,268	-	2,984,250	9.09%
2011	261,393	261,393	-	2,875,613	9.09%
2010	218,644	218,644	-	3,019,940	7.24%
2009	217,522	217,522	-	3,004,448	7.24%
2008	144,688	144,688	-	2,848,190	5.08%
<b>Component Unit School Board (nonprofessional)</b>					
2017	\$ 18,784	\$ 18,784	\$ -	\$ 690,599	2.72%
2016	39,032	39,032	-	693,284	5.63%
2015	39,221	39,221	-	696,646	5.63%
2014	42,781	42,781	-	695,620	6.15%
2013	43,647	43,647	-	709,705	6.15%
2012	37,805	37,805	-	683,627	5.53%
2011	38,136	38,136	-	689,616	5.53%
2010	42,867	42,867	-	756,029	5.67%
2009	46,355	46,355	-	817,554	5.67%
2008	33,541	33,541	-	785,511	4.27%
<b>Component Unit School Board (professional)</b>					
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	-	7,028,172	14.50%
2014	825,062	825,062	-	7,075,901	11.66%
2013	770,332	770,332	-	6,606,621	11.66%
2012	433,633	433,633	-	6,850,442	6.33%
2011	623,853	623,853	-	6,986,035	3.93%
2010	614,122	614,122	-	6,970,738	8.81%
2009	658,185	658,185	-	7,470,886	8.81%
2008	787,282	787,282	-	7,643,515	10.30%

Current year contributions are from Contributions and School Board records and prior year contributions

Notes to Required Supplementary Information  
Year Ended June 30, 2017

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**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan member for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced duty benefits. Because this was a new benefit and the number of new participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

**Changes of assumptions** - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Other Supplementary Information

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Combining Statement of Fiduciary Net Position -  
 Agency Funds  
 At June 30, 2017

	Agency Funds				Totals
	Special Welfare Fund	Erosion and Sediment Control Bond Escrow Fund	Health Insurance Fund	Sheriff's Forfeiture Fund	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 14,221	\$ 265,101	\$ (117,641)	\$ 77,345	\$ 239,026
Accounts receivable	-	-	52,696	-	52,696
Total assets	<u>\$ 14,221</u>	<u>\$ 265,101</u>	<u>\$ (64,945)</u>	<u>\$ 77,345</u>	<u>\$ 291,722</u>
<b>LIABILITIES</b>					
Amounts held for sheriff	\$ -	\$ -	\$ -	\$ 77,345	\$ 77,345
Amounts held for others	-	265,101	-	-	265,101
Amounts held for social services clients	14,221	-	-	-	14,221
Amounts held for insurance benefits	-	-	(64,945)	-	(64,945)
Total liabilities	<u>\$ 14,221</u>	<u>\$ 265,101</u>	<u>\$ (64,945)</u>	<u>\$ 77,345</u>	<u>\$ 291,722</u>

Agency Funds  
 Combining Statement of Changes in Assets and Liabilities  
 Year Ended June 30, 2017

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Special Welfare Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 15,637	\$ 17,769	\$ 19,185	\$ 14,221
Liabilities:				
Amounts held for social service clients	\$ 15,637	\$ 17,769	\$ 19,185	\$ 14,221
<b>Sheriff's Forfeiture Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 84,944	\$ 249	\$ 7,848	\$ 77,345
Liabilities:				
Amounts held for sheriff	\$ 84,944	\$ 249	\$ 7,848	\$ 77,345
<b>Erosion and Sediment Control Bond Escrow Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 263,521	\$ 1,580	\$ -	\$ 265,101
Liabilities:				
Amounts held for others	\$ 263,521	\$ 1,580	\$ -	\$ 265,101
<b>Health Insurance Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 158,987	\$ 2,447,295	\$ 2,723,923	\$ (117,641)
Accounts receivable	-	52,696	-	52,696
Total assets	\$ 158,987	2,499,991	2,723,923	(64,945)
Liabilities:				
Amounts held for insurance benefits	\$ 158,987	\$ 2,499,991	\$ 2,723,923	\$ (64,945)
<b>Totals -- All agency funds</b>				
Assets:				
Cash and cash equivalents	\$ 523,089	\$ 2,466,893	\$ 2,750,956	\$ 239,026
Accounts receivable	-	52,696	-	52,696
Total assets	\$ 523,089	\$ 2,519,589	\$ 2,750,956	\$ 291,722
Liabilities:				
Amounts held for social service clients	\$ 15,637	\$ 17,769	\$ 19,185	\$ 14,221
Amounts held for others	263,521	1,580	-	265,101
Amounts held for insurance benefits	158,987	2,499,991	2,723,923	(64,945)
Amounts held for sheriff	84,944	249	7,848	77,345
Total liabilities	\$ 523,089	\$ 2,519,589	\$ 2,750,956	\$ 291,722

**Discretely Presented Component Unit—School Board**

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Combining Balance Sheet -  
Discretely Presented Component Unit - School Board  
At June 30, 2017

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 691,776	\$ 41,989	\$ 733,765
Prepaid items	48,967	-	48,967
Due from other governmental units	<u>451,950</u>	<u>-</u>	<u>451,950</u>
Total assets	<u>\$ 1,192,693</u>	<u>\$ 41,989</u>	<u>\$ 1,234,682</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 8,767	\$ -	\$ 8,767
Accrued liabilities	691,776	-	691,776
Due to primary government	<u>492,150</u>	<u>-</u>	<u>492,150</u>
Total liabilities	<u>\$ 1,192,693</u>	<u>\$ -</u>	<u>\$ 1,192,693</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid items	\$ 48,967	\$ -	48,967
Restricted:			
Special Revenue	-	41,989	41,989
Unassigned	<u>(48,967)</u>	<u>-</u>	<u>(48,967)</u>
Total fund balances	<u>\$ -</u>	<u>\$ 41,989</u>	<u>\$ 41,989</u>

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

Total fund balances per above	\$ 41,989
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When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the School Board as a whole.

Net pension asset	17,903,492
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Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds:	
Deferred outflows of resources related to the measurement of net pension liabilities	328,053
	(756,519)

Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	1,120,408
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Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net position. Details supporting this adjustment are as follows:

Deferred outflows of resources related to the measurement of net pension liabilities	1,416,683
Amerisco performance contract	(866,331)
Net pension liability	(13,267,119)
Compensated absences	<u>(381,035)</u>

Net position of General Government Activities	<u>\$ 5,539,621</u>
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Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Discretely Presented Component Unit - School Board  
 Year Ended June 30, 2017

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
Revenues:			
Revenue from use of money and property	\$ 900	\$ -	\$ 900
Charges for services	-	233,961	233,961
Miscellaneous	322,773	75,617	398,390
Intergovernmental:			
County contribution to School Board	3,789,890	-	3,789,890
Commonwealth	9,336,863	-	9,336,863
Federal	1,718,205	-	1,718,205
 Total revenues	 <u>\$ 15,168,631</u>	 <u>\$ 309,578</u>	 <u>\$ 15,478,209</u>
 Expenditures:			
Education	\$ 14,529,419	\$ 948,018	\$ 15,477,437
 Total expenditures	 <u>\$ 14,529,419</u>	 <u>\$ 948,018</u>	 <u>\$ 15,477,437</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>\$ 639,212</u>	 <u>\$ (638,440)</u>	 <u>\$ 772</u>
 Other financing sources (uses):			
Transfers in	\$ -	\$ 639,212	\$ 639,212
Transfers (out)	(639,212)	-	(639,212)
 Total other financing sources (uses)	 <u>\$ (639,212)</u>	 <u>\$ 639,212</u>	 <u>\$ -</u>
 Net change in fund balances	 \$ -	 \$ 772	 \$ 772
 Fund balance at beginning of year	 <u>-</u>	 <u>41,217</u>	 <u>41,217</u>
 Fund balance at end of year	 <u><u>\$ -</u></u>	 <u><u>\$ 41,989</u></u>	 <u><u>\$ 41,989</u></u>

Reconciliation of Statement of Revenues,  
Expenditures, and Changes in Fund Balances  
To the Statement of Activities -  
Discretely Presented Component Unit - School Board  
Year Ended June 30, 2017

		<u>Component Unit School Board</u>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Net change in fund balances - total governmental funds	\$	772
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeds capital outlays in the current period.</p>		
Capital outlay	\$ 239,640	
Depreciation expense	<u>(498,908)</u>	(259,268)
Transfer of joint tenancy assets from Primary Government to the Component Unit		3,542,848
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in deferred inflows related to the measurement of the net pension liability		306,679
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal retired on Ameresco performance contract	\$	99,127
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:</p>		
Change in net pension liability	\$ (967,449)	
Change in net pension asset	(16,255)	
Change in deferred outflows	705,451	
Change in compensated absences	<u>(13,208)</u>	<u>(291,461)</u>
Change in net position of governmental activities	\$	<u><u>3,398,697</u></u>

Schedule of Revenues, Expenditures and Changes in Fund Balance -  
 Budget and Actual -  
 Discretely Presented Component Unit - School Board  
 Year Ended June 30, 2017

	School Operating Fund			Variance With Amended Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
Revenue from use of money and property	\$ -	\$ 1,200	\$ 900	\$ (300)
Miscellaneous	286,099	286,099	322,773	36,674
Intergovernmental:				
County contribution to School Board	3,774,419	3,774,419	3,789,890	15,471
Commonwealth	9,227,170	9,430,108	9,336,863	(93,245)
Federal	1,716,997	1,885,930	1,718,205	(167,725)
Total revenues	\$ 15,004,685	\$ 15,377,756	\$ 15,168,631	\$ (209,125)
Expenditures:				
Education	\$ 14,420,415	\$ 14,793,486	\$ 14,529,419	\$ 264,067
Total expenditures	\$ 14,420,415	\$ 14,793,486	\$ 14,529,419	\$ 264,067
Excess (deficiency) of revenues over (under) expenditures	\$ 584,270	\$ 584,270	\$ 639,212	\$ 54,942
Other financing sources (uses):				
Transfers (out)	(584,270)	(584,270)	(639,212)	(54,942)
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  
 At June 30, 2017

	<u>Discretely Presented Component Unit - IDA</u>
<b>ASSETS</b>	
Current assets:	
Inventory for resale	\$ 804,005
Total current assets	\$ 804,005
Noncurrent assets:	
Restricted assets	\$ 73,669
Capital Assets:	
Land	535,846
Buildings and improvements, net of depreciation	1,409,403
Total noncurrent assets	\$ 2,018,918
Total Assets	\$ 2,822,923
<b>LIABILITIES</b>	
Current liabilities:	
Due to primary government	\$ 291,316
Long-term obligations, current portion	27,024
Total current liabilities	\$ 318,340
Noncurrent liabilities:	
Long-term obligations, non-current portion	1,808,699
Total Liabilities	\$ 2,127,039
<b>Net Position</b>	
Net investment in capital assets	\$ 183,195
Unrestricted assets	512,689
Total Net Position	\$ 695,884
Total Liabilities and Net Position	\$ 2,822,923

Statement of Revenues, Expenses and Changes in Net Position  
 Discretely Presented Component Unit - Industrial Development Authority  
 Year Ended June 30, 2017

	<u>Discretely Presented Component Unit - IDA</u>
Operating revenues:	
Rent	\$ 50,400
Total operating revenues	<u>\$ 50,400</u>
Operating expenses:	
Depreciation	\$ 42,642
Other operating expenses	<u>13,731</u>
Total operating expenses	<u>\$ 56,373</u>
Operating income (loss)	<u>\$ (5,973)</u>
Nonoperating revenues (expenses):	
Interest income	\$ 56
Interest expense	(76,307)
Tobacco Indemnification grants	<u>357,909</u>
Total nonoperating revenues (expenses)	<u>\$ 281,658</u>
Increase (decrease) in net position	\$ 275,685
Net position, beginning of year	<u>420,199</u>
Net position, end of year	<u><u>\$ 695,884</u></u>

Statement of Cash Flows -  
 Discretely Presented Component Unit - Industrial Development Authority  
 Year Ended June 30, 2017

	Discretely Presented Component Unit - IDA
Cash flows from operating activities:	
Receipts from customers and users	\$ 50,400
Payments for operating activities	<u>(13,731)</u>
Net cash provided by (used for) operating activities	\$ <u>36,669</u>
Cash flows from noncapital financing activities:	
Contribution from County of Cumberland	\$ <u>291,316</u>
Net cash provided by (used for) noncapital financing activities	\$ <u>291,316</u>
Cash flows from capital and related financing activities:	
Retirement of indebtedness	\$ (25,933)
Inventory for resale additions	(670,009)
Interest paid on loans	(76,307)
Tobacco Indemnification grants	<u>357,909</u>
Net cash provided by (used for) capital and related financing activities	\$ <u>(414,340)</u>
Cash flows from investing activities:	
Interest income	\$ <u>56</u>
Net cash provided by (used for) investing activities	\$ <u>56</u>
Increase (decrease) in cash and cash equivalents	\$ (86,299)
Cash and cash equivalents at beginning of year	<u>159,968</u>
Cash and cash equivalents at end of year	\$ <u><u>73,669</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (5,973)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operations:	
Depreciation	<u>42,642</u>
Net cash provided by (used for) operating activities	\$ <u><u>36,669</u></u>

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## Supporting Schedules

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Governmental Funds -  
Statement of Revenues - Budget and Actual  
Year Ended June 30, 2017

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	\$ 5,585,000	\$ 5,585,000	\$ 5,996,791	\$ 411,791
Real and personal public service corporation property taxes	775,000	775,000	856,972	81,972
Personal property taxes	1,750,000	1,750,000	1,922,755	172,755
Mobile homes	38,000	38,000	39,919	1,919
Airplane taxes	18,000	18,000	4,917	(13,083)
Machinery and tools taxes	115,000	115,000	137,458	22,458
Penalties	115,000	115,000	110,328	(4,672)
Interest	144,000	144,000	120,510	(23,490)
<b>Total general property taxes</b>	<b>\$ 8,540,000</b>	<b>\$ 8,540,000</b>	<b>\$ 9,189,650</b>	<b>\$ 649,650</b>
Other local taxes:				
Local sales and use taxes	\$ 425,000	\$ 425,000	\$ 441,663	\$ 16,663
Consumers' utility taxes	172,000	172,000	172,279	279
Business license taxes	107,000	107,000	111,415	4,415
Bank franchise tax	10,000	10,000	14,113	4,113
Motor vehicle licenses	230,000	230,000	228,304	(1,696)
Tax on deeds	-	-	14,134	14,134
Taxes on recordation and wills	45,000	45,000	54,106	9,106
<b>Total other local taxes</b>	<b>\$ 989,000</b>	<b>\$ 989,000</b>	<b>\$ 1,036,014</b>	<b>\$ 47,014</b>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 8,000	\$ 8,000	\$ 7,026	\$ (974)
Building and related permits	42,000	42,000	35,008	(6,992)
Transfer fees	300	300	392	92
Land use and other general government fees	6,200	6,200	4,640	(1,560)
Zoning and other fees	3,500	3,500	6,955	3,455
<b>Total permits, privilege fees and regulatory licenses</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>	<b>\$ 54,021</b>	<b>\$ (5,979)</b>
Fines and Forfeitures:				
Court fines and forfeitures	\$ 145,000	\$ 145,000	\$ 121,288	\$ (23,712)
<b>Total fines and forfeitures</b>	<b>\$ 145,000</b>	<b>\$ 145,000</b>	<b>\$ 121,288</b>	<b>\$ (23,712)</b>
Revenue from use of money and property:				
Revenue from use of money	\$ 59,000	\$ 59,000	\$ 61,122	\$ 2,122
Revenue from use of property	15,000	15,000	9,290	(5,710)
<b>Total revenue from use of money and property</b>	<b>\$ 74,000</b>	<b>\$ 74,000</b>	<b>\$ 70,412</b>	<b>\$ (3,588)</b>

Governmental Funds -  
Statement of Revenues - Budget and Actual  
Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (continued)				
Charges for services:				
Sheriff's and other public safety fees	\$ 360	\$ 360	\$ 360	\$ -
Law library fees	1,000	1,000	1,271	271
DNA analysis fees	-	-	115	115
Courthouse maintenance fees	7,000	7,000	6,997	(3)
Jail admission fee	1,000	1,000	796	(204)
Courthouse security	34,000	34,000	33,892	(108)
Document reproduction fees	-	-	3,378	3,378
Court appointed attorney	3,000	3,000	1,630	(1,370)
Court clerks	2,000	2,000	2,183	183
Commonwealth attorney fees	900	900	732	(168)
Law enforcement fees	40,000	40,000	1,582	(38,418)
Ambulance and rescue service fees	-	-	58,521	58,521
Animal protection fees	-	-	76	76
Sanitation and waste removal fees	600	600	1,466	866
Recreation fees	24,500	24,500	14,676	(9,824)
Planning and community development	2,000	2,000	2,400	400
<b>Total charges for services</b>	<b>\$ 116,360</b>	<b>\$ 116,360</b>	<b>\$ 130,075</b>	<b>\$ 13,715</b>
Miscellaneous:				
Miscellaneous	\$ 19,300	\$ 20,728	\$ 31,230	\$ 10,502
<b>Total miscellaneous</b>	<b>\$ 19,300</b>	<b>\$ 20,728</b>	<b>\$ 31,230</b>	<b>\$ 10,502</b>
<b>Total revenue from local sources</b>	<b>\$ 9,943,660</b>	<b>\$ 9,945,088</b>	<b>\$ 10,632,690</b>	<b>\$ 687,602</b>
Intergovernmental:				
Local government:				
Henrico County - reservoir operation	\$ 1,131,900	\$ 1,131,900	\$ 1,131,900	\$ -
<b>Total intergovernmental</b>	<b>\$ 1,131,900</b>	<b>\$ 1,131,900</b>	<b>\$ 1,131,900</b>	<b>\$ -</b>
Revenue from the Commonwealth:				
Payments in lieu of taxes	\$ 48,000	\$ 48,000	\$ 19,667	\$ (28,333)
Noncategorical aid:				
Rental tax	\$ 800	\$ 800	\$ 967	\$ 167
Mobile home titling taxes	16,000	16,000	39,919	23,919
Tax on deeds	14,000	14,000	-	(14,000)
Communication taxes	373,000	373,000	340,615	(32,385)
Rolling stock tax	-	-	115	115
Recordation tax	20,000	20,000	16,238	(3,762)
PPTRA	871,735	871,735	871,736	1
<b>Total noncategorical aid</b>	<b>\$ 1,295,535</b>	<b>\$ 1,295,535</b>	<b>\$ 1,269,590</b>	<b>\$ (25,945)</b>

Governmental Funds -  
Statement of Revenues - Budget and Actual  
Year Ended June 30, 2017 (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	\$ 156,000	\$ 156,000	\$ 164,059	\$ 8,059
Sheriff	561,533	561,533	565,931	4,398
Commissioner of the Revenue	76,000	76,000	75,587	(413)
Treasurer	93,000	93,000	92,342	(658)
Registrar/electoral board	38,199	38,199	37,029	(1,170)
Clerk of the Circuit Court	144,000	145,750	159,741	13,991
DMV	18,000	18,000	19,452	1,452
Total shared expenses	<u>\$ 1,086,732</u>	<u>\$ 1,088,482</u>	<u>\$ 1,114,141</u>	<u>\$ 25,659</u>
Other categorical aid:				
Litter control	\$ -	\$ 6,192	\$ 35,442	\$ 29,250
Fire programs grant	-	32,620	32,620	-
Victim/witness program	-	-	28,187	28,187
Tobacco indemnification and revitalization grant	-	272,176	-	(272,176)
Records preservation grant	-	20,938	46,912	25,974
Highway safety grant	10,000	10,000	-	(10,000)
Law enforcement block grant	-	-	2,378	2,378
E-911 wireless	48,000	48,000	52,114	4,114
Comprehensive Services Act	350,000	568,989	472,986	(96,003)
Other categorical aid	-	-	107	107
Public assistance and welfare	170,646	218,132	356,778	138,646
Total other categorical aid	<u>\$ 578,646</u>	<u>\$ 1,177,047</u>	<u>\$ 1,027,524</u>	<u>\$ (149,523)</u>
Total categorical aid	<u>\$ 1,665,378</u>	<u>\$ 2,265,529</u>	<u>\$ 2,141,665</u>	<u>\$ (123,864)</u>
Total revenue from the Commonwealth	<u>\$ 3,008,913</u>	<u>\$ 3,609,064</u>	<u>\$ 3,430,922</u>	<u>\$ (178,142)</u>
Revenue from the Federal Government:				
Categorical aid:				
Public assistance and welfare	\$ 812,406	\$ 865,715	\$ 653,555	\$ (212,160)
Victim/witness program	-	-	21,140	21,140
Comprehensive Services Act - SSBG	-	-	25,999	25,999
Social services cost allocation reimbursement	24,000	24,000	22,930	(1,070)
Highway safety grant	-	-	21,795	21,795
Total categorical aid	<u>\$ 836,406</u>	<u>\$ 889,715</u>	<u>\$ 745,419</u>	<u>\$ (144,296)</u>
Total revenue from the Federal Government	<u>\$ 836,406</u>	<u>\$ 889,715</u>	<u>\$ 745,419</u>	<u>\$ (144,296)</u>
Total General Fund	<u>\$ 14,920,879</u>	<u>\$ 15,575,767</u>	<u>\$ 15,940,931</u>	<u>\$ 365,164</u>

Governmental Funds -  
Statement of Revenues - Budget and Actual  
Year Ended June 30, 2017 (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	\$ -	\$ -	\$ 16	\$ 16
Total County Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ 16</u>
Total Revenues -- Primary Government	<u>\$ 14,920,879</u>	<u>\$ 15,575,767</u>	<u>\$ 15,940,947</u>	<u>\$ 365,180</u>
Component Unit -- School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ 1,200	\$ 1,200	\$ 900	\$ (300)
Total revenue from use of money and property	<u>\$ 1,200</u>	<u>\$ 1,200</u>	<u>\$ 900</u>	<u>\$ (300)</u>
Miscellaneous:				
Miscellaneous	\$ 286,099	\$ 286,099	322,773	\$ 36,674
Total miscellaneous	<u>\$ 286,099</u>	<u>\$ 286,099</u>	<u>\$ 322,773</u>	<u>\$ 36,674</u>
Total revenue from local sources	<u>\$ 287,299</u>	<u>\$ 287,299</u>	<u>\$ 323,673</u>	<u>\$ 36,374</u>
Intergovernmental:				
County contribution to School Board	\$ 3,774,419	\$ 3,774,419	\$ 3,789,890	\$ 15,471
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,575,112	\$ 1,568,860	\$ 1,594,586	\$ 25,726
Basic school aid	4,367,236	4,305,378	4,464,992	159,614
Special education	368,199	360,933	352,489	(8,444)
Fica - instructional	260,017	254,886	262,550	7,664
VRS - instructional	513,991	503,260	542,361	39,101
Other state funds	<u>2,142,615</u>	<u>2,436,791</u>	<u>2,119,885</u>	<u>(316,906)</u>
Total categorical aid	<u>\$ 9,227,170</u>	<u>\$ 9,430,108</u>	<u>\$ 9,336,863</u>	<u>\$ (93,245)</u>
Total revenue from the Commonwealth	<u>\$ 9,227,170</u>	<u>\$ 9,430,108</u>	<u>\$ 9,336,863</u>	<u>\$ (93,245)</u>

Governmental Funds -  
Statement of Revenues - Budget and Actual  
Year Ended June 30, 2017 (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	\$ 395,247	\$ 395,247	\$ 381,118	\$ (14,129)
Title VI-B -- Special Education	330,034	330,034	334,112	4,078
School food	584,270	584,270	618,204	33,934
Other federal funds	407,446	576,379	384,771	(191,608)
Total categorical aid	<u>\$ 1,716,997</u>	<u>\$ 1,885,930</u>	<u>\$ 1,718,205</u>	<u>\$ (167,725)</u>
Total revenue from the federal government	<u>\$ 1,716,997</u>	<u>\$ 1,885,930</u>	<u>\$ 1,718,205</u>	<u>\$ (167,725)</u>
Total School Operating Fund	<u>\$ 15,005,885</u>	<u>\$ 15,377,756</u>	<u>\$ 15,168,631</u>	<u>\$ (209,125)</u>
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ -	\$ -	\$ 233,961	\$ 233,961
Total charges for services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,961</u>	<u>\$ 233,961</u>
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 75,617	\$ 75,617
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,617</u>	<u>\$ 75,617</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309,578</u>	<u>\$ 309,578</u>
Total School Cafeteria Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309,578</u>	<u>\$ 309,578</u>
Total Revenues -- Component Unit -- School Board	<u>\$ 15,005,885</u>	<u>\$ 15,377,756</u>	<u>\$ 15,478,209</u>	<u>\$ 100,453</u>

Governmental Funds -  
Statement of Expenditures - Budget and Actual  
Year Ended June 30, 2017

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	\$ 45,838	\$ 45,838	\$ 44,534	\$ 1,304
General and financial administration:				
County administrator	\$ 357,420	\$ 333,942	\$ 296,184	\$ 37,758
Legal services	-	85,854	85,854	-
Independent Auditor	34,500	34,500	33,133	1,367
Commissioner of the revenue	229,771	239,595	239,594	1
Treasurer	277,133	282,637	282,637	-
Accounting	115,032	139,921	139,921	-
Data Processing	216,256	249,340	249,340	-
Total general and financial administration	\$ 1,230,112	\$ 1,365,789	\$ 1,326,663	\$ 39,126
Board of Elections:				
Electoral board and officials	\$ 25,076	\$ 30,724	\$ 30,724	\$ -
Registrar	84,556	89,786	89,786	-
Total board of elections	\$ 109,632	\$ 120,510	\$ 120,510	\$ -
Total general government administration	\$ 1,385,582	\$ 1,532,137	\$ 1,491,707	\$ 40,430
Judicial administration:				
Courts:				
Circuit court	\$ 14,810	\$ 16,074	\$ 16,073	\$ 1
General district court	10,210	10,210	8,288	1,922
Special magistrates	525	671	503	168
Law library	1,000	1,175	1,024	151
Victim / witness	-	23,565	23,565	-
Clerk of the circuit court	222,117	258,433	258,432	1
Total courts	\$ 248,662	\$ 310,128	\$ 307,885	\$ 2,243
Commonwealth's attorney:				
Commonwealth's attorney	\$ 207,854	\$ 208,904	\$ 208,904	\$ -
Total judicial administration	\$ 456,516	\$ 519,032	\$ 516,789	\$ 2,243

Governmental Funds -  
Statement of Expenditures - Budget and Actual  
Year Ended June 30, 2017 (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	\$ 1,502,998	\$ 1,623,379	\$ 1,623,379	\$ -
School resource officer	62,016	64,078	64,077	1
Total law enforcement and traffic control	<u>\$ 1,565,014</u>	<u>\$ 1,687,457</u>	<u>\$ 1,687,456</u>	<u>\$ 1</u>
Fire and rescue services:				
Fire and rescue services	\$ 231,577	\$ 569,641	\$ 564,852	\$ 4,789
Total fire and rescue services	<u>\$ 231,577</u>	<u>\$ 569,641</u>	<u>\$ 564,852</u>	<u>\$ 4,789</u>
Correction and detention:				
Correction and detention	\$ 275,000	\$ 275,000	\$ 231,976	\$ 43,024
Total correction and detention	<u>\$ 275,000</u>	<u>\$ 275,000</u>	<u>\$ 231,976</u>	<u>\$ 43,024</u>
Inspections:				
Building	\$ 113,265	\$ 131,126	\$ 131,126	\$ -
Total inspections	<u>\$ 113,265</u>	<u>\$ 131,126</u>	<u>\$ 131,126</u>	<u>\$ -</u>
Other protection:				
Animal control	\$ 112,346	\$ 119,194	\$ 119,194	\$ -
E-911	23,100	23,100	19,690	3,410
Probation office	1,328	1,241	714	527
Medical examiner (coroner)	200	200	20	180
Total other protection	<u>\$ 136,974</u>	<u>\$ 143,735</u>	<u>\$ 139,618</u>	<u>\$ 4,117</u>
Total public safety	<u>\$ 2,321,830</u>	<u>\$ 2,806,959</u>	<u>\$ 2,755,028</u>	<u>\$ 51,931</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 596,376	\$ 660,628	\$ 660,628	\$ -
Total sanitation and waste removal	<u>\$ 596,376</u>	<u>\$ 660,628</u>	<u>\$ 660,628</u>	<u>\$ -</u>

Governmental Funds -  
Statement of Expenditures - Budget and Actual  
Year Ended June 30, 2017 (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	\$ 681,038	\$ 681,038	\$ 667,559	\$ 13,479
Total maintenance of general buildings and grounds	<u>\$ 681,038</u>	<u>\$ 681,038</u>	<u>\$ 667,559</u>	<u>\$ 13,479</u>
Total public works	<u>\$ 1,277,414</u>	<u>\$ 1,341,666</u>	<u>\$ 1,328,187</u>	<u>\$ 13,479</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 98,753	\$ 98,753	\$ 89,692	\$ 9,061
Total health	<u>\$ 98,753</u>	<u>\$ 98,753</u>	<u>\$ 89,692</u>	<u>\$ 9,061</u>
Mental health and mental retardation:				
Chapter X board	\$ 34,000	\$ 34,000	\$ 34,000	\$ -
Total mental health and mental retardation	<u>\$ 34,000</u>	<u>\$ 34,000</u>	<u>\$ 34,000</u>	<u>\$ -</u>
Welfare:				
Welfare administration & public assistance	\$ 1,302,121	\$ 1,404,224	\$ 1,310,880	\$ 93,344
CSA - management	31,517	36,181	36,180	1
CSA - at risk youth	500,000	718,989	792,353	(73,364)
Total welfare	<u>\$ 1,833,638</u>	<u>\$ 2,159,394</u>	<u>\$ 2,139,413</u>	<u>\$ 19,981</u>
Total health and welfare	<u>\$ 1,966,391</u>	<u>\$ 2,292,147</u>	<u>\$ 2,263,105</u>	<u>\$ 29,042</u>
Education:				
Contributions to community colleges	\$ 7,000	\$ 11,137	\$ 11,137	\$ -
Contributions to school board component unit	3,774,419	3,774,419	3,789,890	(15,471)
Total education	<u>\$ 3,781,419</u>	<u>\$ 3,785,556</u>	<u>\$ 3,801,027</u>	<u>\$ (15,471)</u>
Parks, recreation and cultural:				
Parks and recreation				
Recreation centers and playgrounds	\$ 64,699	\$ 64,699	\$ 46,181	\$ 18,518
Library:				
Local library	\$ 115,450	\$ 115,450	\$ 115,450	\$ -
Total parks, recreation and cultural	<u>\$ 180,149</u>	<u>\$ 180,149</u>	<u>\$ 161,631</u>	<u>\$ 18,518</u>

Governmental Funds -  
Statement of Expenditures - Budget and Actual  
Year Ended June 30, 2017 (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	\$ 77,353	\$ 78,652	\$ 78,634	\$ 18
Contribution to IDA	81,314	291,316	-	291,316
Other community development	39,822	50,411	37,846	12,565
Total planning and community development	<u>\$ 198,489</u>	<u>\$ 420,379</u>	<u>\$ 116,480</u>	<u>\$ 303,899</u>
Environmental management:				
Cooperative extension program	\$ 63,063	\$ 63,063	\$ 59,485	\$ 3,578
Total environmental management	<u>\$ 63,063</u>	<u>\$ 63,063</u>	<u>\$ 59,485</u>	<u>\$ 3,578</u>
Total community development	<u>\$ 261,552</u>	<u>\$ 483,442</u>	<u>\$ 175,965</u>	<u>\$ 307,477</u>
Nondepartmental:				
Miscellaneous	\$ 16,000	\$ 16,101	\$ 9,870	\$ 6,231
Total nondepartmental	<u>\$ 16,000</u>	<u>\$ 16,101</u>	<u>\$ 9,870</u>	<u>\$ 6,231</u>
Debt service:				
Principal retirement	\$ 2,581,098	\$ 18,511,098	\$ 18,511,098	\$ -
Interest and fiscal charges	1,212,668	1,597,378	1,086,633	510,745
Total debt service	<u>\$ 3,793,766</u>	<u>\$ 20,108,476</u>	<u>\$ 19,597,731</u>	<u>\$ 510,745</u>
Total General Fund	<u><u>\$ 15,440,619</u></u>	<u><u>\$ 33,065,665</u></u>	<u><u>\$ 32,101,040</u></u>	<u><u>\$ 964,625</u></u>
County Capital Projects Fund:				
Capital outlay / projects:				
Public Safety:				
Rescue squad - building purchase	\$ -	\$ 66,294	\$ 66,294	\$ -
Animal control - motor vehicle	-	33,941	33,941	-
Contribution to fire department	-	12,153	12,153	-
Total public safety	<u>\$ -</u>	<u>\$ 112,388</u>	<u>\$ 112,388</u>	<u>\$ -</u>
Public Works:				
Vehicle purchase	\$ -	\$ 14,185	\$ 14,185	\$ -
Education:				
Elementary School roof project	\$ -	\$ 48,827	\$ 48,827	\$ -
Total County Capital Projects Fund	<u><u>\$ -</u></u>	<u><u>\$ 175,400</u></u>	<u><u>\$ 175,400</u></u>	<u><u>\$ -</u></u>
Total Expenditures -- Primary Government	<u><u>\$ 15,440,619</u></u>	<u><u>\$ 33,241,065</u></u>	<u><u>\$ 32,276,440</u></u>	<u><u>\$ 964,625</u></u>

Governmental Funds -  
Statement of Expenditures - Budget and Actual  
Year Ended June 30, 2017 (Continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Component Unit -- School Board:				
School Operating Fund:				
Education:				
Instruction - general	\$ 10,552,213	\$ 10,849,793	\$ 10,260,116	\$ 589,677
Administration, attendance and health	1,158,546	1,158,546	1,106,384	52,162
Pupil transportation services	1,251,327	1,265,480	1,547,295	(281,815)
Operation and maintenance services	1,020,558	1,020,558	977,365	43,193
School food services	-	-	82,931	(82,931)
Technology	437,771	499,109	555,328	(56,219)
Total education	<u>\$ 14,420,415</u>	<u>\$ 14,793,486</u>	<u>\$ 14,529,419</u>	<u>\$ 264,067</u>
Total School Operating Fund	<u>\$ 14,420,415</u>	<u>\$ 14,793,486</u>	<u>\$ 14,529,419</u>	<u>\$ 264,067</u>
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services	\$ -	\$ -	\$ 948,018	\$ (948,018)
Total School Cafeteria Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 948,018</u>	<u>\$ (948,018)</u>
Total Expenditures--Component Unit-- School Board	<u>\$ 14,420,415</u>	<u>\$ 14,793,486</u>	<u>\$ 15,477,437</u>	<u>\$ (683,951)</u>

## Other Statistical Information

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COUNTY OF CUMBERLAND, VIRGINIA

Government-wide Expenses by Function  
Last Ten Fiscal Years

Fiscal Year	General										Total
	Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Recreation and Cultural	Community Development	Interest on Debt	Water & Sewer	
2007-08	\$ 1,438,611	\$ 440,064	\$ 2,516,490	\$ 1,136,599	\$ 2,109,789	\$ 6,778,573	\$ 188,984	\$ 1,337,794	\$ 1,099,526	\$ 692,743	\$ 17,739,173
2008-09	1,556,822	425,338	2,354,306	1,212,922	2,080,940	6,339,648	190,112	746,629	2,141,701	610,002	17,658,420
2009-10	1,581,085	438,445	2,186,375	1,445,732	1,907,322	6,066,332	177,854	427,487	2,535,022	662,686	17,428,340
2010-11	1,339,647	438,398	2,181,972	1,461,077	1,903,164	5,255,483	208,402	729,559	2,150,144	620,279	16,288,125
2011-12	1,425,743	471,552	2,238,713	1,263,236	1,762,706	5,851,389	223,140	367,939	2,039,794	646,448	16,290,660
2012-13	1,295,829	454,536	2,200,219	1,315,917	1,543,412	4,045,744	216,682	505,311	4,071,529	652,560	16,301,739
2013-14	1,342,469	570,586	2,473,338	1,458,828	1,857,983	6,332,577	206,844	294,208	1,480,431	690,967	16,708,231
2014-15	1,214,016	554,421	2,554,065	1,464,246	1,932,796	7,070,705	204,057	297,632	1,374,340	730,577	17,396,855
2015-16	1,465,910	511,441	2,475,680	1,342,077	2,206,638	6,149,408	189,675	344,232	1,273,467	751,153	16,709,681
2016-17	1,509,663	611,572	2,790,135	1,398,307	2,265,269	8,217,856	164,143	183,331	1,262,892	733,133	19,136,301

COUNTY OF CUMBERLAND, VIRGINIA

Table 2

Government-wide Revenues  
Last Ten Fiscal Years

Fiscal Year	Program Revenues			General Revenues					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Contributions Not Restricted to Specific Programs	Revenues from the Use of Money & Property	Miscellaneous	
2007-08	\$ 863,686	\$ 2,847,017	\$ 3,575,280	\$ 6,671,011	\$ 1,370,255	\$ 987,713	\$ 562,769	\$ 47,495	\$ 16,925,226
2008-09	534,956	2,479,867	618,820	6,989,867	1,321,181	928,274	166,644	117,828	13,157,437
2009-10	773,847	2,528,839	2,076,773	7,390,476	1,363,354	1,020,737	61,838	139,493	15,355,357
2010-11	1,163,304	2,391,346	3,789,930	8,518,154	1,334,909	976,825	137,411	136,369	18,448,248
2011-12	1,209,264	2,311,805	1,225,495	8,448,999	1,275,388	966,551	99,328	227,698	15,764,528
2012-13	1,232,605	2,170,663	1,543,259	8,704,733	965,288	1,383,247	92,575	361,920	16,454,290
2013-14	1,186,650	2,631,295	1,730,254	8,343,548	947,716	1,300,190	79,946	99,118	16,318,717
2014-15	3,192,530	2,700,794	1,138,700	8,338,761	984,107	1,370,941	81,536	74,365	17,881,734
2015-16	651,756	2,802,462	1,131,900	8,616,541	978,723	1,316,056	84,321	110,326	15,692,085
2016-17	719,992	2,887,084	1,131,900	9,270,856	1,036,014	1,289,257	71,587	31,230	16,437,920

COUNTY OF CUMBERLAND, VIRGINIA

Table 3

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

Fiscal Year	General			Other		Permit Privilege Fees & Regulatory Licenses		Fines & Forfeitures		Revenues from the Use of Money & Property		Charges for Services		Miscellaneous		Inter-governmental	Total
	Property Taxes	Property Taxes	Taxes	Local Taxes	Taxes	Regulatory Licenses	Fees & Licenses	Forfeitures	Property	Money & Property	Use of Money & Property	Services	Charges for Services	Miscellaneous	Inter-governmental		
2007-08	\$ 6,668,218	\$ 1,370,255	\$ 70,618	\$ 1,321,181	\$ 66,921	\$ 70,618	\$ 66,921	\$ 569,478	\$ 578,216	\$ 320,653	\$ 19,051,343	\$ 28,695,702					
2008-09	6,795,668	1,321,181	67,754	1,363,354	78,229	67,754	78,229	157,506	339,471	617,714	17,304,937	26,682,460					
2009-10	7,348,317	1,334,909	59,063	1,284,734	113,623	59,063	113,623	59,441	854,198	559,921	16,540,010	26,897,927					
2010-11	8,438,080	1,284,734	61,946	973,823	125,207	66,405	125,207	134,952	868,884	589,840	17,846,477	29,404,754					
2011-12	8,400,789	947,716	58,837	984,107	156,539	61,946	156,539	98,136	843,312	802,416	15,604,891	27,252,763					
2012-13	8,763,622	978,723	53,823	978,723	167,216	64,569	167,216	85,999	895,970	989,541	14,685,826	26,626,566					
2013-14	8,514,952	1,036,014	54,021	984,107	155,961	58,837	155,961	79,467	896,444	775,774	15,720,847	27,149,998					
2014-15	8,297,371	978,723	53,823	978,723	147,655	61,476	147,655	81,272	2,833,525	693,876	16,360,294	29,459,576					
2015-16	8,535,525	1,036,014	54,021	978,723	102,033	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	1,036,014	121,288	54,021	121,288	71,328	364,036	429,620	16,363,309	27,629,266					

(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
			Safety			Welfare	Cultural		Development	Service				
2007-08	\$ 1,414,091	\$ 347,533	\$ 3,244,244	\$ 1,160,817	\$ 2,098,924	\$ 44,165,345	\$ 195,137	\$ 1,131,705	\$ 11,404,038	\$ -	\$ 65,161,834			
2008-09	1,525,264	344,985	2,321,515	1,164,780	2,071,123	21,919,874	185,889	882,579	3,176,907	-	33,592,916			
2009-10	1,586,866	348,507	2,036,541	1,519,811	1,923,523	21,123,845	175,255	443,285	3,964,104	-	33,121,737			
2010-11	1,320,620	351,836	2,087,633	1,350,482	1,872,248	14,496,027	203,921	730,065	4,073,922	92,516	26,579,270			
2011-12	1,433,261	381,156	2,172,963	1,312,227	1,773,658	15,492,195	220,829	362,387	4,034,774	80,400	27,263,850			
2012-13	1,284,193	365,187	2,144,206	1,366,527	1,532,749	14,493,758	211,070	506,361	26,941,616	59,919	48,905,586			
2013-14	1,332,303	485,454	2,384,014	1,383,846	1,854,124	15,504,216	203,510	293,126	3,855,932	9,887	27,306,412			
2014-15	1,392,027	474,705	2,595,776	1,439,178	1,960,970	16,879,087	203,446	300,431	3,830,264	14,324	29,090,208			
2015-16	1,455,925	426,292	2,452,995	1,340,675	2,223,773	15,672,638	193,257	347,466	3,799,866	10,842	27,923,729			
2016-17	1,491,707	516,789	2,867,416	1,342,372	2,263,105	15,537,401	161,631	175,965	19,597,731	9,870	43,963,987			

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

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

COUNTY OF CUMBERLAND, VIRGINIA

Table 5

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total (1,4) Tax Levy		Current Tax (1) Collections		Percent of Levy Collected	Delinquent (1) Tax (2) Collections		Total Tax Collections	Percent of Total Tax Collections to Tax Levy		Outstanding (1,3,4) Delinquent Taxes		Percent of Delinquent Taxes to Tax Levy
	\$		\$			\$			%	\$		\$	
2007-08	\$ 7,414,535		\$ 7,009,119		94.53%	\$ 303,978		7,313,097	98.63%	\$ 852,804		11.50%	
2008-09	7,673,636		7,261,095		94.62%	229,173		7,490,268	97.61%	910,187		11.86%	
2009-10	8,168,244		7,740,534		94.76%	323,129		8,063,663	98.72%	937,772		11.48%	
2010-11	9,121,905		8,676,195		95.11%	377,159		9,053,354	99.25%	971,461		10.65%	
2011-12	9,121,509		8,636,836		94.69%	338,643		8,975,479	98.40%	1,094,179		12.00%	
2012-13	9,220,367		8,792,518		95.36%	530,713		9,323,231	101.12%	1,036,767		11.24%	
2013-14	9,087,831		8,776,534		96.57%	349,633		9,126,167	100.42%	1,038,108		11.42%	
2014-15	8,978,881		8,670,652		95.92%	390,400		9,061,063	101.28%	1,012,552		11.32%	
2015-16	9,273,465		8,907,664		96.06%	321,394		9,229,058	99.52%	1,099,043		11.85%	
2016-17	9,755,229		9,342,283		95.77%	333,592		9,675,875	99.19%	1,216,729		12.47%	

(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
2007-08	\$ 730,275,447	\$ 57,024,862	\$ 8,531,438	\$ 64,696,398	\$ 1,549,585	\$ 1,925,603	\$ 864,003,333
2008-09	739,662,170	61,957,207	8,553,171	64,153,584	1,609,140	2,314,164	878,249,436
2009-10	795,199,387	54,473,377	8,597,263	60,485,203	1,427,581	2,504,409	922,687,220
2010-11	850,430,361	57,149,558	7,110,616	67,684,115	1,184,500	2,117,341	985,676,491
2011-12	855,916,262	57,564,245	7,187,152	75,200,914	1,415,432	2,264,637	999,548,642
2012-13	861,560,435	57,729,401	7,183,790	82,283,896	1,387,700	2,125,112	1,012,270,334
2013-14	809,456,777	57,899,353	7,131,049	84,616,150	1,759,366	2,237,038	963,099,733
2014-15	754,161,126	57,654,972	5,097,583	89,308,219	1,282,000	2,607,358	910,111,258
2015-16	755,647,443	57,656,604	5,141,805	99,504,783	989,730	3,548,241	922,488,606
2016-17	759,331,246	62,781,046	5,221,031	103,601,117	986,126	4,289,336	936,209,902

Property Tax Rates  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Public Service	Airplane	Machinery & Tools
2007-08	\$ 0.59/0.59	\$ 4.40	\$ 0.59/0.59	\$ 0.50	\$ 3.75
2008-09	0.59/0.59	4.40	0.59/0.59	0.50	3.75
2009-10	0.59/0.70	4.40	0.59/0.70	0.50	3.75
2010-11	0.70/0.68	4.50	0.70/0.68	0.50	3.75
2011-12	0.68/0.68	4.50	0.68/0.68	0.50	3.75
2012-13	0.68/0.68	4.50	0.68/0.68	0.50	3.75
2013-14	0.68/0.74	4.50	0.68/0.74	0.50	3.75
2014-15	0.68/0.74	4.50	0.68/0.74	0.50	3.75
2015-16	0.74/0.78	4.50	0.74/0.78	0.50	3.75
2016-17	0.78/0.78	4.50	0.78/0.78	0.50	3.75

COUNTY OF CUMBERLAND, VIRGINIA

Table 7

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value		Net Bonded Debt per Capita
					Value	Value	
2007-08	9,017	\$ 841,310,111	\$ 21,700,029	\$ 21,700,029	0.0258	\$	2,407
2008-09	9,017	864,003,333	45,127,972	45,127,972	0.0522		5,005
2009-10	9,017	878,249,436	43,674,733	43,674,733	0.0497		4,844
2010-11	9,017	922,687,220	43,297,088	43,297,088	0.0469		4,802
2011-12	9,017	985,676,491	41,310,143	41,310,143	0.0419		4,581
2012-13	9,017	999,548,642	42,039,384	42,039,384	0.0421		4,662
2013-14	9,017	1,012,270,334	39,735,906	39,735,906	0.0393		4,407
2014-15	10,052	963,099,733	37,344,422	37,344,422	0.0388		3,715
2015-16	10,052	910,111,258	34,889,571	34,889,571	0.0383		3,471
2016-17	10,052	922,488,606	31,309,519	31,309,519	0.0339		3,115

(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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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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To The Honorable Members of the Board of Supervisors  
County of 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, 2017, 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 November 22, 2017.

### 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and 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.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
November 22, 2017

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

### Report on Compliance for Each Major Federal Program

We have audited the County of Cumberland, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Cumberland, Virginia's major federal programs for the year ended June 30, 2017. 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* (CFR) 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, 2017.

## *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, Farnell, Cox Associates*

Charlottesville, Virginia

November 22, 2017

COUNTY OF CUMBERLAND, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2017

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Primary Government:</b>			
<u>UNITED STATES DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass through payments:</u>			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0040111	\$ 129,991
Total Department of Agriculture			\$ 129,991
Department of Justice:			
<u>Pass Through Payments:</u>			
Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	Unknown	\$ 21,140
Total Department of Justice			\$ 21,140
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass through payments:</u>			
Virginia Department of Transportation:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600		\$ 4,986
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Unknown	14,579
Total Department of Transportation			\$ 19,565
<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	\$ 1,173
Temporary Assistance for Needy Families	93.558	0400111	124,978
Refugee and Entrant Assistance - State Administered Programs	93.566	0500111	365
Low Income Home Energy Assistance	93.568	0600411	13,034
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760111	19,090
Chafee Education and Training Vouchers Program (ETV)	93.599	Unknown	88
Adoption and Legal Guardianship Incentive Payments	93.603	Unknown	2,000
Stephanie Tubbs Jones Child Welfare Service Programs	93.645	0900111	164
Foster Care Title IV - E	93.658	1100111	82,874
Adoption Assistance	93.659	1120111	57,307
Social Services Block Grant	93.667	1000111	98,680
Chafee Foster Care Independence Program	93.674	9150111	966
Children's Health Insurance Program	93.767	0540111	5,313
Medical Assistance Program	93.778	1200111	166,461
Total Department of Health and Human Services			\$ 572,493
Total Primary Government			\$ 743,189

COUNTY OF CUMBERLAND, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2017 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	
<b>Component Unit - School Board:</b>				
<u>DEPARTMENT OF AGRICULTURE:</u>				
<u>Pass through payments:</u>				
Child Nutrition Cluster:				
Department of Agriculture:				
Food distribution - Summer Food Service Program for Children	10.559	Unknown	\$	1,088
Food distribution - National School Lunch Program	10.555	Unknown	\$	52,995
Department of Education:				
National School Lunch Program	10.555	406230	409,586	462,581
School Breakfast Program	10.553	405910	<u>          </u>	<u>208,619</u>
Total Department of Agriculture			\$	<u>672,288</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	\$	381,118
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	430710, 871380	\$	331,112
Special Education - Preschool grants	84.173	625210	<u>6,789</u>	337,901
Career and Technical Education - Basic Grants to States	84.048	610950, 866470		30,662
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	614800		69,132
Twenty-First Century Community Learning Centers	84.287	605650		135,029
Rural Education	84.358	434810		27,730
Total Department of Education			\$	<u>981,572</u>
<u>DEPARTMENT OF DEFENSE:</u>				
<u>Direct payments:</u>				
Jr. ROTC payments	12.000	n/a	\$	<u>64,345</u>
Total Department of Defense			\$	<u>64,345</u>
Total Component Unit School Board			\$	<u>1,718,205</u>
Total Expenditures of Federal Awards			\$	<u>2,461,394</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, 2017

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Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the County of Cumberland, Virginia under programs of the federal government for the year ended June 30, 2017. 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 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 \$ 745,419

Total primary government \$ 745,419

Component Unit School Board:

School Operating Fund \$ 1,718,205

Total Component Unit School Board \$ 1,718,205

Total federal expenditures per basic financial statements \$ 2,463,624

Amounts required to reconcile to federal revenues to expenditures:

Less: Highway safety grant reimbursement from prior year (2,230)

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 2,461,394

COUNTY OF CUMBERLAND, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017

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Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? 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 deficienc(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
84.010	Title I Grants to Local Educational Agencies
93.778	Medical Assistance Program

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.

Section IV - Prior Year Findings

There are no findings from the prior year.