

# COUNTY OF NORTHUMBERLAND, VIRGINIA



## ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

COUNTY OF NORTHUMBERLAND, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019

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# COUNTY OF NORTHUMBERLAND, VIRGINIA

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## Board of Supervisors

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Ronald L. Jett, Chairperson

Richard F. Haynie  
Thomas H. Tomlin

Arthur J. Self, Sr.  
James M. Long

## School Board

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Betty Christopher, Chairperson

Mary Hooper  
Dana O'Bier

Gerald Howard  
Gayle Sterrett

## Board of Social Services

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Thomas Tomlin, Chairperson

Sharon Fisher

Nancy Vanlandingham

## Other Officials

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

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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Independent Auditors' Report

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

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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



## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Northumberland, Virginia, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Change in Accounting Principle*

As described in Note 21 to the financial statements, in 2019, the County adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 93, and 94-111 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Northumberland, Virginia's basic financial statements. The other supplementary information and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

*Supplementary and Other Information (Continued)*

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

A handwritten signature in black ink, appearing to read "D. F. Clark", followed by a long horizontal line.

Richmond, Virginia  
November 22, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Northumberland, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2019. Please read it in conjunction with the County's basic financial statements, which follow this section.

### Financial Highlights

#### Government-wide Financial Statements

- < The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,759,363 (net position).

#### Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenue and other sources in excess of expenditures and other financing uses of \$379,438 (Exhibit 5) after making contributions totaling \$11,570,807 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$7,693,440, an increase of \$379,438 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,374,703, or 28% of total general fund expenditures and other uses.
- < The combined long-term obligations decreased \$1,340,067 during the current fiscal year.

## Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

## Overview of the Financial Statements (Continued)

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

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

The Sanitary District Fund provides a centralized source for water/sewer services to County residents.

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

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

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

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities and deferred inflows of resources by \$14,759,363 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Northumberland, Virginia's Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 9,590,563	\$ 9,407,621	\$ 119,387	\$ 125,974	\$ 9,709,950	\$ 9,533,595
Capital assets	<u>35,281,895</u>	<u>36,188,715</u>	<u>5,105,668</u>	<u>5,310,116</u>	<u>40,387,563</u>	<u>41,498,831</u>
Total assets	<u>\$ 44,872,458</u>	<u>\$ 45,596,336</u>	<u>\$ 5,225,055</u>	<u>\$ 5,436,090</u>	<u>\$ 50,097,513</u>	<u>\$ 51,032,426</u>
Deferred outflows of resources	<u>\$ 847,771</u>	<u>\$ 898,902</u>	<u>\$ 25,663</u>	<u>\$ 22,192</u>	<u>\$ 873,434</u>	<u>\$ 921,094</u>
Current liabilities	\$ 1,469,842	\$ 1,668,627	\$ 26,478	\$ 44,182	\$ 1,496,320	\$ 1,712,809
Long-term liabilities outstanding	<u>32,016,376</u>	<u>33,247,056</u>	<u>2,326,281</u>	<u>2,435,669</u>	<u>34,342,657</u>	<u>35,682,725</u>
Total liabilities	<u>\$ 33,486,218</u>	<u>\$ 34,915,683</u>	<u>\$ 2,352,759</u>	<u>\$ 2,479,851</u>	<u>\$ 35,838,977</u>	<u>\$ 37,395,534</u>
Deferred inflows of resources	<u>\$ 359,370</u>	<u>\$ 682,664</u>	<u>\$ 13,237</u>	<u>\$ 26,975</u>	<u>\$ 372,607</u>	<u>\$ 709,639</u>
Net position:						
Net investment in capital assets	\$ 5,641,837	\$ 5,436,987	\$ 2,884,668	\$ 2,977,116	\$ 8,526,505	\$ 8,414,103
Restricted	1,318,737	1,099,117	-	-	1,318,737	1,099,117
Unrestricted	<u>4,914,067</u>	<u>4,360,787</u>	<u>54</u>	<u>(25,660)</u>	<u>4,914,121</u>	<u>4,335,127</u>
Total net position	<u>\$ 11,874,641</u>	<u>\$ 10,896,891</u>	<u>\$ 2,884,722</u>	<u>\$ 2,951,456</u>	<u>\$ 14,759,363</u>	<u>\$ 13,848,347</u>

## Government-wide Financial Analysis (Continued)

The County's net position increased by \$911,016 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Northumberland, Virginia's Changes in Net Position						
	Governmental 2019	Activities 2018	Business-type 2019	Activities 2018	Totals 2019	Totals 2018
Revenues:						
Program revenues:						
Charges for services	\$ 491,732	\$ 553,259	\$ 618,597	\$ 491,154	\$ 1,110,329	\$ 1,044,413
Operating grants and contributions	3,017,728	3,270,979	-	-	3,017,728	3,270,979
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
General property taxes	20,039,580	19,516,880	-	-	20,039,580	19,516,880
Other local taxes	1,949,417	1,905,317	-	-	1,949,417	1,905,317
Grants and other contributions not restricted	1,377,543	1,457,415	-	-	1,377,543	1,457,415
Other general revenues	403,130	291,692	44,801	30,568	447,931	322,260
Transfers	(385,581)	(337,257)	385,581	337,257	-	-
Total revenues	\$ 26,893,549	\$ 26,658,285	\$ 1,048,979	\$ 858,979	\$ 27,942,528	\$ 27,517,264
Expenses:						
General government administration	\$ 2,044,349	\$ 1,573,195	\$ -	\$ -	\$ 2,044,349	\$ 1,573,195
Judicial administration	893,461	914,671	-	-	893,461	914,671
Public safety	4,590,304	4,275,981	-	-	4,590,304	4,275,981
Public works	1,636,075	1,478,033	-	-	1,636,075	1,478,033
Health and welfare	2,429,433	2,393,486	-	-	2,429,433	2,393,486
Education	12,744,896	12,723,019	-	-	12,744,896	12,723,019
Parks, recreation, and cultural	322,613	232,225	-	-	322,613	232,225
Community development	360,106	334,174	-	-	360,106	334,174
Interest and other fiscal charges	894,562	944,956	-	-	894,562	944,956
Utilities	-	-	1,115,713	1,001,468	1,115,713	1,001,468
Total expenses	\$ 25,915,799	\$ 24,869,740	\$ 1,115,713	\$ 1,001,468	\$ 27,031,512	\$ 25,871,208
Change in net position	\$ 977,750	\$ 1,788,545	\$ (66,734)	\$ (142,489)	\$ 911,016	\$ 1,646,056
Net position, beginning of year	10,896,891	9,108,346	2,951,456	3,093,945	13,848,347	12,202,291
Net position, end of year	\$ 11,874,641	\$ 10,896,891	\$ 2,884,722	\$ 2,951,456	\$ 14,759,363	\$ 13,848,347

## Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$7,693,440 an increase of \$379,438 in comparison with the prior year. Of this total, 83% constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

Proprietary Funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to \$54. The total decrease in net position was \$66,734. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

## General Fund Budgetary Highlights

During the year, revenues and other sources were more than budgetary estimates by \$1,277,140. Expenditures and other uses were less than budgetary estimates by \$346,766, resulting in a positive variance of \$1,623,906.

## Capital Asset and Debt Administration

< Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2019 amounts to \$35,281,895 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had total debt outstanding of \$29,851,000 (excludes bond premium). Of this amount, \$27,630,000 comprises debt backed by the full faith and credit of the County. The County's remaining debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The County's total debt outstanding decreased by \$1,112,000 during the current fiscal year.

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



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

< Inflationary trends in the region compare to national indexes.

All of these factors were considered in preparing the County's budget for the 2020 fiscal year.

The fiscal year 2020 budget increased approximately 4% and the real estate tax rate increased \$0.03.

### Requests for Information

This financial report is designed to provide a general overview of the County of Northumberland, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, 72 Monument Place, Heathsville, Virginia 22473.

County of Northumberland, Virginia  
Statement of Net Position  
June 30, 2019

	Primary Government			Component Unit
	Governmental	Business-type		
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>School Board</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,062,987	\$ 30,544	\$ 8,093,531	\$ 162,267
Cash in custody of others	-	-	-	264,008
Receivables (net of allowance for uncollectibles):				
Taxes receivable	938,509	-	938,509	-
Accounts receivable	59,308	87,826	147,134	-
Notes receivable	10,345	-	10,345	-
Net OPEB asset	6,022	1,017	7,039	-
Due from other governmental units	513,392	-	513,392	1,163,430
Capital assets (net of accumulated depreciation):				
Land and land improvements	894,628	98,924	993,552	23,929
Buildings and improvements	32,944,282	5,006,744	37,951,026	6,219,528
Machinery and equipment	1,381,392	-	1,381,392	503,870
Construction in progress	61,593	-	61,593	-
Total assets	<u>\$ 44,872,458</u>	<u>\$ 5,225,055</u>	<u>\$ 50,097,513</u>	<u>\$ 8,337,032</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount on refunding	\$ 269,319	\$ -	\$ 269,319	\$ -
Pension related items	518,678	22,168	540,846	2,083,859
OPEB related items	59,774	3,495	63,269	260,252
Total deferred outflows of resources	<u>\$ 847,771</u>	<u>\$ 25,663</u>	<u>\$ 873,434</u>	<u>\$ 2,344,111</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 102,806	\$ 26,478	\$ 129,284	\$ 32,111
Accrued liabilities	-	-	-	1,383,557
Accrued interest payable	459,904	-	459,904	-
Due to other governmental units	907,132	-	907,132	-
Long-term liabilities:				
Due within one year	1,080,395	117,000	1,197,395	35,149
Due in more than one year	30,935,981	2,209,281	33,145,262	15,636,326
Total liabilities	<u>\$ 33,486,218</u>	<u>\$ 2,352,759</u>	<u>\$ 35,838,977</u>	<u>\$ 17,087,143</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	\$ 59,213	\$ -	\$ 59,213	\$ -
Pension related items	262,107	10,470	272,577	1,526,267
OPEB related items	38,050	2,767	40,817	93,278
Total deferred inflows of resources	<u>\$ 359,370</u>	<u>\$ 13,237</u>	<u>\$ 372,607</u>	<u>\$ 1,619,545</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 5,641,837	\$ 2,884,668	\$ 8,526,505	\$ 6,747,327
Restricted	1,318,737	-	1,318,737	-
Unrestricted (deficit)	4,914,067	54	4,914,121	(14,772,872)
Total net position	<u>\$ 11,874,641</u>	<u>\$ 2,884,722</u>	<u>\$ 14,759,363</u>	<u>\$ (8,025,545)</u>

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

County of Northumberland, Virginia  
Statement of Activities  
For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 2,044,349	\$ -	\$ 246,506	\$ -
Judicial administration	893,461	17,910	497,146	-
Public safety	4,590,304	142,438	910,972	-
Public works	1,636,075	-	-	-
Health and welfare	2,429,433	-	1,358,104	-
Education	12,744,896	-	-	-
Parks, recreation, and cultural	322,613	-	-	-
Community development	360,106	331,384	5,000	-
Interest on long-term debt	894,562	-	-	-
Total governmental activities	\$ 25,915,799	\$ 491,732	\$ 3,017,728	\$ -
Business-type activities:				
Sanitary District	\$ 1,115,713	\$ 618,597	\$ -	\$ -
Total business-type activities	\$ 1,115,713	\$ 618,597	\$ -	\$ -
Total primary government	\$ 27,031,512	\$ 1,110,329	\$ 3,017,728	\$ -
<b>COMPONENT UNIT:</b>				
School Board	\$ 17,923,258	\$ 95,383	\$ 6,321,312	\$ -
Total component unit	\$ 17,923,258	\$ 95,383	\$ 6,321,312	\$ -

General revenues:

General property taxes

Other local taxes:

Local sales and use taxes

Motor vehicle licenses

Taxes on recordation and wills

Consumer's utility taxes

Bank stock taxes

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Contributions from Northumberland County

Grants and contributions not restricted to specific programs

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

## Exhibit 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	School Board
\$ (1,797,843)		\$ (1,797,843)	
(378,405)		(378,405)	
(3,536,894)		(3,536,894)	
(1,636,075)		(1,636,075)	
(1,071,329)		(1,071,329)	
(12,744,896)		(12,744,896)	
(322,613)		(322,613)	
(23,722)		(23,722)	
(894,562)		(894,562)	
<u>\$ (22,406,339)</u>		<u>\$ (22,406,339)</u>	
	\$ (497,116)	\$ (497,116)	
	<u>\$ (497,116)</u>	<u>\$ (497,116)</u>	
		<u>\$ (22,903,455)</u>	
			\$ (11,506,563)
			<u>\$ (11,506,563)</u>
\$ 20,039,580	\$ -	\$ 20,039,580	\$ -
762,085	-	762,085	-
373,827	-	373,827	-
158,791	-	158,791	-
337,821	-	337,821	-
260,643	-	260,643	-
56,250	-	56,250	-
287,546	-	287,546	5,479
115,584	44,801	160,385	72,726
-	-	-	11,595,716
1,377,543	-	1,377,543	-
(385,581)	385,581	-	-
<u>\$ 23,384,089</u>	<u>\$ 430,382</u>	<u>\$ 23,814,471</u>	<u>\$ 11,673,921</u>
\$ 977,750	\$ (66,734)	\$ 911,016	\$ 167,358
10,896,891	2,951,456	13,848,347	(8,192,903)
<u>\$ 11,874,641</u>	<u>\$ 2,884,722</u>	<u>\$ 14,759,363</u>	<u>\$ (8,025,545)</u>

County of Northumberland, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2019

	General <u>Fund</u>	County Capital Projects <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,755,445	\$ 1,065,992	\$ 241,550	\$ 8,062,987
Receivables (net of allowance for uncollectibles):				
Taxes receivable	938,509	-	-	938,509
Accounts receivable	58,458	-	850	59,308
Notes receivable	-	-	10,345	10,345
Due from other governmental units	513,392	-	-	513,392
Total assets	<u>\$ 8,265,804</u>	<u>\$ 1,065,992</u>	<u>\$ 252,745</u>	<u>\$ 9,584,541</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 102,806	\$ -	\$ -	\$ 102,806
Due to other governmental units	907,132	-	-	907,132
Total liabilities	<u>\$ 1,009,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,009,938</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	\$ 881,163	\$ -	\$ -	\$ 881,163
Total deferred inflows of resources	<u>\$ 881,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 881,163</u>
<b>FUND BALANCES</b>				
Restricted	\$ -	\$ 1,065,992	\$ 252,745	1,318,737
Unassigned	6,374,703	-	-	6,374,703
Total fund balances	<u>\$ 6,374,703</u>	<u>\$ 1,065,992</u>	<u>\$ 252,745</u>	<u>\$ 7,693,440</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,265,804</u>	<u>\$ 1,065,992</u>	<u>\$ 252,745</u>	<u>\$ 9,584,541</u>

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

County of Northumberland, Virginia  
Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Position  
June 30, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 7,693,440
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets, cost	\$ 51,338,129	
Accumulated depreciation	(16,056,234)	35,281,895

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

Unavailable property taxes	\$ 821,950	
Net OPEB asset	6,022	
Deferred charges on refunding	269,319	1,097,291

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

Pension related items	\$ 518,678	
OPEB related items	59,774	578,452

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Lease revenue bond	\$ (27,630,000)	
Bond premium	(2,279,377)	
Net OPEB liabilities	(546,269)	
Accrued interest payable	(459,904)	
Net pension liability	(1,256,784)	
Compensated absences	(303,946)	(32,476,280)

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

Pension related items	\$ (262,107)	
OPEB related items	(38,050)	(300,157)

Net position of governmental activities		\$ 11,874,641

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

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

	General <u>Fund</u>	County Capital Projects <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 19,880,326	\$ -	\$ -	\$ 19,880,326
Other local taxes	1,949,417	-	-	1,949,417
Permits, privilege fees, and regulatory licenses	111,896	-	-	111,896
Fines and forfeitures	26,933	-	-	26,933
Revenue from the use of money and property	287,532	-	14	287,546
Charges for services	343,525	-	9,378	352,903
Miscellaneous	115,584	-	-	115,584
Recovered costs	172,196	-	-	172,196
Intergovernmental:				
Commonwealth	3,609,085	-	-	3,609,085
Federal	786,186	-	-	786,186
Total revenues	<u>\$ 27,282,680</u>	<u>\$ -</u>	<u>\$ 9,392</u>	<u>\$ 27,292,072</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 2,081,399	\$ -	\$ -	\$ 2,081,399
Judicial administration	889,196	-	-	889,196
Public safety	5,155,962	-	14,110	5,170,072
Public works	1,631,454	-	-	1,631,454
Health and welfare	2,463,341	-	-	2,463,341
Education	11,584,199	-	-	11,584,199
Parks, recreation, and cultural	322,263	-	-	322,263
Community development	337,889	-	-	337,889
Capital projects	17,862	-	-	17,862
Debt service:				
Principal retirement	1,000,000	-	-	1,000,000
Interest and other fiscal charges	1,029,378	-	-	1,029,378
Total expenditures	<u>\$ 26,512,943</u>	<u>\$ -</u>	<u>\$ 14,110</u>	<u>\$ 26,527,053</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 769,737</u>	<u>\$ -</u>	<u>\$ (4,718)</u>	<u>\$ 765,019</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 224,338	\$ -	\$ 224,338
Transfers out	(609,919)	-	-	(609,919)
Total other financing sources (uses)	<u>\$ (609,919)</u>	<u>\$ 224,338</u>	<u>\$ -</u>	<u>\$ (385,581)</u>
Net change in fund balances	\$ 159,818	\$ 224,338	\$ (4,718)	\$ 379,438
Fund balances - beginning	6,214,885	841,654	257,463	7,314,002
Fund balances - ending	<u>\$ 6,374,703</u>	<u>\$ 1,065,992</u>	<u>\$ 252,745</u>	<u>\$ 7,693,440</u>

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

County of Northumberland, Virginia  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds	\$	379,438
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 770,626	
Depreciation expense	(1,652,537)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>(24,909)</u>	(906,820)

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

Increase(decrease) in unavailable property taxes		159,254
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

Principal retired on school obligations	\$ 1,000,000	
Amortization of bond premium on lease revenue bond	<u>126,632</u>	1,126,632

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

(Increase) decrease in compensated absences	\$ (67,205)	
(Increase) decrease in accrued interest payable	23,146	
Amortization of deferred charges on refunding	(14,962)	
Pension expense	266,592	
OPEB expense	<u>11,675</u>	219,246

Change in net position of governmental activities	\$	<u><u>977,750</u></u>
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The notes to the financial statements are an integral part of this statement.



County of Northumberland, Virginia  
Statement of Net Position  
Proprietary Funds  
June 30, 2019

	Enterprise Fund Sanitary District
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 30,544
Accounts receivable, net of allowance for uncollectibles	87,826
Total current assets	<u>\$ 118,370</u>
Noncurrent assets:	
Other assets:	
Net OPEB asset	\$ 1,017
Capital assets:	
Land	\$ 98,924
Utility plant in service	8,636,484
Machinery and equipment	463,215
Accumulated depreciation	(4,092,955)
Total capital assets	<u>\$ 5,105,668</u>
Total noncurrent assets	<u>\$ 5,106,685</u>
Total assets	<u>\$ 5,225,055</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related items	\$ 22,168
OPEB related items	3,495
Total deferred outflows of resources	<u>\$ 25,663</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 26,478
Bonds payable - current portion	117,000
Total current liabilities	<u>\$ 143,478</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 2,104,000
Net pension liability	55,783
Net OPEB liabilities	49,498
Total noncurrent liabilities	<u>\$ 2,209,281</u>
Total liabilities	<u>\$ 2,352,759</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related items	\$ 10,470
OPEB related items	2,767
Total deferred inflows of resources	<u>\$ 13,237</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 2,884,668
Unrestricted	54
Total net position	<u><u>\$ 2,884,722</u></u>

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

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

	Enterprise Fund Sanitary District
OPERATING REVENUES	
Charges for services:	
Sanitary district fees	\$ 618,597
Miscellaneous	7,817
Total operating revenues	<u>\$ 626,414</u>
OPERATING EXPENSES	
Personal services	\$ 206,937
Fringe benefits	56,206
Other supplies and expenses	497,445
Depreciation	277,669
Total operating expenses	<u>\$ 1,038,257</u>
Operating income (loss)	<u>\$ (411,843)</u>
NONOPERATING REVENUES (EXPENSES)	
Connection fees	\$ 36,984
Interest expense	<u>(77,456)</u>
Total nonoperating revenues (expenses)	<u>\$ (40,472)</u>
Income (loss) before transfers	<u>\$ (452,315)</u>
Transfers in	\$ 385,581
Change in net position	<u>\$ (66,734)</u>
Total net position - beginning	2,951,456
Total net position - ending	<u><u>\$ 2,884,722</u></u>

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

County of Northumberland, Virginia  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2019

	Enterprise Fund Sanitary District
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 620,651
Payments to suppliers	(515,149)
Payments to and for employees	(277,981)
Net cash provided by (used for) operating activities	<u>\$ (172,479)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Connection fees	\$ 36,984
Transfers from other funds	385,581
Net cash provided by (used for) noncapital financing activities	<u>\$ 422,565</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of machinery and equipment	\$ (73,221)
Principal payments on bonds	\$ (112,000)
Interest expense	(77,456)
Net cash provided by (used for) capital and related financing activities	<u>\$ (262,677)</u>
Net increase (decrease) in cash and cash equivalents	\$ (12,591)
Cash and cash equivalents - beginning	43,135
Cash and cash equivalents - ending	<u><u>\$ 30,544</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ (411,843)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 277,669
(Increase) decrease in accounts receivable	(5,763)
(Increase) decrease in deferred outflows of resources	(3,471)
Increase (decrease) in accounts payable	(17,704)
Increase (decrease) in net pension liability	395
Increase (decrease) in net OPEB liability (asset)	1,976
Increase (decrease) in deferred inflows of resources	(13,738)
Total adjustments	<u>\$ 239,364</u>
Net cash provided by (used for) operating activities	<u><u>\$ (172,479)</u></u>

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

County of Northumberland, Virginia  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2019

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	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 168,791
Total assets	<u>\$ 168,791</u>
<b>LIABILITIES</b>	
Amounts held for others	\$ 79,297
Amounts held for social services clients	89,494
Total liabilities	<u>\$ 168,791</u>

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

## COUNTY OF NORTHUMBERLAND, VIRGINIA

### Notes to Financial Statements June 30, 2019

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

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

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

#### **Government-wide and Fund Financial Statements**

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

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

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

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

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

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

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

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

**A. Financial Reporting Entity**

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

**B. Individual Component Unit Disclosures**

*Blended Component Unit.* The County has no blended component units at June 30, 2019.

*Discretely Presented Component Units.* The School Board members are elected by the citizens of Northumberland County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2019.

**C. Other Related Organizations**

Included in the County's Financial Report

None

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

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**C. Other Related Organizations (Continued)**

Excluded from the County's Annual Financial Report

Northern Neck Regional Jail Authority

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

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

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

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

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

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

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

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

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

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

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

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

**1. Governmental Funds**

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

**a. General Fund**

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

**b. Capital Projects Funds**

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 major fund.

**c. Special Revenue Funds**

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



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

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

**2. Proprietary Funds**

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

**Enterprise Funds**

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

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

Fiduciary Funds account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds and Private Purpose Trust Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. Agency funds consist of the following funds: Special Welfare, Road Improvement Bond, 350<sup>th</sup> Anniversary, Tornado Relief, Fallen Heroes, Project Life Save, Animal Shelter, and Sheriff's Investigative Funds.

**E. Cash and Cash Equivalents**

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

**F. Investments**

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

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

**G. Receivables and Payables**

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$104,905 at June 30, 2019 and is comprised solely of property taxes.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

**G. Receivables and Payables (Continued)**

**Real and Personal Property Tax Data:**

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

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

The County bills and collects its own property taxes.

**H. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

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

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

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**I. Compensated Absences**

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

**J. Use of Estimates**

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

**K. Net Position**

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

**L. Net Position Flow Assumption**

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

**M. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension asset/liability and net OPEB asset/liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset/liability and net OPEB asset/liabilities measurement date. For more detailed information on these items, reference the related notes.

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

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**M. Deferred Outflows/Inflows of Resources (Continued)**

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

**N. Pensions**

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

**O. Other Postemployment Benefits (OPEB)**

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, HIC and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Medical and Dental Pay-As-You Go**

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

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

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**P. Long-term Obligations**

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

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

**Q. Fund Balance**

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

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Notes to Financial Statements  
June 30, 2019 (Continued)

**Q. Fund Balance: (Continued)**

	General	County Capital Projects	Other Governmental	
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Total</u>
Fund balances:				
Restricted:				
Construction	\$ -	\$ 1,065,992	\$ -	\$ 1,065,992
Law library	-	-	776	776
Forfeited assets	-	-	84,585	84,585
Economic development	-	-	24,824	24,824
Courthouse security	-	-	142,560	142,560
Total Restricted	\$ -	\$ 1,065,992	\$ 252,745	\$ 1,318,737
Unassigned	\$ 6,374,703	\$ -	\$ -	\$ 6,374,703
Total fund balances	\$ 6,374,703	\$ 1,065,992	\$ 252,745	\$ 7,693,440

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

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

## Expenditures and Appropriations

Forfeited Assets	\$ 14,110
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# COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

## **Note 3—Deposits and Investments:**

### Deposits

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

### Investments

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

### Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2019 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale. The County’s investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio.

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool (LGIP)	\$ 3,671,300
Virginia Investment Pool	3,320,439
Total	\$ 6,991,739

### Interest Rate Risk

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

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool (LGIP)	\$ 3,671,300	\$ 3,671,300
Virginia Investment Pool	3,320,439	3,320,439
Total	\$ 6,991,739	\$ 6,991,739

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

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**Redemption Restrictions**

VML/VACO Virginia Investment Pool allows the County to have the option to have access to withdrawal funds twice a month with a five day period notice. Additionally, funds are available to meet unexpected needs such as fluctuations in revenue sources, one-time outlays (disasters, immediate capital needs, state budget cuts, and etc.).

**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 has measured fair value of the above VML/VACO Investment Pool investment at the net asset value (NAV).

**External Investment Pool**

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

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

At June 30, 2019, the County has amounts due from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Northumberland	\$ -	\$ 907,132
Commonwealth of Virginia:		
Local sales tax	157,518	-
Welfare	37,876	-
Comprehensive services	38,335	-
Rolling stock tax	14	-
State Sales Tax	-	175,485
Constitutional officer reimbursements	124,259	-
DMV license agent	2,557	-
Recordation tax	12,093	-
Mobile home titling tax	1,619	-
Circuit Court Preservation grant	11,396	-
Wireless grant	6,952	-
Car rental	177	-
Postage	53	-
Communications tax	51,771	-
Federal Government:		
School fund grants	-	80,813
Welfare	68,772	-
Total due from other governments	<u>\$ 513,392</u>	<u>\$ 1,163,430</u>

At June 30, 2019, amounts due to other local governments are as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Northumberland County School Board	<u>\$ 907,132</u>	<u>\$ -</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

**Note 5—Capital Assets:**

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

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
<i>Primary Government:</i>				
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 894,628	\$ -	\$ -	\$ 894,628
Construction in progress	13,500	66,093	18,000	61,593
Total capital assets not subject to depreciation	\$ 908,128	\$ 66,093	\$ 18,000	\$ 956,221
Capital assets subject to depreciation:				
Buildings and improvements	\$ 6,757,990	\$ 33,255	\$ -	\$ 6,791,245
Machinery and equipment	3,536,873	689,278	-	4,226,151
Jointly owned assets	39,398,790	-	34,278	39,364,512
Total capital assets subject to depreciation	\$49,693,653	\$ 722,533	\$ 34,278	\$ 50,381,908
Accumulated depreciation:				
Buildings and improvements	\$ 1,249,920	\$ 227,043	\$ -	\$ 1,476,963
Machinery and equipment	2,394,356	450,403	-	2,844,759
Jointly owned assets	10,768,790	975,091	9,369	11,734,512
Total accumulated depreciation	\$14,413,066	\$ 1,652,537	\$ 9,369	\$ 16,056,234
Total capital assets subject to depreciation, net	\$35,280,587	\$ (930,004)	\$ 24,909	\$ 34,325,674
Governmental activities capital assets, net	\$36,188,715	\$ (863,911)	\$ 42,909	\$ 35,281,895

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

**Note 5—Capital Assets: (Continued)**

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

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
<i>Business-type Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 98,924	\$ -	\$ -	\$ 98,924
Capital assets subject to depreciation:				
Utility plant in service	\$ 8,636,484	\$ -	\$ -	\$ 8,636,484
Machinery and equipment	389,994	73,221	-	463,215
Total capital assets subject to depreciation	\$ 9,026,478	\$ 73,221	\$ -	\$ 9,099,699
Accumulated depreciation:				
Utility plant in service	\$ 3,425,292	\$ 270,347	\$ -	\$ 3,695,639
Machinery and equipment	389,994	7,322	-	397,316
Total accumulated depreciation	\$ 3,815,286	\$ 277,669	\$ -	\$ 4,092,955
Total capital assets subject to depreciation, net	\$ 5,211,192	\$ (204,448)	\$ -	\$ 5,006,744
Business-type capital assets, net	\$ 5,310,116	\$ (204,448)	\$ -	\$ 5,105,668

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

**Note 5—Capital Assets: (Continued)**

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

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 23,929	\$ -	\$ -	\$ 23,929
Capital assets subject to depreciation:				
Machinery and equipment	\$ 2,850,166	\$ 121,577	\$ 247,807	\$ 2,723,936
Jointly owned assets	8,826,692	-	(34,278)	8,860,970
Total capital assets subject to depreciation	\$11,676,858	\$ 121,577	\$ 213,529	\$ 11,584,906
Accumulated depreciation:				
Machinery and equipment	\$ 2,319,658	\$ 148,215	\$ 247,807	\$ 2,220,066
Jointly owned assets	2,412,580	219,493	(9,369)	2,641,442
Total accumulated depreciation	\$ 4,732,238	\$ 367,708	\$ 238,438	\$ 4,861,508
Total capital assets subject to depreciation, net	\$ 6,944,620	\$ (246,131)	\$ (24,909)	\$ 6,723,398
Component unit school board capital assets, net	\$ 6,968,549	\$ (246,131)	\$ (24,909)	\$ 6,747,327

Depreciation expense was charged to functions/programs as follows:

Primary Government:	
Governmental activities:	
General government administration	\$ 51,645
Judicial administration	91,364
Public safety	335,308
Public works	9,486
Health and welfare	14,451
Education	1,135,788
Community development	14,495
Total depreciation expense - governmental activities	\$ 1,652,537
Business type activities:	
Sanitary District	\$ 277,669
Total depreciation expense - primary government	\$ 1,930,206
Component Unit School Board:	
Depreciation expense	\$ 367,708

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

**Note 6—Interfund Transfers:**

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ -	\$ 609,919
County Capital Projects	224,338	-
Sanitary District	385,581	-
Total Primary Government	<u>\$ 609,919</u>	<u>\$ 609,919</u>

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

The following is a summary of due to/from other funds at June 30, 2019:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Component Unit-School Board:		
School Operating	\$ 261,698	\$ -
School Cafeteria	-	261,698
Total Component Unit - School Board	<u>\$ 261,698</u>	<u>\$ 261,698</u>

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

**Note 7—Long Term Obligations:**

**Primary Government:**

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

	Balance at July 1, 2018	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2019	Amounts Due Within One Year
Primary Government Obligations:					
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 236,741	\$ 90,879	\$ 23,674	\$ 303,946	\$ 30,395
Net pension liability					
(Payable by General Fund)	1,442,973	1,588,841	1,775,030	1,256,784	-
Net OPEB liabilities					
(Payable by General Fund)	531,333	102,446	87,510	546,269	-
Total incurred by County	\$ 2,211,047	\$ 1,782,166	\$ 1,886,214	\$ 2,106,999	\$ 30,395
Incurred by School Board:					
Direct borrowings and placements:					
Refunding general obligation bond	\$28,630,000	\$ -	\$ 1,000,000	\$27,630,000	\$ 1,050,000
Bond premium	2,406,009	-	126,632	2,279,377	-
Total incurred by School Board	\$31,036,009	\$ -	\$ 1,126,632	\$29,909,377	\$ 1,050,000
Total Governmental Activities Obligations	\$33,247,056	\$ 1,782,166	\$ 3,012,846	\$32,016,376	\$ 1,080,395
Business-type Activities Obligations:					
Net pension liability	\$ 55,388	\$ 78,814	\$ 78,418	\$ 55,784	\$ -
Net OPEB liabilities	47,281	8,369	6,153	49,497	-
Direct borrowings and placements:					
Revenue bond	2,333,000	-	112,000	2,221,000	117,000
Total Business-type Activities Obligations	\$ 2,435,669	\$ 87,183	\$ 196,571	\$ 2,326,281	\$ 117,000
Total Primary Government Obligations	\$35,682,725	\$ 1,869,349	\$ 3,209,417	\$34,342,657	\$ 1,197,395

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

**Primary Government: (continued)**

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

Year Ending June 30	Governmental Activities	
	Direct Borrowings and Direct Placements	
	General Obligation Bond	
	Principal	Interest
2020	\$ 1,050,000	\$ 976,915
2021	1,105,000	922,501
2022	1,160,000	865,310
2023	1,220,000	805,215
2024	1,285,000	741,964
2025	1,350,000	675,430
2026	1,420,000	605,487
2027	1,490,000	532,010
2028	1,550,000	478,500
2029	1,585,000	438,441
2030	1,630,000	395,525
2031	1,670,000	351,312
2032	1,720,000	303,915
2033	1,770,000	254,993
2034	1,825,000	202,450
2035	1,875,000	148,306
2036	1,935,000	90,204
2037	1,990,000	30,348
Total	\$ 27,630,000	\$ 8,818,826

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

**Primary Government: (continued)**

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

Year Ending June 30	Business-type Activities	
	Direct Borrowings and Direct Placements	
	Revenue Bonds	
	Principal	Interest
2020	\$ 117,000	\$ 73,737
2021	119,000	69,853
2022	125,000	65,902
2023	127,000	61,752
2024	132,000	57,536
2025	136,000	53,153
2026	142,000	48,638
2027	248,000	43,924
2028	256,000	35,690
2029	264,000	27,191
2030	273,000	18,426
2031	282,000	9,362
Total	\$ 2,221,000	\$ 565,164

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

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**Primary Government: (Continued)**

Details of long-term indebtedness are as follows:

	<u>Total Amount</u>
<i><u>Governmental Activities:</u></i>	
<i><u>Incurred by County:</u></i>	
Net OPEB liabilities (payable by General Fund)	\$ 546,269
Net pension liability (payable by General Fund)	\$ 1,256,784
Compensated absences (payable by General Fund)	\$ 303,946
Total Incurred by County	\$ 2,106,999
 <i><u>Incurred by School Board:</u></i>	
 <u>Direct Borrowings and Direct Placements:</u>	
<u>General Obligation Bond:</u>	
\$29,580,000 General Obligation Refunding Bond payable annually in various amounts through July 15, 2036, interest payable semi-annually at coupon rates from 2.05% to 5.05%. Face amount of bonds outstanding, \$28,630,000 plus unamortized issuance premium of \$2,406,009.	\$ 29,909,377
Total incurred by School Board	\$ 29,909,377
Total Long-Term Obligations, Governmental Activities	\$ 32,016,376

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

**Primary Government: (Continued)**

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

	Total Amount
<u>Business-type Activities:</u>	
<u>Direct Borrowings and Direct Placements:</u>	
<u>Revenue Bond:</u>	
\$3,030,000 Revenue Bond issued February 16, 2012, principal due in varying annual installments each July 1, interest due semi-annually through January, 2031 at 3.32%, interest rate may reset on January 1, 2027.	\$ 2,221,000
Total Revenue Bond	\$ 2,221,000
Net OPEB liabilities	\$ 49,497
Net pension liability	\$ 55,784
Total Long-Term Obligations, Business-type Activities	\$ 2,326,281
Total Long-Term Obligations, Primary Government	\$ 34,342,657

The County's outstanding direct placements and borrowings related to governmental activities of \$27,630,000 contain a provision that in an event of default, outstanding amounts become immediately due if the County is unable to make payment.

The County's outstanding direct placements and borrowings related to business-type activities are secured by a lien on the net revenues of the sewer system.

**Component Unit - School Board:**

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

	Balance at July 1, 2018	Increases	Decreases	Balance at June 30, 2019	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences					
(Payable by School Operating Fund)	\$ 403,063	\$ 41,710	\$ 93,285	\$ 351,488	\$ 35,149
Net pension liabilities					
(Payable by School Operating Fund)	13,004,103	3,569,489	3,813,440	12,760,152	-
Net OPEB liabilities					
(Payable by School Operating Fund)	2,471,664	376,355	288,184	2,559,835	-
Total Component Unit-School Board	\$15,878,830	\$ 3,987,554	\$ 4,194,909	\$15,671,475	\$ 35,149

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

Unearned and unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis of accounting, assessments for future periods are deferred. The County reports unavailable revenue totaling \$881,163 and deferred revenue totaling \$59,213 which is comprised of the following:

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Deferred/Unavailable revenue:		
Unavailable property tax revenue representing uncollected property tax billins that are not available for the funding of current expenditures	\$ -	\$ 821,950
Prepaid property taxes due after June 30 but paid in advance by taxpayers	59,213	59,213
Total deferred/unavailable revenue	\$ 59,213	\$ 881,163

**Note 9—Contingent Liabilities:**

Federal programs in which the County and discretely presented component unit participate were audited in accordance with the provisions of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this guidance all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

**Note 10—Litigation:**

At June 30, 2019, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

***Note 11—Risk Management:***

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

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation and public officials' liability coverage with the Virginia Association of Counties Group Self Insurance Risk Pool. This program is administered by a servicing contractor, which furnishes claims review and processing.

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

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

***Note 12—Pension Plans:***

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***Plan Description***

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

***Benefit Structures***

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.

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

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***Benefit Structures (Continued)***

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

***Average Final Compensation and Service Retirement Multiplier***

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

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

**Employees Covered by Benefit Terms**

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	53	27
Inactive members:		
Vested inactive members	8	3
Non-vested inactive members	19	9
Inactive members active elsewhere in VRS	37	4
Total inactive members	64	16
Active members	92	24
Total covered employees	209	67

**Contributions**

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

The County's contractually required employer contribution rate for the year ended June 30, 2019 was 9.09% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$400,801 and \$354,445 for the years ended June 30, 2019 and June 30, 2018, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2019 was 11.81% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$81,475 and \$94,352 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

**Net Pension Liability**

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

**Actuarial Assumptions - General Employees**

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

**Mortality rates:**

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

**Actuarial Assumptions - General Employees (Continued)**

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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



**Note 12—Pension Plans: (Continued)****Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits**

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

**Mortality rates:**

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

**Note 12—Pension Plans: (Continued)****Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)**

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

## Largest 10 - Hazardous Duty:

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

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

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

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**Note 12—Pension Plans: (Continued)****Long-Term Expected Rate of Return**

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

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

**Discount Rate (Continued)**

employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 17,766,523	\$ 16,268,162	\$ 1,498,361
Changes for the year:			
Service cost	\$ 437,178	\$ -	\$ 437,178
Interest	1,210,694	-	1,210,694
Differences between expected and actual experience	(90,183)	-	(90,183)
Contributions - employer	-	354,445	(354,445)
Contributions - employee	-	205,563	(205,563)
Net investment income	-	1,194,966	(1,194,966)
Benefit payments, including refunds of employee contributions	(941,779)	(941,779)	-
Administrative expenses	-	(10,433)	10,433
Other changes	-	(1,059)	1,059
Net changes	\$ 615,910	\$ 801,703	\$ (185,793)
Balances at June 30, 2018	\$ 18,382,433	\$ 17,069,865	\$ 1,312,568

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

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

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 4,398,229	\$ 3,686,126	\$ 712,103
Changes for the year:			
Service cost	\$ 74,512	\$ -	\$ 74,512
Interest	298,234	-	298,234
Differences between expected and actual experience	(69,604)	-	(69,604)
Contributions - employer	-	94,352	(94,352)
Contributions - employee	-	34,897	(34,897)
Net investment income	-	267,465	(267,465)
Benefit payments, including refunds of employee contributions	(275,497)	(275,497)	-
Administrative expenses	-	(2,385)	2,385
Other changes	-	(236)	236
Net changes	\$ 27,645	\$ 118,596	\$ (90,951)
Balances at June 30, 2018	\$ 4,425,874	\$ 3,804,722	\$ 621,152

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

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

	Rate		
	1% Increase	Current Discount	1% Decrease
	(6.00%)	(7.00%)	(8.00%)
County's			
Net Pension Liability (Asset)	\$ 3,626,827	\$ 1,312,568	\$ (607,676)
Component Unit School Board's (nonprofessional)			
Net Pension Liability	\$ 1,080,177	\$ 621,152	\$ 228,050

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

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

For the year ended June 30, 2019, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$119,222 and (\$10,004), respectively. At June 30, 2019, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 138,884	\$ 80,699	\$ -	\$ 32,182
Changes in assumptions	-	53,289	-	-
Changes in proportionate share of net position liability	1,161	1,161	-	-
Net difference between projected and actual earnings on pension plan investments	-	137,428	-	27,085
Employer contributions subsequent to the measurement date	400,801	-	81,475	-
Total	<u>\$ 540,846</u>	<u>\$ 272,577</u>	<u>\$ 81,475</u>	<u>\$ 59,267</u>

\$400,801 and \$81,475 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2020	\$ 72,036	\$ (17,120)
2021	(7,806)	(1,634)
2022	(182,769)	(37,583)
2023	(13,993)	(2,930)
2024	-	-
Thereafter	-	-

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

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***Pension Plan Data***

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

**Component Unit School Board (professional)**

***Plan Description***

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

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually required employer contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,266,384 and \$1,334,984 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$12,139,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.10322% as compared to 0.09995% at June 30, 2017.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

**Note 12—Pension Plans: (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, 2019, the school division recognized pension expense of \$983,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	\$ 1,038,000
Change in assumptions	145,000	-
Net difference between projected and actual earnings on pension plan investments	-	257,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	591,000	172,000
Employer contributions subsequent to the measurement date	1,266,384	-
Total	\$ 2,002,384	\$ 1,467,000

\$1,266,384 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2020	\$ (1,000)
2021	(228,000)
2022	(450,000)
2023	(54,000)
2024	2,000
Thereafter	-



**Note 12—Pension Plans: (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, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

**Mortality rates:**

- Pre-Retirement:  
RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
- Post-Retirement:  
RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.
- Post-Disablement:  
RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

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

***Actuarial Assumptions: (Continued)***

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

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

**Net Pension Liability**

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

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

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

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

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School Board's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 18,542,000	\$ 12,139,000	\$ 6,838,000

**Pension Plan Fiduciary Net Position**

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

**Primary Government and Component Unit School Board**

**Aggregate Pension Information**

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liabilities	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 540,846	\$ 272,577	\$ 1,312,568	\$ 119,222	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	81,475	59,267	621,152	(10,004)
School Board Professional	-	-	-	-	2,002,384	1,467,000	12,139,000	983,000
Totals	\$ 540,846	\$ 272,577	\$ 1,312,568	\$ 119,222	\$ 2,083,859	\$ 1,526,267	\$ 12,760,152	\$ 972,996

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

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***Plan Description***

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

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

***Eligible Employees***

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

***Benefit Amounts***

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

***Contributions***

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year,

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

**Contributions (Continued)**

with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the County were \$23,602 and \$22,119 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the GLI Program from the Component Unit School Board professional group were \$43,066 and \$43,245 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions to the GLI from the Component Unit School Board nonprofessional group were \$3,735 and \$3,778 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the County reported a liability of \$339,000 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$665,000 and \$58,000, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the County's proportion was .02237% as compared to .02228% at June 30, 2017. At June 30, 2018, the Component Unit School Board professional and nonprofessional groups' proportions were .04373% and .00382%, respectively as compared to .04253% and .00384%, respectively, at June 30, 2017.

For the year ended June 30, 2019, the County recognized GLI OPEB expense of \$7,000. For the year ended June 30, 2019, the Component Unit School Board professional group recognized GLI OPEB expense of \$9,000. For the year ended June 30, 2019, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of \$0. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component School Board (professional)		Component School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,000	\$ 6,000	\$ 32,000	\$ 11,000	\$ 3,000	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investment	-	11,000	-	22,000	-	2,000
Change in assumptions	-	14,000	-	28,000	-	2,000
Changes in proportion	15,000	-	24,000	-	-	-
Employer contributions subsequent to the measurement date	23,602	-	43,066	-	3,735	-
Total	\$ 55,602	\$ 31,000	\$ 99,066	\$ 61,000	\$ 6,735	\$ 5,000

**Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)****GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (Continued)**

\$23,602, \$43,066, and \$3,735, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (professional)	Component Unit School Board (nonprofessional)
2020	\$ (1,000)	\$ (6,000)	\$ (1,000)
2021	(1,000)	(6,000)	(1,000)
2022	(1,000)	(6,000)	-
2023	1,000	-	-
2024	1,000	8,000	-
Thereafter	2,000	5,000	-

**Actuarial Assumptions**

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

**Actuarial Assumptions: (Continued)**

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

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

**Mortality Rates - Teachers**

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

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**Actuarial Assumptions: (Continued)**

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

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

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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



COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

**Actuarial Assumptions: (Continued)**

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)**

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

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

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

**Actuarial Assumptions: (Continued)**

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

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

**NET GLI OPEB Liability**

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

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

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

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

**Long-Term Expected Rate of Return**

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

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

**Discount Rate**

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

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(6.00%)	(7.00%)	(8.00%)
County's proportionate share of the Group Life Insurance Program				
Net OPEB Liability	\$	444,000	\$ 339,000	\$ 255,000
Component School Board (professional)'s proportionate share of the Group Life Insurance Program				
Net OPEB Liability	\$	868,000	\$ 665,000	\$ 499,000
Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program				
Net OPEB Liability	\$	76,000	\$ 58,000	\$ 43,000

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

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***GLI Program Fiduciary Net Position***

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

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

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***Plan Description***

The Political Subdivision Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Program upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Program OPEB, including eligibility, coverage and benefits is described below:

***Eligible Employees***

The Political Subdivision Retiree HIC Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

***Benefit Amounts***

The Political Subdivision Retiree HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

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***HIC Program Notes***

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

***Employees Covered by Benefit Terms***

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>5</u>
Inactive members:	
Vested inactive members	1
Total inactive members	<u>6</u>
Active members	26
Total covered employees	<u><u>32</u></u>

***Contributions***

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County's contractually required employer contribution rate for the year ended June 30, 2019 was .02% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the Health Insurance Credit Program were \$1,826 and \$220 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

The County's net HIC OPEB liability (asset) was measured as of June 30, 2018. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

**Actuarial Assumptions**

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

Inflation	2.5%
Salary increases, including inflation:	
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

**Actuarial Assumptions: (Continued)**

**Mortality Rates - Largest Ten Locality Employers - General Employees (Continued)**

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

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

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

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



COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

**Actuarial Assumptions: (Continued)**

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

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

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

**Note 14—Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)****Actuarial Assumptions: (Continued)****Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (Continued)**

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

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

*The remainder of this page left blank intentionally.*

**Note 14—Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)****Long-Term Expected Rate of Return**

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

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

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

**Discount Rate**

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

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

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 42,288	\$ 47,697	\$ (5,409)
Changes for the year:			
Service cost	\$ 1,725	\$ -	\$ 1,725
Interest	2,850	-	2,850
Differences between expected and actual experience	(2,990)	-	(2,990)
Contributions - employer	-	220	(220)
Net investment income	-	3,326	(3,326)
Benefit payments	(3,152)	(3,152)	-
Administrative expenses	-	(75)	75
Other changes	-	(256)	256
Net changes	\$ (1,567)	\$ 63	\$ (1,630)
Balances at June 30, 2018	\$ 40,721	\$ 47,760	\$ (7,039)

**Sensitivity of the County's HIC Net OPEB Liability (Asset) to Changes in the Discount Rate**

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's Net HIC OPEB Liability (Asset) \$	(2,724) \$	(7,039) \$	(10,707)

**Note 14—Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)****HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB**

For the year ended June 30, 2019, the County recognized HIC Program OPEB expense of \$546. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to the County's HIC Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience \$	-	\$ 2,554
Net difference between projected and actual earnings on HIC OPEB plan investments	-	1,387
Change in assumptions	-	1,260
Employer contributions subsequent to the measurement date	1,826	-
Total	\$ 1,826	\$ 5,201

\$1,826 reported as deferred outflows of resources related to the HIC OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	
2020	\$ (1,135)
2021	(1,135)
2022	(1,135)
2023	(743)
2024	(679)
Thereafter	(374)

**HIC Program Plan Data**

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

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

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***Plan Description***

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

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

***Eligible Employees***

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

***Benefit Amounts***

The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

***HIC Program Notes***

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

***Contributions***

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Program were \$99,384 and \$102,151 for the years ended June 30, 2019 and June 30, 2018, respectively.

**Note 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)****Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB**

At June 30, 2019, the school division reported a liability of \$1,303,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee HIC Program was .10269% as compared to .09939% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$114,000. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	1,000
Change in assumptions	-	11,000
Change in proportion	45,000	-
Employer contributions subsequent to the measurement date	99,384	-
Total	\$ 144,384	\$ 19,000

**Note 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)****Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB (Continued)**

\$99,384 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ 5,000
2021	5,000
2022	5,000
2023	5,000
2024	3,000
Thereafter	3,000

**Actuarial Assumptions**

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

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

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



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

***Actuarial Assumptions (Continued)***

**Mortality Rates - Teachers**

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

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

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

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

The net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,381,313
Plan Fiduciary Net Position		111,639
Teacher Employee net HIC OPEB Liability (Asset)	\$	1,269,674
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		
		8.08%

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

*The remainder of this page left blank intentionally.*

**Note 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)****Long-Term Expected Rate of Return**

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

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

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

**Discount Rate**

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

**Note 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)****Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate**

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 1,456,000	\$ 1,303,000	\$ 1,174,000

**Teacher Employee HIC OPEB Fiduciary Net Position**

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

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

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

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

***Benefits Provided***

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

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

***Plan Membership***

At June 30, 2019 (measurement date), the following employees were covered by the benefit terms:

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

***Contributions***

The County nor the School Board pre-funds benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County or School Board. The amounts paid by the County and the School Board for OPEB as the benefits came due during the year ended June 30, 2019 were \$20,663 and \$37,184, respectively.

***Total OPEB Liability***

The County and School Board's total OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

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

***Actuarial Assumptions***

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2018; 2.50% per year as of June 30, 2019
Salary Increases	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Discount Rate	3.87% as of June 30, 2018; 3.5% as of June 30, 2019

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

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

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

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

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

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

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

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

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

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

**Discount Rate**

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the Bond Buyer 20-Year Bond GO Index as of June 30, 2019.

**Changes in Total OPEB Liability**

	Primary Government Total OPEB Liability	Component Unit School Board Total OPEB Liability
Balances at June 30, 2018	\$ 242,614	\$ 513,664
Changes for the year:		
Service cost	17,929	24,593
Interest	9,687	20,114
Changes in assumptions	7,199	12,648
Benefit payments	(20,663)	(37,184)
Net changes	\$ 14,152	\$ 20,171
Balances at June 30, 2019	\$ 256,766	\$ 533,835

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

The following amounts present the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

	Rate		
	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Primary Government:			
Total OPEB liability	\$ 277,518	\$ 256,766	\$ 237,907
Component Unit School Board:			
Total OPEB liability	\$ 568,884	\$ 533,835	\$ 500,181

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

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

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

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

	Rates		
	1% Decrease (6.50%)	Healthcare Cost Trend (7.50%)	1% Increase (8.50%)
Primary Government:			
Total OPEB liability	\$ 228,744	\$ 256,766	\$ 292,790

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

	Rates		
	1% Decrease (6.60%)	Healthcare Cost Trend (7.60%)	1% Increase (8.60%)
Component Unit School Board:			
Total OPEB liability	\$ 477,582	\$ 533,835	\$ 599,574

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

For the year ended June 30, 2019, the County and the School Board recognized OPEB expense in the amount of \$27,900 and \$45,166. At June 30, 2019, the County and the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government		Component Unit School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 5,841	\$ 4,616	\$ 10,067	\$ 8,278
Total	\$ 5,841	\$ 4,616	\$ 10,067	\$ 8,278



COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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

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

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

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board</u>
2020	\$ 284	\$ 459
2021	284	459
2022	284	459
2023	284	412
2024	89	-
Thereafter	-	-

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

**Note 17—Summary of Other Postemployment Benefit Plans:**

**Primary Government and Component Unit School Board**

	<u>Primary Government</u>				<u>Component Unit School Board</u>			
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liabilities/(Asset)</u>	<u>OPEB Expense</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liabilities</u>	<u>OPEB Expense</u>
VRS OPEB Plans:								
Group Life Insurance Program (Note 13):								
County	\$ 55,602	\$ 31,000	\$ 339,000	\$ 7,000	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	6,735	5,000	58,000	-
School Board Professional	-	-	-	-	99,066	61,000	665,000	9,000
County Health Insurance Credit Program (Note 14)	1,826	5,201	(7,039)	546	-	-	-	-
Teacher Health Insurance Credit Program (Note 15)	-	-	-	-	144,384	19,000	1,303,000	114,000
County Stand-Alone Plan (Note 16)	5,841	4,616	256,766	27,900	-	-	-	-
School Stand-Alone Plan (Note 16)	-	-	-	-	10,067	8,278	533,835	45,166
Totals	\$ 63,269	\$ 40,817	\$ 588,727	\$ 35,446	\$ 260,252	\$ 93,278	\$ 2,559,835	\$ 168,166

## COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2019 (Continued)

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### **Note 18–Surety Bonds:**

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

### **Note 19 - Line of Duty Act (LODA) (OPEB Benefits):**

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

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2019 was \$35,652.

### **Note 20–Upcoming Pronouncements:**

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

**Note 20—Upcoming Pronouncements: (Continued)**

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Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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

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

**Note 21 - Adoption of Accounting Principles:**

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

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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>REVENUES</b>				
General property taxes	\$ 19,347,976	\$ 19,347,976	\$ 19,880,326	\$ 532,350
Other local taxes	1,771,000	1,771,000	1,949,417	178,417
Permits, privilege fees, and regulatory licenses	97,800	97,800	111,896	14,096
Fines and forfeitures	20,000	20,000	26,933	6,933
Revenue from the use of money and property	105,000	105,000	287,532	182,532
Charges for services	217,089	217,089	343,525	126,436
Miscellaneous	140,850	140,850	115,584	(25,266)
Recovered costs	80,828	80,828	172,196	91,368
Intergovernmental:				
Commonwealth	3,437,892	3,437,892	3,609,085	171,193
Federal	787,105	787,105	786,186	(919)
Total revenues	<u>\$ 26,005,540</u>	<u>\$ 26,005,540</u>	<u>\$ 27,282,680</u>	<u>\$ 1,277,140</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 2,222,009	\$ 2,298,223	\$ 2,081,399	\$ 216,824
Judicial administration	896,974	897,132	889,196	7,936
Public safety	5,109,317	5,507,579	5,155,962	351,617
Public works	1,373,548	1,428,549	1,631,454	(202,905)
Health and welfare	2,632,307	2,694,062	2,463,341	230,721
Education	11,475,361	11,664,183	11,584,199	79,984
Parks, recreation, and cultural	193,263	322,263	322,263	-
Community development	404,609	382,798	337,889	44,909
Capital projects	75,000	75,000	17,862	57,138
Debt service:				
Principal retirement	1,000,000	1,000,000	1,000,000	-
Interest and other fiscal charges	1,028,678	1,028,678	1,029,378	(700)
Total expenditures	<u>\$ 26,411,066</u>	<u>\$ 27,298,467</u>	<u>\$ 26,512,943</u>	<u>\$ 785,524</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (405,526)</u>	<u>\$ (1,292,927)</u>	<u>\$ 769,737</u>	<u>\$ 2,062,664</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (263,153)	\$ 263,153	\$ (609,919)	\$ (873,072)
Net change in fund balances	\$ (668,679)	\$ (1,029,774)	\$ 159,818	\$ 1,189,592
Fund balances - beginning	7,200,000	7,200,000	6,214,885	(985,115)
Fund balances - ending	<u>\$ 6,531,321</u>	<u>\$ 6,170,226</u>	<u>\$ 6,374,703</u>	<u>\$ 204,477</u>

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

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 437,178	\$ 440,974	\$ 413,402	\$ 383,185	\$ 379,392
Interest	1,210,694	1,149,231	1,110,893	1,084,417	1,031,873
Differences between expected and actual experience	(90,183)	321,626	(71,832)	(282,284)	-
Changes in assumptions	-	(123,405)	-	-	-
Benefit payments, including refunds of employee contributions	(941,779)	(878,971)	(930,594)	(683,580)	(637,699)
Net change in total pension liability	\$ 615,910	\$ 909,455	\$ 521,869	\$ 501,738	\$ 773,566
Total pension liability - beginning	17,766,523	16,857,068	16,335,199	15,833,461	15,059,895
Total pension liability - ending (a)	<u>\$ 18,382,433</u>	<u>\$ 17,766,523</u>	<u>\$ 16,857,068</u>	<u>\$ 16,335,199</u>	<u>\$ 15,833,461</u>
Plan fiduciary net position					
Contributions - employer	\$ 354,445	\$ 343,327	\$ 428,319	\$ 408,319	\$ 439,811
Contributions - employee	205,563	198,437	184,084	176,948	168,381
Net investment income	1,194,966	1,794,139	252,892	658,638	1,965,945
Benefit payments, including refunds of employee contributions	(941,779)	(878,971)	(930,594)	(683,580)	(637,699)
Administrative expense	(10,433)	(10,491)	(9,367)	(8,983)	(10,518)
Other	(1,059)	(1,590)	(109)	(137)	104
Net change in plan fiduciary net position	\$ 801,703	\$ 1,444,851	\$ (74,775)	\$ 551,205	\$ 1,926,024
Plan fiduciary net position - beginning	16,268,162	14,823,311	14,898,086	14,346,881	12,420,857
Plan fiduciary net position - ending (b)	<u>\$ 17,069,865</u>	<u>\$ 16,268,162</u>	<u>\$ 14,823,311</u>	<u>\$ 14,898,086</u>	<u>\$ 14,346,881</u>
County's net pension liability - ending (a) - (b)	\$ 1,312,568	\$ 1,498,361	\$ 2,033,757	\$ 1,437,113	\$ 1,486,580
Plan fiduciary net position as a percentage of the total pension liability	92.86%	91.57%	87.94%	91.20%	90.61%
Covered payroll	\$ 4,253,585	\$ 4,098,796	\$ 3,763,252	\$ 3,565,027	\$ 3,367,620
County's net pension liability as a percentage of covered payroll	30.86%	36.56%	54.04%	40.31%	44.14%

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

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

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 74,512	\$ 72,261	\$ 70,447	\$ 69,172	\$ 66,406
Interest	298,234	293,570	285,665	273,641	268,066
Differences between expected and actual experience	(69,604)	(21,072)	(11,964)	84,598	-
Changes in assumptions	-	(25,266)	-	-	-
Benefit payments, including refunds of employee contributions	(275,497)	(230,250)	(232,167)	(279,140)	(230,511)
Net change in total pension liability	\$ 27,645	\$ 89,243	\$ 111,981	\$ 148,271	\$ 103,961
Total pension liability - beginning	4,398,229	4,308,986	4,197,005	4,048,734	3,944,773
Total pension liability - ending (a)	<u>\$ 4,425,874</u>	<u>\$ 4,398,229</u>	<u>\$ 4,308,986</u>	<u>\$ 4,197,005</u>	<u>\$ 4,048,734</u>
Plan fiduciary net position					
Contributions - employer	\$ 94,352	\$ 92,456	\$ 86,287	\$ 83,473	\$ 70,655
Contributions - employee	34,897	34,330	32,341	31,292	31,088
Net investment income	267,465	406,550	57,310	152,762	479,575
Benefit payments, including refunds of employee contributions	(275,497)	(230,250)	(232,167)	(279,140)	(230,511)
Administrative expense	(2,385)	(2,398)	(2,173)	(2,217)	(2,674)
Other	(236)	(360)	(25)	(32)	25
Net change in plan fiduciary net position	\$ 118,596	\$ 300,328	\$ (58,427)	\$ (13,862)	\$ 348,158
Plan fiduciary net position - beginning	3,686,126	3,385,798	3,444,225	3,458,087	3,109,929
Plan fiduciary net position - ending (b)	<u>\$ 3,804,722</u>	<u>\$ 3,686,126</u>	<u>\$ 3,385,798</u>	<u>\$ 3,444,225</u>	<u>\$ 3,458,087</u>
School Division's net pension liability - ending (a) - (b)	\$ 621,152	\$ 712,103	\$ 923,188	\$ 752,780	\$ 590,647
Plan fiduciary net position as a percentage of the total pension liability	85.97%	83.81%	78.58%	82.06%	85.41%
Covered payroll	\$ 726,516	\$ 707,889	\$ 659,462	\$ 637,904	\$ 636,555
School Division's net pension liability as a percentage of covered payroll	85.50%	100.60%	139.99%	118.01%	92.79%

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

County of Northumberland, Virginia  
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan  
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability	0.10322%	0.09995%	0.09844%	0.10121%	0.10127%
Employer's Proportionate Share of the Net Pension Liability	\$ 12,139,000	\$ 12,292,000	\$ 13,795,000	\$ 12,739,000	\$ 12,238,000
Employer's Covered Payroll	8,314,729	8,183,043	8,498,329	7,260,159	7,383,190
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	145.99%	150.21%	162.33%	175.46%	165.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%	72.92%	68.28%	70.68%	70.88%

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

County of Northumberland, Virginia  
Schedule of Employer Contributions - Pension Plans  
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2019	\$ 400,801	\$ 400,801	\$ -	\$ 4,538,900	8.83%
2018	354,445	354,445	-	4,253,585	8.33%
2017	352,087	352,087	-	4,098,796	8.59%
2016	432,398	432,398	-	3,763,252	11.49%
2015	409,622	409,622	-	3,565,027	11.49%
2014	439,811	439,811	-	3,367,620	13.06%
2013	430,566	430,566	-	3,296,831	13.06%
2012	311,840	311,840	-	3,096,728	10.07%
2011	305,393	305,393	-	3,032,696	10.07%
2010	223,440	223,440	-	3,060,823	7.30%
<b>Component Unit School Board (nonprofessional)</b>					
2019	\$ 81,475	\$ 81,475	\$ -	\$ 709,632	11.48%
2018	94,352	94,352	-	726,516	12.99%
2017	93,795	93,795	-	707,889	13.25%
2016	86,917	86,917	-	659,462	13.18%
2015	84,076	84,076	-	637,904	13.18%
2014	72,313	72,313	-	636,555	11.36%
2013	74,653	74,653	-	657,157	11.36%
2012	56,158	56,158	-	607,765	9.24%
2011	58,877	58,877	-	637,193	9.24%
2010	67,782	67,782	-	661,936	10.24%
<b>Component Unit School Board (professional)</b>					
2019	\$ 1,266,384	\$ 1,266,384	\$ -	\$ 8,282,014	15.68%
2018	1,334,984	1,334,984	-	8,314,729	16.32%
2017	1,154,604	1,154,604	-	8,183,043	14.66%
2016	1,194,865	1,194,865	-	8,498,329	14.06%
2015	1,052,723	1,052,723	-	7,260,159	14.50%
2014	860,880	860,880	-	7,383,190	11.66%
2013	782,648	782,648	-	6,712,247	11.66%
2012	757,010	757,010	-	6,681,465	11.33%
2011	592,578	592,578	-	6,635,812	8.93%
2010	958,268	958,268	-	6,938,943	13.81%



County of Northumberland, Virginia  
Notes to Required Supplementary Information - Pension Plans  
For the Year Ended June 30, 2019

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

County of Northumberland, Virginia  
Schedule of County's and Component Unit School Board's Share of Net OPEB Liability  
Group Life Insurance Program  
For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government:					
2018	0.02237% \$	339,000 \$	4,253,586	7.97%	51.22%
2017	0.02228% \$	366,000 \$	4,109,386	8.91%	48.86%
Component Unit School Board (nonprofessional):					
2018	0.00382% \$	58,000 \$	726,516	7.98%	51.22%
2017	0.00384% \$	58,000 \$	707,889	8.19%	48.86%
Component Unit School Board (professional):					
2018	0.04373% \$	665,000 \$	8,316,322	8.00%	51.22%
2017	0.04253%	640,000	7,844,121	8.16%	48.86%

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

County of Northumberland, Virginia  
Schedule of Employer Contributions  
Group Life Insurance Program  
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2019	\$ 23,602	\$ 23,602	\$ -	\$ 4,538,900	0.52%
2018	22,119	22,119	-	4,253,586	0.52%
2017	21,369	21,369	-	4,109,386	0.52%
2016	18,064	18,064	-	3,763,252	0.48%
2015	17,152	17,152	-	3,573,335	0.48%
2014	16,165	16,165	-	3,367,620	0.48%
2013	15,825	15,825	-	3,296,831	0.48%
2012	8,682	8,682	-	3,100,671	0.28%
2011	8,536	8,536	-	3,048,688	0.28%
2010	6,200	6,200	-	2,296,468	0.27%
<b>Component Unit School Board (nonprofessional)</b>					
2019	\$ 3,735	\$ 3,735	\$ -	\$ 718,210	0.52%
2018	3,778	3,778	-	726,516	0.52%
2017	3,681	3,681	-	707,889	0.52%
2016	3,165	3,165	-	659,462	0.48%
2015	3,073	3,073	-	640,217	0.48%
2014	3,055	3,055	-	636,555	0.48%
2013	3,154	3,154	-	657,157	0.48%
2012	1,702	1,702	-	607,765	0.28%
2011	1,784	1,784	-	637,193	0.28%
2010	1,342	1,342	-	496,965	0.27%
<b>Component Unit School Board (professional)</b>					
2019	\$ 43,066	\$ 43,066	\$ -	\$ 8,282,014	0.52%
2018	43,245	43,245	-	8,316,322	0.52%
2017	40,789	40,789	-	7,844,121	0.52%
2016	36,233	36,233	-	7,548,590	0.48%
2015	36,197	36,197	-	7,541,035	0.48%
2014	35,548	35,548	-	7,405,916	0.48%
2013	32,374	32,374	-	6,744,618	0.48%
2012	19,135	19,135	-	6,833,846	0.28%
2011	18,580	18,580	-	6,635,809	0.28%
2010	14,069	14,069	-	5,210,697	0.27%
2009	19,165	19,165	-	7,098,163	0.27%

County of Northumberland, Virginia  
Notes to Required Supplementary Information  
Group Life Insurance Program  
For the Year Ended June 30, 2019

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

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

**Teachers**

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

**Largest Ten Locality Employers - General Employees**

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

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

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

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

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

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

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

County of Northumberland, Virginia  
Schedule of Changes in the County's Net OPEB Liability and Related Ratios  
Health Insurance Credit (HIC) Program  
Primary Government  
For the Measurement Dates of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Total HIC OPEB Liability		
Service cost	\$ 1,725	\$ 1,170
Interest	2,850	2,857
Changes in assumptions	(2,990)	(1,959)
Benefit payments	(3,152)	(1,215)
Net change in total HIC OPEB liability	\$ (1,567)	\$ 853
Total HIC OPEB Liability - beginning	42,288	41,435
Total HIC OPEB Liability - ending (a)	<u>\$ 40,721</u>	<u>\$ 42,288</u>
Plan fiduciary net position		
Contributions - employer	\$ 220	\$ 212
Net investment income	3,326	4,984
Benefit payments	(3,152)	(1,215)
Administrative expense	(75)	(80)
Other	(256)	256
Net change in plan fiduciary net position	\$ 63	\$ 4,157
Plan fiduciary net position - beginning	47,697	43,540
Plan fiduciary net position - ending (b)	<u>\$ 47,760</u>	<u>\$ 47,697</u>
County's net HIC OPEB liability (asset) - ending (a) - (b)	\$ (7,039)	\$ (5,409)
Plan fiduciary net position as a percentage of the total HIC OPEB liability (asset)	117.29%	112.79%
Covered payroll	\$ 1,100,266	\$ 1,058,674
County's net HIC OPEB liability (asset) as a percentage of covered payroll	-0.64%	-0.51%

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

County of Northumberland, Virginia  
Schedule of Employer Contributions  
Health Insurance Credit (HIC) Program  
Primary Government

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	\$ 1,826	\$ 1,826	\$ -	\$ 1,304,373	0.14%
2018	220	220	-	1,100,266	0.02%
2017	212	212	-	1,058,674	0.02%
2016	166	166	-	827,898	0.02%
2015	140	140	-	698,781	0.02%
2014	67	67	-	665,561	0.01%
2013	330	330	-	3,295,534	0.01%
2012	619	619	-	3,094,890	0.02%
2011	607	607	-	3,032,696	0.02%
2010	1,836	1,836	-	3,060,553	0.06%

County of Northumberland, Virginia  
Notes to Required Supplementary Information  
Health Insurance Credit (HIC) Program  
Primary Government  
For the Year Ended June 30, 2019

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

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

**Largest Ten Locality Employers - General Employees**

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

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

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

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

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

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

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

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

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2018	0.10269%	\$ 1,303,000	\$ 8,304,933	15.69%	8.08%
2017	0.09939%	1,260,000	7,844,121	16.06%	7.04%

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



County of Northumberland, Virginia  
Schedule of Employer Contributions  
Teacher Employee Health Insurance Credit (HIC) Program  
Component Unit School Board  
For the Years Ended June 30, 2010 through June 30, 2019

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Date	Contributions in Relation to				Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	
2019	\$ 99,384	\$ 99,384	\$ -	\$ 8,282,014	1.20%
2018	102,151	102,151	-	8,304,933	1.23%
2017	87,070	87,070	-	7,844,121	1.11%
2016	79,562	79,562	-	7,505,844	1.06%
2015	79,762	79,762	-	7,524,739	1.06%
2014	82,206	82,206	-	7,405,916	1.11%
2013	73,766	73,766	-	6,645,594	1.11%
2012	40,089	40,089	-	6,681,464	0.60%
2011	39,815	39,815	-	6,635,809	0.60%
2010	54,191	54,191	-	5,210,697	1.04%

County of Northumberland, Virginia  
Notes to Required Supplementary Information  
Teacher Employee Health Insurance Credit (HIC) Program  
Component Unit School Board  
For the Year Ended June 30, 2019

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

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

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

County of Northumberland, Virginia  
Schedule of Changes in Total OPEB Liability and Related Ratios  
Primary Government  
For the Years Ended June 30, 2018 through June 30, 2019

	2019	2018
Total OPEB liability		
Service cost	\$ 17,929	\$ 18,372
Interest	9,687	8,711
Changes in assumptions	7,199	(6,764)
Benefit payments	(20,663)	(16,271)
Net change in total OPEB liability	\$ 14,152	\$ 4,048
Total OPEB liability - beginning	242,614	238,566
Total OPEB liability - ending	\$ 256,766	\$ 242,614
Covered payroll	\$ 4,158,383	\$ 4,158,383
County's total OPEB liability as a percentage of covered payroll	6.17%	5.83%

Schedule is intended to show information for 10 years. Information prior to 2018 is not available. However, additional years will be included as they become available.

County of Northumberland, Virginia  
Schedule of Changes in Total OPEB Liability and Related Ratios  
Component Unit School Board  
For the Years Ended June 30, 2018 through June 30, 2019

	2019	2018
Total OPEB liability		
Service cost	\$ 24,593	\$ 25,263
Interest	20,114	18,493
Changes in assumptions	12,648	(12,522)
Benefit payments	(37,184)	(41,035)
Net change in total OPEB liability	\$ 20,171	\$ (9,801)
Total OPEB liability - beginning	513,664	523,465
Total OPEB liability - ending	\$ 533,835	\$ 513,664
Covered payroll	\$ 8,903,525	\$ 8,903,525
School's total OPEB liability (asset) as a percentage of covered payroll	6.00%	5.77%

Schedule is intended to show information for 10 years. Information prior to 2018 is not available. However, additional years will be included as they become available.

County of Northumberland, Virginia  
Notes to Required Supplementary Information - County OPEB  
For the Year Ended June 30, 2019

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Valuation Date: 1/1/2018  
Measurement Date: 6/30/2019

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

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal, level % of salary
Discount Rate	3.87% as of June 30, 2018; 3.50% as of June 30, 2019
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts 7.60% in 2019, then gradually declines to 4.30% by the year 2084
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Mortality Rates	Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related. Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85. Post-Disablement: RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

County of Northumberland, Virginia  
Notes to Required Supplementary Information - Component Unit School Board OPEB  
For the Year Ended June 30, 2019

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Valuation Date: 1/1/2018  
Measurement Date: 6/30/2019

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

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal, level % of salary
Discount Rate	3.87% as of June 30, 2018; 3.50% as of June 30, 2019
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 7.60% in 2019, then gradually declines to 4.30% by the year 2084
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Mortality Rates	Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related. Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85. Post-Disablement: RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

County of Northumberland, Virginia  
County Capital Projects Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2019

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	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 224,338	\$ 224,338
Net change in fund balances	\$ -	\$ -	\$ 224,338	\$ 224,338
Fund balances - beginning	-	-	841,654	841,654
Fund balances - ending	\$ -	\$ -	\$ 1,065,992	\$ 1,065,992

County of Northumberland, Virginia  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2019

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	Law Library <u>Fund</u>	Forfeited Assets <u>Fund</u>	Economic Development <u>Fund</u>	Courthouse Security <u>Fund</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 776	\$ 84,585	\$ 14,479	\$ 141,710	\$ 241,550
Receivables (net of allowance for uncollectibles):					
Accounts receivable	-	-	-	850	850
Notes receivable	-	-	10,345	-	10,345
Total assets	<u>\$ 776</u>	<u>\$ 84,585</u>	<u>\$ 24,824</u>	<u>\$ 142,560</u>	<u>\$ 252,745</u>
<b>FUND BALANCES</b>					
Restricted	\$ 776	\$ 84,585	\$ 24,824	\$ 142,560	\$ 252,745
Total fund balances	<u>\$ 776</u>	<u>\$ 84,585</u>	<u>\$ 24,824</u>	<u>\$ 142,560</u>	<u>\$ 252,745</u>



County of Northumberland, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2019

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	Law Library <u>Fund</u>	Forfeited Assets <u>Fund</u>	Economic Development <u>Fund</u>	Courthouse Security <u>Fund</u>	<u>Total</u>
<b>REVENUES</b>					
Revenue from the use of money and property	\$ -	\$ -	\$ 14	\$ -	\$ 14
Charges for services	-	-	-	9,378	9,378
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ 9,378</u>	<u>\$ 9,392</u>
<b>EXPENDITURES</b>					
Current:					
Public safety	\$ -	\$ 14,110	\$ -	\$ -	\$ 14,110
Total expenditures	<u>\$ -</u>	<u>\$ 14,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,110</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (14,110)</u>	<u>\$ 14</u>	<u>\$ 9,378</u>	<u>\$ (4,718)</u>
Net change in fund balances	\$ -	\$ (14,110)	\$ 14	\$ 9,378	\$ (4,718)
Fund balances - beginning	776	98,695	24,810	133,182	257,463
Fund balances - ending	<u>\$ 776</u>	<u>\$ 84,585</u>	<u>\$ 24,824</u>	<u>\$ 142,560</u>	<u>\$ 252,745</u>

County of Northumberland, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2019

	Law Library Fund				Forfeited Assets Fund			
	<u>Budgeted Amounts</u>			Variance with Final Budget Positive <u>(Negative)</u>	<u>Budgeted Amounts</u>			Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>		<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES								
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES								
Current:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,110	\$ (14,110)
Total expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,110	\$ (14,110)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (14,110)	\$ (14,110)
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (14,110)	\$ (14,110)
Fund balances - beginning	-	-	776	776	-	-	98,695	98,695
Fund balances - ending	\$ -	\$ -	\$ 776	\$ 776	\$ -	\$ -	\$ 84,585	\$ 84,585

Economic Development Fund					Courthouse Security Fund				
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
Original	Final				Original	Final			
\$ -	\$ -	\$ 14	\$ 14		\$ -	\$ -	\$ -	\$ -	
-	-	-	-		-	-	9,378	9,378	
\$ -	\$ -	\$ 14	\$ 14		\$ -	\$ -	\$ 9,378	\$ 9,378	
\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
\$ -	\$ -	\$ 14	\$ 14		\$ -	\$ -	\$ 9,378	\$ 9,378	
\$ -	\$ -	\$ 14	\$ 14		\$ -	\$ -	\$ 9,378	\$ 9,378	
-	-	24,810	24,810		-	-	133,182	133,182	
\$ -	\$ -	\$ 24,824	\$ 24,824		\$ -	\$ -	\$ 142,560	\$ 142,560	

County of Northumberland, Virginia  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2019

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	Agency Funds			
	Special <u>Welfare</u>	Road Improvement <u>Bond</u>	350th <u>Anniversary</u>	Tornado <u>Relief</u>
ASSETS				
Cash and cash equivalents	\$ 89,494	\$ 49,102	\$ 104	\$ 10,137
Total assets	<u>\$ 89,494</u>	<u>\$ 49,102</u>	<u>\$ 104</u>	<u>\$ 10,137</u>
LIABILITIES				
Amounts held for others	\$ -	\$ 49,102	\$ 104	\$ 10,137
Amounts held for social services clients	89,494	-	-	-
Total liabilities	<u>\$ 89,494</u>	<u>\$ 49,102</u>	<u>\$ 104</u>	<u>\$ 10,137</u>

Agency Funds					
Fallen Heroes	Animal Shelter	Project Life Saver	Sheriff's Investigative Funds	Total	
\$ 173	\$ 16,825	\$ 2,717	\$ 239	\$ 168,791	
\$ 173	\$ 16,825	\$ 2,717	\$ 239	\$ 168,791	
\$ 173	\$ 16,825	\$ 2,717	\$ 239	\$ 79,297	
-	-	-	-	\$ 89,494	
\$ 173	\$ 16,825	\$ 2,717	\$ 239	\$ 168,791	

County of Northumberland, Virginia  
Combined Statement of Changes in Assets and Liabilities - Agency Funds  
For the Year Ended June 30, 2019

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 77,993	\$ 57,575	\$ 46,074	\$ 89,494
Liabilities:				
Amounts held for social services clients	\$ 77,993	\$ 57,575	\$ 46,074	\$ 89,494
Road Improvement Bond:				
Assets:				
Cash and cash equivalents	\$ 51,386	\$ 13,716	\$ 16,000	\$ 49,102
Liabilities:				
Amounts held for others	\$ 51,386	\$ 13,716	\$ 16,000	\$ 49,102
350th Anniversary:				
Assets:				
Cash and cash equivalents	\$ 104	\$ -	\$ -	\$ 104
Liabilities:				
Amounts held for others	\$ 104	\$ -	\$ -	\$ 104
Tornado Relief:				
Assets:				
Cash and cash equivalents	\$ 10,137	\$ -	\$ -	\$ 10,137
Liabilities:				
Amounts held for others	\$ 10,137	\$ -	\$ -	\$ 10,137
Fallen Heroes:				
Assets:				
Cash and cash equivalents	\$ 173	\$ -	\$ -	\$ 173
Liabilities:				
Amounts held for others	\$ 173	\$ -	\$ -	\$ 173

County of Northumberland, Virginia  
Combined Statement of Changes in Assets and Liabilities - Agency Funds (Continued)  
For the Year Ended June 30, 2019

Animal Shelter:								
Assets:								
Cash and cash equivalents	\$	<u>8,356</u>	\$	<u>10,069</u>	\$	<u>1,600</u>	\$	<u>16,825</u>
Liabilities:								
Amounts held for others	\$	<u>8,356</u>	\$	<u>10,069</u>	\$	<u>1,600</u>	\$	<u>16,825</u>
Project Life Saver								
Assets:								
Cash and cash equivalents	\$	<u>1,206</u>	\$	<u>2,335</u>	<u>824</u>	\$	<u>2,717</u>	
Liabilities:								
Amounts held for others	\$	<u>1,206</u>	\$	<u>2,335</u>	<u>824</u>	\$	<u>2,717</u>	
Sheriff's Investigative Fund:								
Assets:								
Cash and cash equivalents	\$	<u>539</u>	\$	<u>-</u>	\$	<u>300</u>	\$	<u>239</u>
Liabilities:								
Amounts held for others	\$	<u>539</u>	\$	<u>-</u>	\$	<u>300</u>	\$	<u>239</u>
Totals -- All Agency Funds								
Assets:								
Cash and cash equivalents	\$	<u>149,894</u>	\$	<u>83,695</u>	\$	<u>64,798</u>	\$	<u>168,791</u>
Total assets	\$	<u>149,894</u>	\$	<u>83,695</u>	\$	<u>64,798</u>	\$	<u>168,791</u>
Liabilities:								
Amounts held for others	\$	<u>71,901</u>	\$	<u>26,120</u>	\$	<u>18,724</u>	\$	<u>79,297</u>
Amounts held for social services clients		<u>77,993</u>		<u>57,575</u>		<u>46,074</u>		<u>89,494</u>
Total liabilities	\$	<u>149,894</u>	\$	<u>83,695</u>	\$	<u>64,798</u>	\$	<u>168,791</u>

County of Northumberland, Virginia  
Combining Balance Sheet  
Discretely Presented Component Unit - School Board - Governmental Funds  
June 30, 2019

	School Operating <u>Fund</u>	Health Insurance Recovery <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,000	\$ 160,267	\$ -	\$ 162,267
Cash in custody of others	-	-	264,008	264,008
Due from other funds	261,698	-	-	261,698
Due from other governmental units	1,153,970	-	9,460	1,163,430
Total assets	<u>\$ 1,417,668</u>	<u>\$ 160,267</u>	<u>\$ 273,468</u>	<u>\$ 1,851,403</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 32,111	\$ -	\$ -	\$ 32,111
Accrued liabilities	1,383,557	-	-	1,383,557
Due to other funds	-	-	261,698	261,698
Total liabilities	<u>\$ 1,415,668</u>	<u>\$ -</u>	<u>\$ 261,698</u>	<u>\$ 1,677,366</u>
<b>FUND BALANCES</b>				
Committed:				
School Operating Fund	\$ 2,000	\$ -	\$ -	\$ 2,000
School Cafeteria Fund	-	-	11,770	11,770
Assigned				
Health Insurance Recovery Fund	-	160,267	-	160,267
Total fund balances	<u>\$ 2,000</u>	<u>\$ 160,267</u>	<u>\$ 11,770</u>	<u>\$ 174,037</u>
Total liabilities and fund balances	<u>\$ 1,417,668</u>	<u>\$ 160,267</u>	<u>\$ 273,468</u>	<u>\$ 1,851,403</u>

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

Total fund balances per above \$ 174,037

Capital assets used in governmental activities are not financial resources and, therefore,  
are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets, cost	\$ 11,608,835	
Accumulated depreciation	(4,861,508)	6,747,327

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

Pension related items	\$ 2,083,859	
OPEB related items	260,252	2,344,111

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

Compensated absences	\$ (351,488)	
Net pension liability	(12,760,152)	
Net OPEB liabilities	(2,559,835)	(15,671,475)

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

Pension related items	\$ (1,526,267)	
OPEB related items	(93,278)	(1,619,545)

Net position of governmental activities \$ (8,025,545)



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

	School Operating Fund	Health Insurance Recovery Fund	School Cafeteria Fund	Total Governmental Funds
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 5,373	\$ -	\$ 106	\$ 5,479
Charges for services	-	-	95,383	95,383
Miscellaneous	65,747	-	6,979	72,726
Recovered costs	314,602	-	-	314,602
Intergovernmental:				
Local government	11,570,807	-	-	11,570,807
Commonwealth	4,859,478	-	8,439	4,867,917
Federal	1,020,902	-	432,493	1,453,395
Total revenues	\$ 17,836,909	\$ -	\$ 543,400	\$ 18,380,309
<b>EXPENDITURES</b>				
Current:				
Education	\$ 17,805,593	\$ -	\$ 595,303	\$ 18,400,896
Capital projects	31,316	-	-	31,316
Total expenditures	\$ 17,836,909	\$ -	\$ 595,303	\$ 18,432,212
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (51,903)	\$ (51,903)
Net change in fund balances	\$ -	\$ -	\$ (51,903)	\$ (51,903)
Fund balances - beginning	2,000	160,267	63,673	225,940
Fund balances - ending	\$ 2,000	\$ 160,267	\$ 11,770	\$ 174,037

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ (51,903)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 121,577	
Depreciation expense	(367,708)	
Transfer of joint tenancy assets to Component Unit from Primary Government	24,909	(221,222)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds:

Decrease (increase) in compensated absences	\$ 51,575	
Pension expense	374,879	
OPEB expense	14,029	440,483

Change in net position of governmental activities \$ 167,358

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

	School Operating Fund			Variance with
	Budgeted Amounts		Actual	Final Budget
	Original	Final		Positive
				(Negative)
REVENUES				
Revenue from the use of money and property	\$ 8,500	\$ 8,500	\$ 5,373	\$ (3,127)
Miscellaneous	170,050	228,904	65,747	(163,157)
Recovered costs	370,000	370,000	314,602	(55,398)
Intergovernmental:				
Local government	11,461,969	11,650,791	11,570,807	(79,984)
Commonwealth	4,657,888	4,756,357	4,859,478	103,121
Federal	943,417	943,417	1,020,902	77,485
Total revenues	\$ 17,611,824	\$ 17,957,969	\$ 17,836,909	\$ (121,060)
EXPENDITURES				
Current:				
Education	\$ 17,564,824	\$ 17,745,069	\$ 17,805,593	\$ (60,524)
Capital projects	47,000	212,900	31,316	181,584
Total expenditures	\$ 17,611,824	\$ 17,957,969	\$ 17,836,909	\$ 121,060
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	2,000	2,000
Fund balances - ending	\$ -	\$ -	\$ 2,000	\$ 2,000

County of Northumberland, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Special Revenue Fund - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2019

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 40	\$ 40	\$ 106	\$ 66
Charges for services	121,241	121,241	95,383	(25,858)
Miscellaneous	27,072	27,072	6,979	(20,093)
Intergovernmental:				
Commonwealth	5,664	5,664	8,439	2,775
Federal	426,207	456,163	432,493	(23,670)
Total revenues	<u>\$ 580,224</u>	<u>\$ 610,180</u>	<u>\$ 543,400</u>	<u>\$ (66,780)</u>
EXPENDITURES				
Current:				
Education	\$ 580,224	\$ 610,180	\$ 595,303	\$ 14,877
Total expenditures	<u>\$ 580,224</u>	<u>\$ 610,180</u>	<u>\$ 595,303</u>	<u>\$ 14,877</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (51,903)	\$ (51,903)
Net change in fund balances	\$ -	\$ -	\$ (51,903)	\$ (51,903)
Fund balances - beginning	-	-	63,673	63,673
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,770</u>	<u>\$ 11,770</u>

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

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 15,878,016	\$ 15,878,016	\$ 16,031,674	\$ 153,658
Real and personal public service corporation taxes	296,800	296,800	305,669	8,869
Personal property taxes	2,290,000	2,290,000	2,446,364	156,364
Custom house boat taxes	450,000	450,000	545,461	95,461
Mobile home taxes	30,660	30,660	28,255	(2,405)
Machinery and tools taxes	189,000	189,000	244,582	55,582
Merchant's capital taxes	48,500	48,500	48,841	341
Penalties	105,000	105,000	130,001	25,001
Interest	60,000	60,000	99,479	39,479
Total general property taxes	\$ 19,347,976	\$ 19,347,976	\$ 19,880,326	\$ 532,350
Other local taxes:				
Local sales and use taxes	\$ 700,000	\$ 700,000	\$ 762,085	\$ 62,085
Consumers' utility taxes	340,000	340,000	337,821	(2,179)
Consumption tax	46,000	46,000	56,250	10,250
Motor vehicle licenses	360,000	360,000	373,827	13,827
Bank stock taxes	175,000	175,000	260,643	85,643
Taxes on recordation and wills	150,000	150,000	158,791	8,791
Total other local taxes	\$ 1,771,000	\$ 1,771,000	\$ 1,949,417	\$ 178,417
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 15,000	\$ 15,000	\$ 18,184	\$ 3,184
Land use application fees	2,000	2,000	2,580	580
Transfer fees	1,000	1,000	884	(116)
Permits and other licenses	79,800	79,800	90,248	10,448
Total permits, privilege fees, and regulatory licenses	\$ 97,800	\$ 97,800	\$ 111,896	\$ 14,096
Fines and forfeitures:				
Court fines and forfeitures	\$ 20,000	\$ 20,000	\$ 26,933	\$ 6,933
Revenue from use of money and property:				
Revenue from use of money	\$ 35,000	\$ 35,000	\$ 201,395	\$ 166,395
Revenue from use of property	70,000	70,000	86,137	16,137
Total revenue from use of money and property	\$ 105,000	\$ 105,000	\$ 287,532	\$ 182,532
Charges for services:				
Sheriff's fees	\$ 539	\$ 539	\$ 539	\$ -
Court costs	1,500	1,500	5,710	4,210
Courthouses maintenance fees	2,000	2,000	1,726	(274)
Charges for Commonwealth's Attorney	900	900	1,096	196
Charges for correction and detention	11,000	11,000	3,070	(7,930)
Charges for other protection	1,150	1,150	-	(1,150)
Charges for EMS	200,000	200,000	331,384	131,384
Total charges for services	\$ 217,089	\$ 217,089	\$ 343,525	\$ 126,436

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

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 140,850	\$ 140,850	\$ 115,584	\$ (25,266)
Recovered costs:				
Judge reimbursement	\$ 52,028	\$ 52,028	\$ 53,627	\$ 1,599
Health department	-	-	7,163	7,163
Game reimbursements	-	-	5,565	5,565
DMV License Agent fee	24,000	24,000	30,232	6,232
School resource officer	-	-	70,809	70,809
Other	4,800	4,800	4,800	-
Total recovered costs	\$ 80,828	\$ 80,828	\$ 172,196	\$ 91,368
Total revenue from local sources	\$ 21,780,543	\$ 21,780,543	\$ 22,887,409	\$ 1,106,866
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 380,000	\$ 380,000	\$ 324,360	\$ (55,640)
Motor vehicle carriers' tax	-	-	206	206
Mobile home titling tax	8,000	8,000	18,011	10,011
Recordation and grantors tax	57,000	57,000	55,698	(1,302)
Personal property tax relief funds	930,000	930,000	926,105	(3,895)
Additional tax on deeds	-	-	53,163	53,163
Total noncategorical aid	\$ 1,375,000	\$ 1,375,000	\$ 1,377,543	\$ 2,543
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 218,275	\$ 218,275	\$ 218,558	\$ 283
Sheriff	752,695	752,695	766,437	13,742
Commissioner of revenue	92,203	92,203	92,318	115
Treasurer	116,317	116,317	116,505	188
Registrar/electoral board	36,000	36,000	37,500	1,500
Clerk of the Circuit Court	235,535	235,535	257,396	21,861
Total shared expenses	\$ 1,451,025	\$ 1,451,025	\$ 1,488,714	\$ 37,689
Other categorical aid:				
Public assistance and welfare administration	\$ 525,867	\$ 525,867	\$ 374,114	\$ (151,753)
Animal friendly plates	-	-	183	183
Victim witness program	28,000	28,000	-	(28,000)
EMS - Four for life	12,000	12,000	31,614	19,614
Records preservation grant	-	-	21,192	21,192
Comprehensive services act	-	-	202,804	202,804
Fire programs fund	40,000	40,000	56,078	16,078
E911 wireless grant	-	-	41,121	41,121

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

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
DMV grant	\$ 6,000	\$ 6,000	\$ -	\$ (6,000)
Other grants	-	-	15,722	15,722
Total other categorical aid	\$ 611,867	\$ 611,867	\$ 742,828	\$ 130,961
Total categorical aid	\$ 2,062,892	\$ 2,062,892	\$ 2,231,542	\$ 168,650
Total revenue from the Commonwealth	\$ 3,437,892	\$ 3,437,892	\$ 3,609,085	\$ 171,193
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 787,105	\$ 787,105	\$ 781,186	\$ (5,919)
Community development block grant	-	-	5,000	5,000
Total categorical aid	\$ 787,105	\$ 787,105	\$ 786,186	\$ (919)
Total revenue from the federal government	\$ 787,105	\$ 787,105	\$ 786,186	\$ (919)
Total General Fund	\$ 26,005,540	\$ 26,005,540	\$ 27,282,680	\$ 1,277,140
Special Revenue Funds:				
Economic Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 14	\$ 14
Total Economic Development Fund	\$ -	\$ -	\$ 14	\$ 14
Courthouse Security Fund:				
Revenue from local sources:				
Charges for services:				
Courthouse security fees	\$ -	\$ -	\$ 9,378	\$ 9,378
Total Courthouse Security Fund	\$ -	\$ -	\$ 9,378	\$ 9,378
Total Primary Government	\$ 26,005,540	\$ 26,005,540	\$ 27,292,072	\$ 1,286,532

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

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 8,500	\$ 8,500	\$ 5,373	\$ (3,127)
Total revenue from use of money and property	\$ 8,500	\$ 8,500	\$ 5,373	\$ (3,127)
Miscellaneous:				
Miscellaneous	\$ 170,050	\$ 228,904	\$ 65,747	\$ (163,157)
Recovered costs:				
Medicaid reimbursements	\$ 20,000	\$ 20,000	\$ 46,067	\$ 26,067
E-rate reimbursements	120,000	120,000	50,400	(69,600)
Northern Neck Regional Special Education	200,000	200,000	200,000	-
Other recovered costs	30,000	30,000	18,135	(11,865)
Total recovered costs	\$ 370,000	\$ 370,000	\$ 314,602	\$ (55,398)
Total revenue from local sources	\$ 548,550	\$ 607,404	\$ 385,722	\$ (221,682)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Northumberland, Virginia	\$ 11,461,969	\$ 11,650,791	\$ 11,570,807	\$ (79,984)
Categorical aid:				
Share of state sales tax	\$ 1,438,863	\$ 1,438,863	\$ 1,456,948	\$ 18,085
Basic school aid	1,847,701	1,847,701	1,816,501	(31,200)
At risk 4 year olds	76,563	76,563	79,075	2,512
At risk payments	92,017	92,017	100,909	8,892
Early reading intervention	6,582	6,582	10,343	3,761
English as a second language	6,813	6,813	7,759	946
Enrollment loss	-	-	75,000	75,000
GED funding	7,859	7,859	8,355	496
Gifted and talented	17,722	17,722	17,501	(221)
Homebound	3,226	3,226	-	(3,226)
Mentor teacher program	2,689	2,689	1,032	(1,657)
Positive behavior intervention	-	34,322	34,322	-
Primary class size	92,473	92,473	101,896	9,423
Project Graduation	3,351	3,351	3,351	-
Remedial education	77,267	77,267	76,303	(964)
Remedial summer education	22,079	22,079	21,502	(577)
School fringes	346,641	346,641	349,666	3,025
Security grant	-	64,147	64,147	-
Special education	232,157	232,157	233,529	1,372
Supplemental lottery funds	90,110	90,110	127,458	37,348
Standards of Learning algebra readiness	9,554	9,554	9,554	-
Textbook payment	35,688	35,688	35,243	(445)
Technology VPSA	128,000	128,000	128,000	-
Vocational education	63,090	63,090	62,303	(787)
Vocational education - equipment	-	-	5,753	5,753
Regional programs	50,000	50,000	31,197	(18,803)
Other grants	7,443	7,443	1,831	(5,612)
Total categorical aid	\$ 4,657,888	\$ 4,756,357	\$ 4,859,478	\$ 103,121
Total revenue from the Commonwealth	\$ 4,657,888	\$ 4,756,357	\$ 4,859,478	\$ 103,121

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 466,361	\$ 466,361	\$ 468,881	\$ 2,520
Vocational education	31,592	31,592	50,908	19,316
Title IV	-	-	3,912	3,912
Title VIB	285,245	285,245	306,306	21,061
Title II Part A	64,305	64,305	74,224	9,919
JROTC grant	74,003	74,003	75,119	1,116
Title VI - rural education	21,911	21,911	41,552	19,641
Total categorical aid	\$ 943,417	\$ 943,417	\$ 1,020,902	\$ 77,485
Total revenue from the federal government	\$ 943,417	\$ 943,417	\$ 1,020,902	\$ 77,485
Total School Operating Fund	\$ 17,611,824	\$ 17,957,969	\$ 17,836,909	\$ (121,060)
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 40	\$ 40	\$ 106	\$ 66
Total revenue from use of money and property	\$ 40	\$ 40	\$ 106	\$ 66
Charges for services:				
Cafeteria sales	\$ 121,241	\$ 121,241	\$ 95,383	\$ (25,858)
Miscellaneous:				
Miscellaneous	\$ 27,072	\$ 27,072	\$ 6,979	\$ (20,093)
Total revenue from local sources	\$ 148,353	\$ 148,353	\$ 102,468	\$ (45,885)
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 5,664	\$ 5,664	\$ 8,439	\$ 2,775
Revenue from the federal government:				
Categorical aid:				
Commodities	\$ -	\$ 29,956	\$ 29,956	\$ -
School nutrition program	426,207	426,207	402,537	(23,670)
Total categorical aid	\$ 426,207	\$ 456,163	\$ 432,493	\$ (23,670)
Total revenue from the federal government	\$ 426,207	\$ 456,163	\$ 432,493	\$ (23,670)
Total School Cafeteria Fund	\$ 580,224	\$ 610,180	\$ 543,400	\$ (66,780)
Total Discretely Presented Component Unit - School Board	\$ 18,192,048	\$ 18,568,149	\$ 18,380,309	\$ (187,840)



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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 276,433	\$ 323,963	\$ 302,928	\$ 21,035
General and financial administration:				
County administrator	\$ 291,558	\$ 292,828	\$ 289,926	\$ 2,902
Information Technology	449,805	449,804	403,571	46,233
Legal services	20,000	20,000	20,000	-
Commissioner of revenue	328,748	329,926	321,291	8,635
Legislative audit	56,811	56,811	37,060	19,751
Treasurer	370,649	377,190	397,131	(19,941)
Reassessment	275,460	275,460	166,312	109,148
Total general and financial administration	\$ 1,793,031	\$ 1,802,019	\$ 1,635,291	\$ 166,728
Board of elections:				
Electoral board and officials	\$ 51,162	\$ 70,858	\$ 47,979	\$ 22,879
Registrar	101,383	101,383	95,201	6,182
Total board of elections	\$ 152,545	\$ 172,241	\$ 143,180	\$ 29,061
Total general government administration	\$ 2,222,009	\$ 2,298,223	\$ 2,081,399	\$ 216,824
Judicial administration:				
Courts:				
Circuit court	\$ 80,142	\$ 80,143	\$ 78,089	\$ 2,054
General district court	4,172	4,172	3,486	686
Victim witness protection program	50,995	51,039	48,461	2,578
Juvenile and domestic relations district court	62,333	62,333	59,348	2,985
Clerk of the circuit court	365,042	365,043	366,186	(1,143)
Total courts	\$ 562,684	\$ 562,730	\$ 555,570	\$ 7,160
Commonwealth's attorney:				
Commonwealth's attorney	\$ 334,290	\$ 334,402	\$ 333,626	\$ 776
Total judicial administration	\$ 896,974	\$ 897,132	\$ 889,196	\$ 7,936
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,461,387	\$ 2,619,347	\$ 2,543,569	\$ 75,778
Fire and rescue services:				
Fire department	\$ 487,802	\$ 501,702	\$ 461,833	\$ 39,869
Ambulance and rescue services	1,513,908	1,740,310	1,548,343	191,967
Total fire and rescue services	\$ 2,001,710	\$ 2,242,012	\$ 2,010,176	\$ 231,836
Inspections:				
Building	\$ 249,614	\$ 249,614	\$ 217,040	\$ 32,574

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 235,286	\$ 235,286	\$ 231,398	\$ 3,888
Emergency services	160,970	160,970	152,539	8,431
Medical examiner	350	350	1,240	(890)
Total other protection	\$ 396,606	\$ 396,606	\$ 385,177	\$ 11,429
Total public safety	\$ 5,109,317	\$ 5,507,579	\$ 5,155,962	\$ 351,617
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Streetlights	\$ 18,360	\$ 18,360	\$ 19,399	\$ (1,039)
Sanitation and waste removal:				
Refuse disposal	\$ 10,000	\$ 10,000	\$ 9,537	\$ 463
Refuse collection	1,091,387	1,146,387	1,334,767	(188,380)
Total sanitation and waste removal	\$ 1,101,387	\$ 1,156,387	\$ 1,344,304	\$ (187,917)
Maintenance of general buildings and grounds:				
General properties	\$ 253,801	\$ 253,802	\$ 267,751	\$ (13,949)
Total public works	\$ 1,373,548	\$ 1,428,549	\$ 1,631,454	\$ (202,905)
Health and welfare:				
Health:				
Supplement of local health department	\$ 177,160	\$ 177,160	\$ 177,160	\$ -
Mental health and mental retardation:				
Community services board	\$ 46,196	\$ 46,196	\$ 46,196	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,997,672	\$ 2,059,427	\$ 1,585,226	\$ 474,201
Comprehensive services act	221,130	221,130	379,897	(158,767)
Other Social Services	190,149	190,149	274,862	(84,713)
Total welfare	\$ 2,408,951	\$ 2,470,706	\$ 2,239,985	\$ 230,721
Total health and welfare	\$ 2,632,307	\$ 2,694,062	\$ 2,463,341	\$ 230,721
Education:				
Other instructional costs:				
Contributions to Community College	\$ 8,925	\$ 8,925	\$ 8,925	\$ -
Adult education	4,467	4,467	4,467	-
Contribution to County School Board	11,461,969	11,650,791	11,570,807	79,984
Total education	\$ 11,475,361	\$ 11,664,183	\$ 11,584,199	\$ 79,984
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 50,000	\$ 179,000	\$ 179,000	\$ -

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

Schedule 2  
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Library:				
Contribution to county library	\$ 143,263	\$ 143,263	\$ 143,263	\$ -
Total parks, recreation, and cultural	\$ 193,263	\$ 322,263	\$ 322,263	\$ -
Community development:				
Planning and community development:				
Planning and zoning	\$ 231,261	\$ 233,993	\$ 211,705	\$ 22,288
Economic development	61,000	36,000	33,276	2,724
Planning district commission	14,500	14,500	13,462	1,038
Total planning and community development	\$ 306,761	\$ 284,493	\$ 258,443	\$ 26,050
Environmental management:				
Contribution to soil and water conservation district	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Wetlands	17,889	17,889	20,595	(2,706)
Forestry	5,243	5,700	5,700	-
Total environmental management	\$ 38,132	\$ 38,589	\$ 41,295	\$ (2,706)
Cooperative extension program:				
Extension office	\$ 59,716	\$ 59,716	\$ 38,151	\$ 21,565
Total community development	\$ 404,609	\$ 382,798	\$ 337,889	\$ 44,909
Capital projects:				
County owned facilities	\$ 75,000	\$ 75,000	\$ 17,862	\$ 57,138
Debt service:				
Principal retirement	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ -
Interest and other fiscal charges	1,028,678	1,028,678	1,029,378	(700)
Total debt service	\$ 2,028,678	\$ 2,028,678	\$ 2,029,378	\$ (700)
Total General Fund	\$ 26,411,066	\$ 27,298,467	\$ 26,512,943	\$ 785,524
Special Revenue Funds:				
Forfeited Assets Fund:				
Public safety:				
Sheriff:				
Forfeited assets	\$ -	\$ -	\$ 7,689	\$ (7,689)
Commonwealth Attorney:				
Forfeited assets	\$ -	\$ -	\$ 6,421	\$ (6,421)
Total Forfeited Assets Fund	\$ -	\$ -	\$ 14,110	\$ (14,110)
Total Primary Government	\$ 26,411,066	\$ 27,298,467	\$ 26,527,053	\$ 771,414

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

Schedule 2  
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 870,642	\$ 870,642	\$ 864,156	\$ 6,486
Instruction costs	12,906,356	12,965,008	13,046,254	(81,246)
Pupil transportation	1,127,421	1,127,421	1,253,758	(126,337)
Operation and maintenance of school plant	1,864,557	1,986,150	1,846,015	140,135
Technology	795,848	795,848	795,410	438
Other operating costs	\$ 17,564,824	\$ 17,745,069	\$ 17,805,593	\$ (60,524)
Total education	\$ 17,564,824	\$ 17,745,069	\$ 17,805,593	\$ (60,524)
Capital projects:				
Capital Outlay	\$ 47,000	\$ 212,900	\$ 31,316	\$ 181,584
Total School Operating Fund	\$ 17,611,824	\$ 17,957,969	\$ 17,836,909	\$ 121,060
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
School food	\$ 580,224	\$ 610,180	\$ 595,303	\$ 14,877
Total School Cafeteria Fund	\$ 580,224	\$ 610,180	\$ 595,303	\$ 14,877
Total Discretely Presented Component Unit - School Board	\$ 18,192,048	\$ 18,568,149	\$ 18,432,212	\$ 135,937

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Sanitary District	Total
2009-10	\$ 1,284,916	\$ 925,689	\$ 3,153,464	\$ 1,165,665	\$ 1,965,340	\$ 7,882,786	\$ 160,000	\$ 249,496	\$ 1,805,133	\$ 799,163	\$ 19,391,652
2010-11	1,449,612	1,885,783	3,112,797	1,239,359	2,113,100	10,152,027	160,000	356,559	1,747,492	804,516	23,021,245
2011-12	1,575,956	809,001	3,192,554	1,197,769	2,108,697	9,613,564	160,000	866,569	1,681,962	805,077	22,011,149
2012-13	1,887,494	748,238	3,340,665	1,209,904	1,991,739	11,598,124	161,418	754,292	1,608,524	836,447	24,136,845
2013-14	1,745,031	729,034	3,489,876	1,341,207	2,034,759	13,264,282	160,216	632,469	1,565,816	780,519	25,743,209
2014-15	1,752,971	668,958	3,638,800	1,261,806	2,254,600	10,703,493	234,380	392,796	1,509,002	912,461	23,329,267
2015-16	1,565,248	787,486	4,167,123	1,373,510	2,381,542	14,239,193	193,173	359,072	1,542,994	1,065,484	27,674,825
2016-17	1,553,729	963,843	4,306,715	1,480,539	2,373,831	11,771,380	191,995	368,178	1,101,641	1,096,077	25,207,928
2017-18	1,573,195	914,671	4,275,981	1,478,033	2,393,486	12,723,019	232,225	334,174	944,956	1,001,468	25,871,208
2018-19	2,044,349	893,461	4,590,304	1,636,075	2,429,433	12,744,896	322,613	360,106	894,562	1,115,713	26,892,628

County of Northumberland, Virginia  
Government-Wide Revenues  
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs			
2009-10	\$ 527,391	\$ 2,759,311	\$ -	\$ -	\$ 15,020,712	\$ 1,756,737	\$ 234,120	\$ 346,648	\$ 1,394,902	\$	\$	22,039,821
2010-11	534,321	2,948,734	-	-	15,295,156	1,693,183	232,707	245,832	1,430,443			22,380,376
2011-12	561,706	2,605,285	560,885		15,443,129	1,731,687	182,448	170,499	1,379,120			22,634,759
2012-13	612,221	2,507,321	298,775		16,199,114	1,749,597	170,617	233,532	1,440,348			23,211,525
2013-14	590,151	2,707,605	138,084		16,291,941	1,787,209	157,150	139,608	1,430,889			23,242,637
2014-15	582,684	2,926,608	137,940		17,085,338	1,853,559	148,763	59,502	1,430,436			24,224,830
2015-16	520,600	3,107,559	-		17,109,646	1,812,625	135,194	176,920	1,431,224			24,293,768
2016-17	719,838	3,140,722	-		18,905,618	1,860,367	144,597	186,909	1,454,303			26,412,354
2017-18	1,044,413	3,270,979	-		19,516,880	1,905,317	165,219	157,041	1,457,415			27,517,264
2018-19	1,110,329	3,017,728	-		20,039,580	1,949,417	287,546	160,385	1,377,543			27,942,528

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

Fiscal Year	General				Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural			Debt Service	Total
	Government Administration	Judicial Administration	Public	Education (2)				Community Development				
2009-10	\$ 1,227,526	\$ 831,469	\$ 3,070,468	\$ 1,178,666	\$ 1,949,423	\$ 15,133,600	\$ 160,000	\$ 366,703	\$ 2,965,494	\$ 26,883,349		
2010-11	1,449,459	750,685	3,183,692	1,258,125	2,110,973	14,929,147	160,000	365,561	2,945,797	27,153,439		
2011-12	1,303,952	799,970	3,214,223	1,212,832	2,094,948	15,549,789	160,000	399,377	2,918,399	27,653,490		
2012-13	1,611,371	746,282	3,761,020	1,209,452	2,026,063	15,803,625	160,000	434,021	2,716,454	28,468,288		
2013-14	1,525,218	726,972	3,592,050	1,343,060	2,041,404	15,929,537	160,000	398,097	2,701,296	28,417,634		
2014-15	1,465,848	703,337	4,384,453	1,278,360	2,245,848	16,346,444	233,132	370,274	2,384,030	29,411,726		
2015-16	1,700,773	742,368	4,565,904	1,379,597	2,396,073	16,923,056	193,263	355,043	2,332,679	30,588,756		
2016-17	1,540,938	841,441	4,172,472	1,487,091	2,459,477	16,649,355	193,263	367,975	1,727,528	29,439,540		
2017-18	1,590,404	860,773	4,683,605	1,491,756	2,458,919	17,941,925	193,263	337,495	2,028,615	31,586,755		
2018-19	2,081,399	889,196	5,170,072	1,631,454	2,463,341	18,414,288	322,263	337,889	2,029,378	33,339,280		

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

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

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and			Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
					Property							
2009-10	\$ 14,896,149	\$ 1,756,737	\$ 137,646	\$ 29,883	\$ 231,790	\$ 274,183	\$ 507,538	\$ 103,838	\$ 9,897,347	\$ 27,835,111		
2010-11	15,151,420	1,693,183	138,534	23,951	232,690	251,972	353,815	115,436	9,935,375	27,896,376		
2011-12	15,503,870	1,731,687	134,362	30,603	182,269	215,937	276,157	102,261	9,293,353	27,470,499		
2012-13	16,134,615	1,749,597	127,195	27,611	169,793	197,537	359,880	102,265	8,904,032	27,772,525		
2013-14	16,246,598	1,787,209	107,766	28,476	156,447	149,392	353,604	111,246	9,100,199	28,040,937		
2014-15	17,102,085	1,853,559	112,582	27,675	154,421	162,050	291,499	124,422	10,167,053	29,995,346		
2015-16	17,175,133	1,812,625	102,714	20,871	142,032	187,144	312,655	393,090	9,939,582	30,085,846		
2016-17	18,802,915	1,860,367	105,581	33,817	147,492	298,605	138,069	239,059	10,132,755	31,758,660		
2017-18	19,536,736	1,905,317	128,861	35,607	167,873	482,714	131,516	814,557	10,413,030	33,616,211		
2018-19	19,880,326	1,949,417	111,896	26,933	293,025	448,286	188,310	486,798	10,716,583	34,101,574		

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

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



Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2009-10	\$ 15,769,623	\$ 15,429,741	97.84%	\$ 242,026	\$ 15,671,767	99.38%	\$ 508,662	3.23%
2010-11	16,041,437	15,693,936	97.83%	256,693	15,950,629	99.43%	560,820	3.50%
2011-12	16,275,738	15,971,392	98.13%	294,244	16,265,636	99.94%	561,257	3.45%
2012-13	16,995,677	16,679,439	98.14%	203,352	16,882,791	99.34%	647,572	3.81%
2013-14	17,106,506	16,736,919	97.84%	261,762	16,998,681	99.37%	710,759	4.15%
2014-15	17,840,566	17,569,040	98.48%	273,210	17,842,250	100.01%	685,239	3.84%
2015-16	17,941,860	17,621,608	98.22%	281,548	17,903,156	99.78%	647,344	3.61%
2016-17	19,591,804	19,169,559	97.84%	401,482	19,571,041	99.89%	610,191	3.11%
2017-18	20,239,412	19,933,512	98.49%	363,644	20,297,156	100.29%	725,861	3.59%
2018-19	20,520,510	20,193,277	98.41%	390,812	20,584,089	100.31%	786,872	3.83%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Machinery and Tools	Merchant's Capital	Public Utility (2)	Total
2009-10	\$ 3,011,546,185	\$ 102,709,252	\$ 2,318,911	\$ 4,641,003	\$ 32,584,722	\$ 3,153,800,073
2010-11	3,047,497,890	106,808,354	2,688,648	5,243,876	36,317,490	3,198,556,258
2011-12	3,080,451,758	106,163,570	5,161,162	4,939,229	45,441,422	3,242,157,141
2012-13	3,091,570,771	105,462,100	4,893,424	4,567,724	41,926,278	3,248,420,297
2013-14	3,120,026,152	105,379,492	5,828,476	4,685,002	45,044,045	3,280,963,167
2014-15	2,805,775,428	106,938,812	5,468,822	4,821,578	45,154,586	2,968,159,226
2015-16	2,810,608,837	107,339,101	5,349,593	5,015,304	47,412,637	2,975,725,472
2016-17	2,831,421,491	109,539,932	5,763,066	4,889,664	50,513,573	3,002,127,726
2017-18	2,845,060,107	111,077,054	5,269,889	4,971,022	53,156,984	3,019,535,056
2018-19	2,855,073,442	116,259,000	6,792,540	4,887,523	54,583,803	3,037,596,308

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

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

Table 7

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

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Merchant's Capital	Machinery and Tools
2009-10	\$ 0.40	\$ 0.40	\$ 3.60	\$ 1.00	\$ 3.60
2010-11	0.40	0.40	3.60	1.00	3.60
2011-12	0.40	0.40	3.60	1.00	3.60
2012-13	0.40	0.40	3.60	1.00	3.60
2013-14	0.42	0.42	3.60	1.00	3.60
2014-15	0.49	0.49	3.60	1.00	3.60
2015-16	0.49	0.49	3.60	1.00	3.60
2016-17	0.54	0.54	3.60	1.00	3.60
2017-18	0.56	0.56	3.60	1.00	3.60
2018-19	0.56	0.56	3.60	1.00	3.60

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2009-10	12,330	\$ 3,153,800,073	\$ 1,353,874	0.04%	\$ 110
2010-11	12,330	3,198,556,258	1,006,775	0.03%	82
2011-12	12,330	3,242,157,141	615,000	0.02%	50
2012-13	12,330	3,248,420,297	310,000	0.01%	25
2013-14	12,330	3,280,963,167	-	0.00%	-
2014-15	12,330	2,968,159,226	-	0.00%	-
2015-16	12,330	2,975,725,472	29,580,000	0.99%	2,399
2016-17	12,330	3,002,127,726	29,580,000	0.99%	2,399
2017-18	12,330	3,019,535,056	28,630,000	0.95%	2,322
2018-19	12,330	3,037,596,308	27,630,000	0.91%	2,241

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

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

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



ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Northumberland Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County of Northumberland, Virginia's basic financial statements, and have issued our report thereon dated November 22, 2019.

#### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 County of Northumberland, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

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

A handwritten signature in black ink, appearing to read "D. F. Cox", followed by a long horizontal line.

Richmond, Virginia  
November 22, 2019



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

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

Report on Compliance for Each Major Federal Program

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

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

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

## Report on Internal Control over Compliance

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

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

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

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



Richmond, Virginia  
November 22, 2019



County of Northumberland, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950118/0950119	\$ 14,056
Temporary Assistance for Needy Families (TANF Cluster)	93.558	0400118/0400119	104,416
Refugee and Entrant Assistance - State Administered Programs	93.566	0500118/0500119	59
Low-income Home Energy Assistance	93.568	0600418/00600419	16,541
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596	0760118/0760119	19,285
Adoption Incentive Payments	93.603	1150118/1150119	3,000
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900118/090119	115
Foster Care - Title IV-E	93.658	1100118/1100119	63,702
Adoption Assistance	93.659	1150118/1150119	96,114
Social Services Block Grant	93.667	1000118/1000119	83,550
Chafee Foster Care Independence Program	93.674	9150118/9150119	880
Children's Health Insurance Program	93.767	0540118/0540119	4,351
Medical Assistance Program (Medicaid Cluster)	93.778	1200118/1200119	198,505
Total Department of Health and Human Services			<u>\$ 604,574</u>
Department of Housing and Urban Development:			
Pass Through Payments:			
<i>Department of Housing and Community Development:</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	53305-50799	<u>\$ 5,000</u>
Department of Defense:			
Direct payments:			
Jr ROTC	12.u01	N/A	<u>\$ 75,119</u>
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
<i>Department of Agriculture:</i>			
Food Distribution - Summer Food Service Program for Children	10.559	unavailable	\$ 378
<i>Department of Health:</i>			
Summer Food Service Program for Children	10.559	unavailable	<u>13,457</u> \$ 13,835
<i>Department of Agriculture:</i>			
Food Distribution - National School Lunch Program	10.555	17901-45707	\$ 29,578
<i>Department of Education:</i>			
National School Lunch Program	10.555	17901-40623	<u>295,645</u> 325,223
School Breakfast Program	10.553	17901-40591	<u>93,435</u>
Total Child Nutrition Cluster			<u>\$ 432,493</u>

County of Northumberland, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Agriculture: (Continued)			
Pass Through Payments: (Continued)			
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010115/0010116	176,611
Total Department of Agriculture			\$ 609,104
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 468,882
Special Education - Grants to States (Special Education Cluster (IDEA))	84.027	17901-43071	306,306
Career and Technical Education - Basic Grants to States	84.048	17901-61095	50,908
Rural Education	84.358	17901-43481	41,552
Supporting Effective Instruction State Grant	84.367	17901-61480	74,224
Student Support and Academic Enrichment Program	84.424	S424A170048	3,912
Total Department of Education			\$ 945,784
Total Expenditures of Federal Awards			\$ 2,239,581

See accompanying notes to schedule of expenditures of federal awards.

County of Northumberland, Virginia  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

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Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 786,186
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Component Unit School Board:

School Operating Fund	\$ 1,020,902
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School Cafeteria Fund	432,493
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Total Component Unit School Board	<u>\$ 1,453,395</u>
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Total expenditures of federal awards per basic financial statements	<u>\$ 2,239,581</u>
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Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u>\$ 2,239,581</u>
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Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

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

County of Northumberland, Virginia  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

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Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes ✓ no

Significant deficiency(ies) identified? \_\_\_\_\_ yes ✓ none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes ✓ no

Significant deficiency(ies) identified? \_\_\_\_\_ yes ✓ none reported

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

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

Identification of major programs:

CFDA Number(s)  
84.010

Name of Federal Program or Cluster  
Title I, Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? ✓ yes \_\_\_\_\_ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Northumberland, Virginia  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2019

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There were no prior audit findings.