

COUNTY OF NORTHUMBERLAND, VIRGINIA



ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016

COUNTY OF NORTHUMBERLAND, VIRGINIA

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Board of Supervisors

Ronald L. Jett, Chairperson

Richard F. Haynie
Thomas H. Tomlin

Arthur J. Self, Sr.
James M. Long

School Board

Gayle Sterrett, Chairperson

Betty Christopher
Dana O'bier

Gerald Howard
Dean Sumner

Board of Social Services

Thomas Tomlin, Chairperson

Sharon Fisher

Nancy Vanlandingham

Other Officials

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.....	Rebecca Gates
Director of Social Services	Jackie Clayton
Commissioner of the Revenue	Todd E. Thomas
County Administrator	E. Luttrell Tadlock

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ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

**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, 2016, 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, 2016, 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 1 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 72, *Fair Value Measurement and Application*, 79 *Certain External Investment Pools and Pool Participants*, and 82 *Pension Issues - an amendment of GASB Statement No. 67, No. 68, and No. 73*. 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, 83, and 84-89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Northumberland, Virginia's internal control over financial reporting and compliance.

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

Richmond, Virginia
December 8, 2016

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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, 2016. 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 \$11,387,896 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other uses in excess of revenues and other financing sources of \$942,927 (Exhibit 5) after making contributions totaling \$10,897,293 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$3,977,704, a decrease of \$942,927 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,373,428, or 14% of total general fund expenditures and other uses, excluding bond refunding uses.
- < The combined long-term obligations decreased \$439,890 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 \$11,387,896 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	
	2016	2015	2016	2015	2016	2015
Current and other assets \$	6,049,082	\$ 7,142,798	\$ 95,031	\$ (254,525)	\$ 6,144,113	\$ 6,888,273
Capital assets	38,328,107	41,536,777	5,865,828	6,144,540	44,193,935	47,681,317
Total assets	\$ 44,377,189	\$ 48,679,575	\$ 5,960,859	\$ 5,890,015	\$ 50,338,048	\$ 54,569,590
Deferred outflows of resources	\$ 717,877	\$ 396,443	\$ 13,764	\$ 13,179	\$ 731,641	\$ 409,622
Current liabilities	\$ 1,642,488	\$ 1,914,221	\$ 29,123	\$ -	\$ 1,671,611	\$ 1,914,221
Long-term liabilities outstanding	34,758,130	35,097,290	2,604,059	2,277,450	37,362,189	37,374,740
Total liabilities	\$ 36,400,618	\$ 37,011,511	\$ 2,633,182	\$ 2,277,450	\$ 39,033,800	\$ 39,288,961
Deferred inflows of resources	\$ 627,937	\$ 887,748	\$ 20,056	\$ 33,551	\$ 647,993	\$ 921,299
Net position:						
Net investment in capital assets	\$ 5,589,708	\$ 8,183,150	\$ 3,319,828	\$ 3,496,540	\$ 8,909,536	\$ 11,679,690
Restricted	350,350	311,264	-	-	350,350	311,264
Unrestricted	2,126,453	2,682,345	1,557	95,653	2,128,010	2,777,998
Total net position	\$ 8,066,511	\$ 11,176,759	\$ 3,321,385	\$ 3,592,193	\$ 11,387,896	\$ 14,768,952

Government-wide Financial Analysis (Continued)

The County's net position decreased by \$3,381,056 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Northumberland, Virginia's Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 145,818	\$ 156,653	\$ 374,782	\$ 426,031	\$ 520,600	\$ 582,684
Operating grants and contributions	3,107,559	2,926,608	-	-	3,107,559	2,926,608
Capital grants and contributions	-	137,940	-	-	-	137,940
General revenues:						
General property taxes	17,109,646	17,085,338	-	-	17,109,646	17,085,338
Other local taxes	1,812,625	1,853,559	-	-	1,812,625	1,853,559
Grants and other contributions not restricted	1,431,224	1,430,436	-	-	1,431,224	1,430,436
Other general revenues	283,498	200,685	28,617	7,580	312,115	208,265
Transfers	(391,277)	(184,156)	391,277	184,156	-	-
Total revenues	\$ 23,499,093	\$ 23,607,063	\$ 794,676	\$ 617,767	\$ 24,293,769	\$ 24,224,830
Expenses:						
General government administration	\$ 1,565,248	\$ 1,752,971	\$ -	\$ -	\$ 1,565,248	\$ 1,752,971
Judicial administration	787,486	668,958	-	-	787,486	668,958
Public safety	4,167,123	3,638,800	-	-	4,167,123	3,638,800
Public works	1,373,510	1,261,806	-	-	1,373,510	1,261,806
Health and welfare	2,381,542	2,254,600	-	-	2,381,542	2,254,600
Education	14,239,193	10,703,493	-	-	14,239,193	10,703,493
Parks, recreation, and cultural	193,173	234,380	-	-	193,173	234,380
Community development	359,072	392,796	-	-	359,072	392,796
Interest and other fiscal charges	1,542,994	1,509,002	-	-	1,542,994	1,509,002
Utilities	-	-	1,065,484	912,461	1,065,484	912,461
Total expenses	\$ 26,609,341	\$ 22,416,806	\$ 1,065,484	\$ 912,461	\$ 27,674,825	\$ 23,329,267
Change in net position	\$ (3,110,248)	\$ 1,190,257	\$ (270,808)	\$ (294,694)	\$ (3,381,056)	\$ 895,563
Net position, beginning of year as restated	11,176,759	9,986,502	3,592,193	3,886,887	14,768,952	13,873,389
Net position, end of year	\$ 8,066,511	\$ 11,176,759	\$ 3,321,385	\$ 3,592,193	\$ 11,387,896	\$ 14,768,952

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 \$3,977,704, a decrease of \$942,927 in comparison with the prior year. Approximately 85% of this total amount 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 \$1,557. The total decrease in net position was \$270,808. 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 \$504,562. Expenditures and other uses were more than budgetary estimates by \$331,553, resulting in a positive variance of \$173,009.

Capital Asset and Debt Administration

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2016 amounts to \$38,328,107 (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 \$33,051,000 (excludes bond premium). Of this amount, \$29,580,000 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., lease/revenue bonds and revenue bonds).

The County's total debt outstanding decreased by \$2,587,000 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 2017 fiscal year.

The fiscal year 2017 budget increased approximately 2%. All tax rates remained the same except for real estate rate which increased to \$0.54 from \$0.49 per \$100 of assessed value.

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.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Northumberland, Virginia
Statement of Net Position
June 30, 2016

	Primary Government			Component
	Governmental	Business-type		Unit
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>School Board</u>
ASSETS				
Cash and cash equivalents	\$ 4,779,872	\$ 41,358	\$ 4,821,230	\$ 162,267
Cash in custody of others	-	-	-	74,465
Receivables (net of allowance for uncollectibles):				
Taxes receivable	669,142	-	669,142	-
Accounts receivable	72,351	53,673	126,024	-
Notes receivable	10,345	-	10,345	-
Internal balances	-	-	-	-
Due from other governmental units	517,372	-	517,372	1,625,149
Capital assets (net of accumulated depreciation):				
Land and land improvements	894,628	98,924	993,552	23,929
Buildings and improvements	36,295,605	5,766,904	42,062,509	6,952,691
Machinery and equipment	1,137,874	-	1,137,874	354,107
Total assets	<u>\$ 44,377,189</u>	<u>\$ 5,960,859</u>	<u>\$ 50,338,048</u>	<u>\$ 9,192,608</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	\$ 299,243	\$ -	\$ 299,243	\$ -
Pension contributions subsequent to measurement date	418,634	13,764	432,398	1,281,782
Difference in actual and expected experience for pension liability	-	-	-	45,792
Changes in proportionate share of net pension liability	-	-	-	644,000
Total deferred outflow of resources	<u>\$ 717,877</u>	<u>\$ 13,764</u>	<u>\$ 731,641</u>	<u>\$ 1,971,574</u>
LIABILITIES				
Accounts payable	\$ 122,661	\$ 29,123	\$ 151,784	\$ 123,193
Accrued liabilities	20,085	-	20,085	1,475,434
Accrued interest payable	205,926	-	205,926	-
Due to other governmental units	1,293,816	-	1,293,816	-
Long-term liabilities:				
Due within one year	942,917	105,000	1,047,917	40,790
Due in more than one year	33,815,213	2,499,059	36,314,272	14,101,763
Total liabilities	<u>\$ 36,400,618</u>	<u>\$ 2,633,182</u>	<u>\$ 39,033,800</u>	<u>\$ 15,741,180</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 54,967	\$ -	\$ 54,967	\$ -
Items related to measurement of net pension liability	572,970	20,056	593,026	1,056,110
Total deferred inflows of resources	<u>\$ 627,937</u>	<u>\$ 20,056</u>	<u>\$ 647,993</u>	<u>\$ 1,056,110</u>
NET POSITION				
Net investment in capital assets	\$ 5,589,708	\$ 3,319,828	\$ 8,909,536	\$ 7,330,727
Restricted	350,350	-	350,350	-
Unrestricted (deficit)	2,126,453	1,557	2,128,010	(12,963,835)
Total net position	<u>\$ 8,066,511</u>	<u>\$ 3,321,385</u>	<u>\$ 11,387,896</u>	<u>\$ (5,633,108)</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, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Primary Government		Component Unit
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,565,248	\$ -	\$ 250,290	\$ -	\$ (1,314,958)	\$ (1,314,958)	
Judicial administration	787,486	19,971	517,418	-	(250,097)	(250,097)	
Public safety	4,167,123	125,847	937,545	-	(3,103,731)	(3,103,731)	
Public works	1,373,510	-	-	-	(1,373,510)	(1,373,510)	
Health and welfare	2,381,542	-	1,382,552	-	(998,990)	(998,990)	
Education	14,239,193	-	-	-	(14,239,193)	(14,239,193)	
Parks, recreation, and cultural	193,173	-	-	-	(193,173)	(193,173)	
Community development	359,072	-	19,754	-	(339,318)	(339,318)	
Interest on long-term debt	1,542,994	-	-	-	(1,542,994)	(1,542,994)	
Total governmental activities	\$ 26,609,341	\$ 145,818	\$ 3,107,559	\$ -	\$ (23,355,964)	\$ (23,355,964)	
Business-type activities:							
Sanitary District	\$ 1,065,484	\$ 374,782	\$ -	\$ -	\$ (690,702)	\$ (690,702)	
Total business-type activities	\$ 1,065,484	\$ 374,782	\$ -	\$ -	\$ (690,702)	\$ (690,702)	
Total primary government	\$ 27,674,825	\$ 520,600	\$ 3,107,559	\$ -	\$ (24,046,666)	\$ (24,046,666)	
COMPONENT UNIT:							
School Board	\$ 17,210,963	\$ 164,911	\$ 5,595,799	\$ -	\$ (11,450,253)	\$ (11,450,253)	
Total component unit	\$ 17,210,963	\$ 164,911	\$ 5,595,799	\$ -	\$ (11,450,253)	\$ (11,450,253)	
General revenues:							
General property taxes		\$ 17,109,646	\$ -	\$ 17,109,646	\$ -	\$ -	
Other local taxes:							
Local sales and use taxes		695,920	-	695,920	-	-	
Motor vehicle licenses		358,666	-	358,666	-	-	
Taxes on recordation and wills		156,812	-	156,812	-	-	
Consumer's utility taxes		345,599	-	345,599	-	-	
Bank stock taxes		202,320	-	202,320	-	-	
Other local taxes		53,308	-	53,308	-	-	
Unrestricted revenues from use of money and property		135,194	-	135,194	-	6,838	
Miscellaneous		148,304	-	148,304	28,617	164,351	
Contributions from Northumberland County		-	-	-	-	13,239,285	
Grants and contributions not restricted to specific programs		1,431,224	-	-	-	-	
Transfers		(391,277)	391,277	-	-	-	
Total general revenues and transfers		\$ 20,245,716	\$ 419,894	\$ 20,665,610	\$ 13,410,474	\$ 13,410,474	
Change in net position		\$ (3,110,248)	\$ (270,808)	\$ (3,381,056)	\$ 1,960,221	\$ 1,960,221	
Net position - beginning, as restated		11,176,759	3,592,193	14,768,952	(7,593,329)	(7,593,329)	
Net position - ending		\$ 8,066,511	\$ 3,321,385	\$ 11,387,896	\$ (5,633,108)	\$ (5,633,108)	

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

FUND FINANCIAL STATEMENTS

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County of Northumberland, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

	General <u>Fund</u>	County Capital Projects <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 4,239,776	\$ 274,818	\$ 265,278	\$ 4,779,872
Receivables (net of allowance for uncollectibles):				
Taxes receivable	669,142	-	-	669,142
Accounts receivable	71,086	-	1,265	72,351
Notes receivable		-	10,345	10,345
Due from other governmental units	517,372		-	517,372
Total assets	<u>\$ 5,497,376</u>	<u>\$ 274,818</u>	<u>\$ 276,888</u>	<u>\$ 6,049,082</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 122,661	\$ -	\$ -	\$ 122,661
Accrued liabilities	20,085	-	-	20,085
Due to other governmental units	1,293,816	-	-	1,293,816
Total liabilities	<u>\$ 1,436,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,436,562</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	\$ 634,816	\$ -	\$ -	\$ 634,816
Total deferred inflows of resources	<u>\$ 634,816</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 634,816</u>
Fund balances:				
Restricted	\$ 52,570	\$ 20,892	\$ 276,888	350,350
Committed	-	253,926	-	253,926
Unassigned	3,373,428	-	-	3,373,428
Total fund balances	<u>\$ 3,425,998</u>	<u>\$ 274,818</u>	<u>\$ 276,888</u>	<u>\$ 3,977,704</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,497,376</u>	<u>\$ 274,818</u>	<u>\$ 276,888</u>	<u>\$ 6,049,082</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, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	3,977,704
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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	\$ 49,756,683		
Accumulated depreciation	(11,428,576)		38,328,107

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

Unavailable property taxes	\$ 579,849		
Deferred charges on refunding	299,243		
Items related to measurement of net pension liability	(572,970)		306,122

Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds.		418,634
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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	\$ (30,505,000)		
Bond premium	(2,532,642)		
Net OPEB obligation	(162,270)		
Accrued interest payable	(205,926)		
Net pension liability	(1,379,053)		
Compensated absences	(179,165)		(34,964,056)

Net position of governmental activities	\$	<u>8,066,511</u>
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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, 2016

	<u>General</u> <u>Fund</u>	<u>County</u> <u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 17,175,133	\$ -	\$ -	\$ 17,175,133
Other local taxes	1,812,625	-	-	1,812,625
Permits, privilege fees, and regulatory licenses	102,714	-	-	102,714
Fines and forfeitures	20,871	-	-	20,871
Revenue from the use of money and property	135,179	-	15	135,194
Charges for services	7,807	-	14,426	22,233
Miscellaneous	148,204	-	100	148,304
Recovered costs	109,792	-	-	109,792
Intergovernmental:				
Commonwealth	3,789,386	-	537	3,789,923
Federal	748,860	-	-	748,860
Total revenues	<u>\$ 24,050,571</u>	<u>\$ -</u>	<u>\$ 15,078</u>	<u>\$ 24,065,649</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,700,773	\$ -	\$ -	\$ 1,700,773
Judicial administration	742,368	-	-	742,368
Public safety	4,540,066	-	25,838	4,565,904
Public works	1,379,597	-	-	1,379,597
Health and welfare	2,396,073	-	-	2,396,073
Education	10,914,193	-	-	10,914,193
Parks, recreation, and cultural	193,263	-	-	193,263
Community development	355,043	-	-	355,043
Capital projects	37,406	-	-	37,406
Debt service:				
Principal retirement	880,000	-	-	880,000
Interest and other fiscal charges	1,452,679	-	-	1,452,679
Total expenditures	<u>\$ 24,591,461</u>	<u>\$ -</u>	<u>\$ 25,838</u>	<u>\$ 24,617,299</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (540,890)</u>	<u>\$ -</u>	<u>\$ (10,760)</u>	<u>\$ (551,650)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (391,277)	\$ -	\$ -	\$ (391,277)
Issuance of lease revenue bonds	29,580,000	-	-	29,580,000
Bond premium	2,532,642	-	-	2,532,642
Payment to refunded bond escrow agent	(31,847,870)	-	-	(31,847,870)
Bond issuance costs	(264,772)	-	-	(264,772)
Total other financing sources (uses)	<u>\$ (391,277)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (391,277)</u>
Net change in fund balances	\$ (932,167)	\$ -	\$ (10,760)	\$ (942,927)
Fund balances - beginning, as restated	4,358,165	274,818	287,648	4,920,631
Fund balances - ending	<u>\$ 3,425,998</u>	<u>\$ 274,818</u>	<u>\$ 276,888</u>	<u>\$ 3,977,704</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, 2016

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

Net change in fund balances - total governmental funds	\$	(942,927)
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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	\$ 641,658	
Depreciation expense	(1,499,757)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>(2,341,992)</u>	(3,200,091)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, disposals and donations) is to decrease net position.		(8,579)
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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	\$ (65,487)	
Increase (decrease) in deferred inflows of resources related to the measurement of the net pension liability	<u>271,785</u>	206,298

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:

Issuance of refunding general obligation bond	(29,580,000)	
Bond premium on refunding general obligation bond	(2,532,642)	
Principal retired on school obligations	880,000	
Payment to refunded bond escrow agent	<u>31,847,870</u>	615,228

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	\$ 2,675	
Decrease (increase) in net pension liability	50,739	
Decrease (increase) in deferred outflows of resources related to pension payments subsequent to the measurement date	22,191	
(Increase) decrease in net OPEB obligation	(30,239)	
(Increase) decrease in accrued interest payable	<u>174,457</u>	219,823

Change in net position of governmental activities	\$	<u><u>(3,110,248)</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, 2016

	Enterprise Fund Sanitary District
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 41,358
Accounts receivable, net of allowance for uncollectibles	53,673
Total current assets	<u>\$ 95,031</u>
Noncurrent assets:	
Capital assets:	
Land	\$ 98,924
Utility plant in service	8,636,484
Machinery and equipment	389,994
Accumulated depreciation	(3,259,574)
Total capital assets	<u>\$ 5,865,828</u>
Total noncurrent assets	<u>\$ 5,865,828</u>
Total assets	<u>\$ 5,960,859</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to measurement date	\$ 13,764
Total deferred outflows of resources	<u>\$ 13,764</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 29,123
Bonds payable - current portion	105,000
Total current liabilities	<u>\$ 134,123</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 2,441,000
Net pension liability	58,059
Total noncurrent liabilities	<u>\$ 2,499,059</u>
Total liabilities	<u>\$ 2,633,182</u>
DEFERRED INFLOWS OF RESOURCES	
Items related to measurement of net pension liability	\$ 20,056
Total deferred inflows of resources	<u>\$ 20,056</u>
NET POSITION	
Net investment in capital assets	\$ 3,319,828
Unrestricted	<u>1,557</u>
Total net position	<u><u>\$ 3,321,385</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, 2016

	<u>Enterprise Fund Sanitary District</u>
OPERATING REVENUES	
Charges for services:	
Sanitary district fees	\$ 374,782
Miscellaneous	3,687
Total operating revenues	<u>\$ 378,469</u>
OPERATING EXPENSES	
Personal services	\$ 146,978
Fringe benefits	33,535
Other supplies and expenses	518,345
Depreciation	278,712
Total operating expenses	<u>\$ 977,570</u>
Operating income (loss)	<u>\$ (599,101)</u>
NONOPERATING REVENUES (EXPENSES)	
Connection fees	\$ 24,930
Interest expense	<u>(87,914)</u>
Total nonoperating revenues (expenses)	<u>\$ (62,984)</u>
Income before transfers	<u>\$ (662,085)</u>
Transfers in	\$ 391,277
Change in net position	<u>\$ (270,808)</u>
Total net position - beginning, as restated	3,592,193
Total net position - ending	<u><u>\$ 3,321,385</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, 2016

	<u>Enterprise Fund Sanitary District</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 413,496
Payments to suppliers	(489,222)
Payments to and for employees	(193,322)
Net cash provided by (used for) operating activities	<u>\$ (269,048)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Connection fees	\$ 24,930
Transfers from other funds	391,277
Net cash provided by (used for) noncapital financing activities	<u>\$ 416,207</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (102,000)
Interest expense	(87,914)
Net cash provided by (used for) capital and related financing activities	<u>\$ (189,914)</u>
Net increase (decrease) in cash and cash equivalents	\$ (42,755)
Cash and cash equivalents - beginning	84,113
Cash and cash equivalents - ending	<u><u>\$ 41,358</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (599,101)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 278,712
(Increase) decrease in accounts receivable	35,027
(Increase) decrease in deferred outflows of resources	(585)
Increase (decrease) in accounts payable	29,123
Increase (decrease) in net pension liability	1,271
Increase (decrease) in deferred inflows of resources	(13,495)
Total adjustments	<u>\$ 330,053</u>
Net cash provided by (used for) operating activities	<u><u>\$ (269,048)</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, 2016

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 1,565,101
Total assets	<u>\$ 1,565,101</u>
LIABILITIES	
Amounts held for others	\$ 1,478,858
Amounts held for social services clients	86,243
Total liabilities	<u>\$ 1,565,101</u>

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements As of June 30, 2016

Note 1—Summary of Significant Accounting Policies:

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 and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant of the government's accounting policies are described below.

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

Government-wide and Fund Financial Statements

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

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2016

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

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

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

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

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

A. Financial Reporting Entity

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2016

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2016.

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, 2016.

C. Other Related Organizations

Included in the County's Financial Report

None

Excluded from the County's Annual Financial Report

Northern Neck Regional Jail Authority

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

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

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

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

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

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

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

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

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

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

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2016

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

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

1. Governmental Funds

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

a. General Fund

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

b. Capital Projects Funds

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

c. Special Revenue Funds

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

2. Proprietary Funds

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

Enterprise Funds

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

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

3. Fiduciary Funds (Trust and Agency Funds)

Fiduciary Funds account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds and Private Purpose Trust Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. Agency funds consist of the following funds: Special Welfare, Road Improvement Bond, 350th Anniversary, Tornado Relief, Fallen Heroes, Northern Neck Regional Special Education, 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 \$188,279 at June 30, 2016 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)

As of June 30, 2016

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

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental 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 2016.

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

I. Compensated Absences

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2016

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

J. Use of Estimates

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

K. Net Position

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

L. Net Position Flow Assumption

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

M. Deferred Outflows/Inflows of Resources

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

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

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 (asset) are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments and the changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

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 Retirement Plan and the additions to/deductions from the County's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Long-term Obligations

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

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

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

P. Fund Equity

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

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

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

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

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

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

P. Fund Equity (Continued)

The details of governmental fund balance, as presented in aggregate on Exhibit 3, are as follows:

	General Fund	County Capital Projects Fund	Other Governmental Funds	Total
Fund balances:				
Restricted:				
School construction (unspent bond proceeds)	\$ 52,570	\$ -	\$ -	\$ 52,570
Construction	-	20,892	-	20,892
Law library	-	-	774	774
Forfeited assets	-	-	146,273	146,273
Economic development	-	-	24,781	24,781
Courthouse security	-	-	105,060	105,060
Total restricted fund balance	\$ 52,570	\$ 20,892	\$ 276,888	\$ 350,350
Committed:				
Light Street rehab project	\$ -	\$ 253,926	\$ -	\$ 253,926
Total committed fund balance	\$ -	\$ 253,926	\$ -	\$ 253,926
Unassigned	\$ 3,373,428	\$ -	\$ -	\$ 3,373,428
Total fund balances	\$ 3,425,998	\$ 274,818	\$ 276,888	\$ 3,977,704

Q. Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the County to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 72.

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

Q. Adoption of Accounting Principles: (*Continued*)

Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

The County early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, 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.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2016

Note 2—Stewardship, Compliance, and Accounting: (*Continued*)

5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

Expenditures and Appropriations

Expenditures exceeded appropriations at June 30, 2016 in the Sanitary District Fund and School Food Fund.

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, 2016 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	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 11,940
U.S. Government Money Market Fund	481,225
Virginia State Non-Arbitrage Pool	<u>52,570</u>
Total	<u><u>\$ 545,735</u></u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 3—Deposits and Investments: (Continued)

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)	\$ 11,940	\$ 11,940
State Non-Arbitrage Program (SNAP)	52,570	52,570
U.S. Government Money Market Fund	481,225	481,225
Total	\$ 545,735	\$ 545,735

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). Bond proceeds subject to arbitrage rebate are invested in the SNAP by County. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U. S. Government securities (including securities issued or guaranteed by the U. S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

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

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 4—Due to/from Other Governments:

At June 30, 2016, the County has amounts due from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Northumberland	\$ -	\$ 1,293,816
Commonwealth of Virginia:		
Local sales tax	127,358	-
Welfare	39,491	-
Comprehensive services	82,241	-
State Sales Tax	-	263,406
Constitutional officer reimbursements	118,047	-
DMV license agent	2,629	-
Recordation tax	15,198	-
Mobile home titling tax	150	-
Wireless grant	7,012	-
Communications tax	60,439	-
Federal Government:		
School fund grants	-	67,927
Welfare	64,807	-
Total due from other governments	<u>\$ 517,372</u>	<u>\$ 1,625,149</u>

At June 30, 2016, amounts due to other local governments are as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Northumberland County School Board	<u>\$ 1,293,816</u>	<u>\$ -</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<i>Primary Government:</i>				
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 894,628	\$ -	\$ -	\$ 894,628
Contruction in progress	816,543	-	816,543	-
Total capital assets not subject to depreciation	<u>\$ 1,711,171</u>	<u>\$ -</u>	<u>\$ 816,543</u>	<u>\$ 894,628</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 6,256,032	\$ 319,524	\$ -	\$ 6,575,556
Machinery and equipment	1,941,949	1,138,677	68,261	3,012,365
Jointly owned assets	42,195,237	-	2,921,103	39,274,134
Total capital assets subject to depreciation	<u>\$ 50,393,218</u>	<u>\$ 1,458,201</u>	<u>\$ 2,989,364</u>	<u>\$ 48,862,055</u>
Accumulated depreciation:				
Buildings and improvements	\$ 549,972	\$ 234,979	\$ -	\$ 784,951
Machinery and equipment	1,652,403	281,770	59,682	1,874,491
Jointly owned assets	8,365,237	983,008	579,111	8,769,134
Total accumulated depreciation	<u>\$ 10,567,612</u>	<u>\$ 1,499,757</u>	<u>\$ 638,793</u>	<u>\$ 11,428,576</u>
Total capital assets subject to depreciation, net	<u>\$ 39,825,606</u>	<u>\$ (41,556)</u>	<u>\$ 2,350,571</u>	<u>\$ 37,433,479</u>
Governmental activities capital assets, net	<u>\$ 41,536,777</u>	<u>\$ (41,556)</u>	<u>\$ 3,167,114</u>	<u>\$ 38,328,107</u>

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 5—Capital Assets: (Continued)

The following is a summary of changes in proprietary capital assets for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<i>Business-type Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 98,924	\$ -	\$ -	\$ 98,924
Capital assets subject to depreciation:				
Utility plant in service	\$ 8,636,484	\$ -	\$ -	\$ 8,636,484
Machinery and equipment	389,994	-	-	389,994
Total capital assets subject to depreciation	\$ 9,026,478	\$ -	\$ -	\$ 9,026,478
Accumulated depreciation:				
Utility plant in service	\$ 2,604,920	\$ 264,660	\$ -	\$ 2,869,580
Machinery and equipment	375,942	14,052	-	389,994
Total accumulated depreciation	\$ 2,980,862	\$ 278,712	\$ -	\$ 3,259,574
Total capital assets subject to depreciation, net	\$ 6,045,616	\$ (278,712)	\$ -	\$ 5,766,904
Business-type capital assets, net	\$ 6,144,540	\$ (278,712)	\$ -	\$ 5,865,828

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<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	\$ 2,856,413	\$ 46,738	\$ 271,000	\$ 2,632,151
Jointly owned assets	6,030,245	-	(2,921,103)	8,951,348
Total capital assets subject to depreciation	\$ 8,886,658	\$ 46,738	\$ (2,650,103)	\$ 11,583,499
Accumulated depreciation:				
Machinery and equipment	\$ 2,121,397	\$ 156,647	\$ -	\$ 2,278,044
Jointly owned assets	1,195,499	224,047	(579,111)	1,998,657
Total accumulated depreciation	\$ 3,316,896	\$ 380,694	\$ (579,111)	\$ 4,276,701
Total capital assets subject to depreciation, net	\$ 5,569,762	\$ (333,956)	\$ (2,070,992)	\$ 7,306,798
Component unit school board capital assets, net	\$ 5,593,691	\$ (333,956)	\$ (2,070,992)	\$ 7,330,727

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	983,008
Community development	14,495
Total depreciation expense - governmental activities	\$ 1,499,757
Business type activities:	
Sanitary District	\$ 278,712
Total depreciation expense - primary government	\$ 1,778,469
Component Unit School Board:	
Depreciation expense	\$ 380,694

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2016, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ -	\$ 391,277
Sanitary District	<u>391,277</u>	<u>-</u>
Total Primary Government	<u>\$ 391,277</u>	<u>\$ 391,277</u>
Component Unit-School Board:		
School Operating	\$ -	\$ 16,400
School Cafeteria	<u>16,400</u>	<u>-</u>
Total Component Unit - School Board	<u>\$ 16,400</u>	<u>\$ 16,400</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, 2016:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Component Unit-School Board:		
School Operating	\$ -	\$ 11,288
School Cafeteria	<u>11,288</u>	<u>-</u>
Total Component Unit - School Board	<u>\$ 11,288</u>	<u>\$ 11,288</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

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, 2016:

	Balance at July 1, 2015	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2016	Amounts Due Within One Year
Primary Government Obligations:					
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 181,840	\$ 15,509	\$ 18,184	\$ 179,165	\$ 17,917
Net pension liability	1,429,792	1,417,063	1,467,802	1,379,053	-
Net OPEB obligation	132,031	34,739	4,500	162,270	-
Total incurred by County	\$ 1,743,663	\$ 1,467,311	\$ 1,490,486	\$ 1,720,488	\$ 17,917
Incurred by School Board:					
Lease revenue bond	\$ 32,990,000	\$ -	\$ 32,065,000	\$ 925,000	\$ 925,000
Refunding general obligation bond	-	29,580,000	-	29,580,000	-
Bond premium	363,627	2,532,641	363,627	2,532,641	-
Total incurred by School Board	\$ 33,353,627	\$ 32,112,641	\$ 32,428,627	\$ 33,037,641	\$ 925,000
Total Governmental Activities Obligations	\$ 35,097,290	\$ 33,579,952	\$ 33,919,113	\$ 34,758,129	\$ 942,917
Business-type Activities Obligations:					
Revenue bond	\$ 2,648,000	\$ -	\$ 102,000	\$ 2,546,000	\$ 105,000
Net pension liability	56,788	62,929	61,658	58,059	-
Total Business-type Activities Obligations	\$ 2,704,788	\$ 62,929	\$ 163,658	\$ 2,604,059	\$ 105,000
Total Primary Government Obligations	\$ 37,802,078	\$ 33,642,881	\$ 34,082,771	\$ 37,362,188	\$ 1,047,917

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

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

Year Ending June 30	Governmental Activities			
	General Obligation Bond		Lease Revenue Bond	
	Principal	Interest	Principal	Interest
2017	\$ -	\$ 777,453	\$ 925,000	\$ 23,125
2018	950,000	1,077,915	-	-
2019	1,000,000	1,028,678	-	-
2020	1,050,000	976,915	-	-
2021	1,105,000	922,501	-	-
2022	1,160,000	865,310	-	-
2023	1,220,000	805,215	-	-
2024	1,285,000	741,964	-	-
2025	1,350,000	675,430	-	-
2026	1,420,000	605,487	-	-
2027	1,490,000	532,010	-	-
2028	1,550,000	478,500	-	-
2029	1,585,000	438,441	-	-
2030	1,630,000	395,525	-	-
2031	1,670,000	351,312	-	-
2032	1,720,000	303,915	-	-
2033	1,770,000	254,993	-	-
2034	1,825,000	202,450	-	-
2035	1,875,000	148,306	-	-
2036	1,935,000	90,204	-	-
2037	1,990,000	30,348	-	-
Total	<u>\$ 29,580,000</u>	<u>\$ 11,702,872</u>	<u>\$ 925,000</u>	<u>\$ 23,125</u>

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

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

Year Ending June 30	Business-type Activities	
	Revenue Bonds	
	Principal	Interest
2017	\$ 105,000	\$ 84,527
2018	108,000	81,041
2019	112,000	77,456
2020	117,000	73,737
2021	119,000	69,853
2022	125,000	65,902
2023	127,000	61,752
2024	132,000	57,536
2025	136,000	53,153
2026	142,000	48,638
2027	248,000	43,924
2028	256,000	35,690
2029	264,000	27,191
2030	273,000	18,426
2031	282,000	9,362
Total	<u>\$ 2,546,000</u>	<u>\$ 808,188</u>

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

	<u>Total Amount</u>
<u>Governmental Activities:</u>	
<u>Incurring by County:</u>	
Net OPEB obligation (payable by General Fund)	\$ 162,270
Net pension liability	\$ 1,379,054
Compensated absences (payable by General Fund)	\$ 179,165
Total Incurred by County	<u>\$ 1,720,489</u>
 <u>Incurring by School Board:</u>	
 <u>Lease Revenue Bond:</u>	
\$38,815,000 lease revenue bond issued October 1, 2006, due in varying annual principal installments through October 1, 2036, interest payable semi-annually at varying interest rates.	 <u>\$ 925,000</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, \$29,580,000 plus unamortized issuance premium of \$2,532,641.	 <u>\$ 32,112,641</u>
Total incurred by School Board	<u>\$ 33,037,641</u>
Total Long-Term Obligations, Governmental Activities	<u>\$ 34,758,130</u>

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

	<u>Total Amount</u>
<i><u>Business-type Activities:</u></i>	
<i><u>Revenue Bond:</u></i>	
\$3,030,000 Revenue Bond issued February 16, 2012, principal due in varying annual installments each July 1, interest due semi-annually through January, 2027 at 3.32%, interest rate may reset on January 1, 2027.	<u>\$ 2,546,000</u>
Total Revenue Bond	<u>\$ 2,546,000</u>
Net pension liability	<u>\$ 58,059</u>
Total Long-Term Obligations, Business-type Activities	<u>\$ 2,604,059</u>
Total Long-Term Obligations, Primary Government	<u>\$ 37,362,189</u>

Bond Refundings

Revenue Bonds

The County issued \$29,580,000 in Lease Revenue Refunding Bonds, Series 2016 with a coupon rate varying between 2.05% and 5.05% and an issuance premium of \$2,532,642. The proceeds were used to refund \$31,185,000 of outstanding Lease Revenue Bonds, Series 2006 which had interest rates ranging from 4% to 5%. The net proceeds of \$31,847,870 (after payment of \$264,772 in issuance costs) plus other available funds were used to call the Series 2006 bond. As a result, the 2006 Series bond have been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$299,243. This amount is reported as a deferred outflow of resources and is being amortized over the remaining life of the refunding debt. The County refunded the Series 2006 bond to reduce its total debt service payments over 21 years by \$7,754,683 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$5,880,569.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 7—Long-Term Obligations: (Continued)**Component Unit - School Board:**

The following is a summary of changes in long-term obligation transactions for the fiscal year ended June 30, 2016:

	Balance at July 1, 2015	Increases	Decreases	Balance at June 30, 2016	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 400,447	\$ 47,455	\$ 40,005	\$ 407,897	\$ 40,790
Net pension liability	12,828,647	4,001,660	3,338,527	13,491,780	-
Net OPEB obligation	226,776	87,200	71,100	242,876	-
Total Component Unit-School Board	<u>\$ 13,455,870</u>	<u>\$ 4,136,315</u>	<u>\$ 3,449,632</u>	<u>\$ 14,142,553</u>	<u>\$ 40,790</u>

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. The County reports unavailable revenue totaling \$634,816 and deferred revenue totaling \$54,967 which is compiled of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$579,849 at June 30, 2016.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2016 but paid in advance by the taxpayers totaled \$54,967 at June 30, 2016.

Deferred Revenue - Deferred revenue representing prepaid taxes due subsequent to June 30, 2016 totaled \$54,967.

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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)

As of June 30, 2016

Note 10—Litigation:

At June 30, 2016, 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:

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

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

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

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

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan:

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements *(Continued)*
 As of June 30, 2016

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

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2014 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	45	27
Inactive members:		
Vested inactive members	6	5
Non-vested inactive members	13	6
Inactive members active elsewhere in VRS	36	3
Total inactive members	55	14
Active members	78	24
Total covered employees	178	65

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2016 was 11.49% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

Note 12—Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$432,398 and \$408,319 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit School Board’s contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 13.18% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$86,917 and \$83,473 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The County’s and Component Unit School Board’s (nonprofessional) net pension liabilities were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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, 2013, 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, 2014.

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements *(Continued)*
As of June 30, 2016

Note 12—Pension Plan: *(Continued)*

Actuarial Assumptions - Public Safety Employees (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Discount Rate

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

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 15,833,461	\$ 14,346,881	\$ 1,486,580
Changes for the year:			
Service cost	\$ 383,185	\$ -	\$ 383,185
Interest	1,084,417	-	1,084,417
Differences between expected and actual experience	(282,284)	-	(282,284)
Contributions - employer	-	408,319	(408,319)
Contributions - employee	-	176,948	(176,948)
Net investment income	-	658,638	(658,638)
Benefit payments, including refunds of employee contributions	(683,580)	(683,580)	-
Administrative expenses	-	(8,983)	8,983
Other changes	-	(137)	137
Net changes	\$ 501,738	\$ 551,205	\$ (49,467)
Balances at June 30, 2015	\$ 16,335,199	\$ 14,898,086	\$ 1,437,113

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 4,048,734	\$ 3,458,087	\$ 590,647
Changes for the year:			
Service cost	\$ 69,172	\$ -	\$ 69,172
Interest	273,641	-	273,641
Differences between expected and actual experience	84,598	-	84,598
Contributions - employer	-	83,473	(83,473)
Contributions - employee	-	31,292	(31,292)
Net investment income	-	152,762	(152,762)
Benefit payments, including refunds of employee contributions	(279,140)	(279,140)	-
Administrative expenses	-	(2,217)	2,217
Other changes	-	(32)	32
Net changes	\$ 148,271	\$ (13,862)	\$ 162,133
Balances at June 30, 2015	\$ 4,197,005	\$ 3,444,225	\$ 752,780

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability 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 would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 3,521,458	\$ 1,437,113	\$ (291,372)
Component Unit School Board (nonprofessional)			
Net Pension Liability	\$ 1,211,392	\$ 752,780	\$ 363,028

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

For the year ended June 30, 2016, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$73,572 and \$79,740, respectively. At June 30, 2016, 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	\$ -	\$ 207,803	\$ 45,792	\$ -
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	385,223	-	93,110
Employer contributions subsequent to the measurement date	432,398	-	86,917	-
Total	\$ 432,398	\$ 593,026	\$ 132,709	\$ 93,110

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

\$432,398 and \$86,917 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2016. 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>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2017	\$ (225,680)	\$ 2,204
2018	(225,680)	(29,616)
2019	(210,042)	(36,602)
2020	68,376	16,696
Thereafter	-	-

Component Unit School Board (professional)***Plan Description***

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

Contributions

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

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$1,194,865 and \$1,052,723 for the years ended June 30, 2016 and June 30, 2015, respectively.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)**Component Unit School Board (professional) (Continued)*****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2016, the school division reported a liability of \$12,739,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 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, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.10121% as compared to 0.10127% at June 30, 2014.

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

For the year ended June 30, 2016, the school division recognized pension expense of \$1,112,000. 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, 2016, 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 \$	-	\$ 175,000
Net difference between projected and actual earnings on pension plan investments	-	781,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	644,000	7,000
Employer contributions subsequent to the measurement date	1,194,865	-
Total	<u>\$ 1,838,865</u>	<u>\$ 963,000</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

\$1,194,865 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 ended June 30, 2017. 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>	
2017	\$ (167,000)
2018	(167,000)
2019	(167,000)
2020	203,000
2021	(21,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements *(Continued)*
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Discount Rate

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

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(6.00%)	(7.00%)	(8.00%)
School Board's proportionate share of the VRS Teacher Employee Retirement Plan				
Net Pension Liability	\$	18,642,000	\$ 12,739,000	\$ 7,879,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2016

Note 13–Surety Bonds:

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

Note 14–Commitments:

The County of Northumberland entered into a financing lease agreement dated June 29, 2000 with the Counties of Westmoreland and Richmond to lease a portion of the two counties interest in the Northern Neck Regional Jail located in the Town of Warsaw, Virginia. Annual rental payments of \$345,838 are to be made through December 15, 2016 with 64% payable to the Northern Neck Regional Jail Board and 36% payable to Richmond County. Annual rental payments are subject to appropriation. After all scheduled lease payments are made Northumberland County will hold an ownership interest in the Regional Jail Facility of 25%.

Note 15–Other Postemployment Benefits - Health Insurance:

Background

Beginning in fiscal year 2009, the County of Northumberland implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. The standard addresses how local governments should account for the report their costs related to postemployment health care and other non-pension benefits, such as the County and School Board retiree health benefit subsidy. Historically, the County and the School Board subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the County and the School Board accrue the cost of the retiree health subsidy and other postemployment benefits during the period of the employees' active employment, while the benefits are being earned, and disclosed the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the County and the School Board. This funding methodology mirrors the funding approach used for pension benefits.

A. Plan Description

The County of Northumberland and the County of Northumberland School Board offer eligible retirees post-retirement medical and dental coverage if they retire directly from the County or Schools and are eligible to receive an early or regular retirement benefit from the Virginia Retirement System (VRS). Health benefits include medical, dental and vision coverage.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 15—Other Postemployment Benefits - Health Insurance: (Continued)

B. Funding Policy

The County and the School Board in Northumberland allow retirees and their spouses continue to participate in the County and School Board's medical, dental and disability coverage plans. The retiree pays 100% of all premiums. Benefits coverage stops at age 65 or upon the employee's death.

C. Annual OPEB Cost and Net OPEB Obligation

The County and School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The County and School Board have elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with GASB 45 parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the County and School Board. The following table shows the components of the County and School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County and School Board's net OPEB obligation to the Retiree Health Plan:

	Primary Government	Component Unit School Board
Annual required contribution	\$ 35,000	\$ 87,200
Interest on net OPEB obligation	4,621	7,374
Adjustment to annual required contribution	(4,882)	(7,374)
Annual OPEB cost (expense)	\$ 34,739	\$ 87,200
Contributions made	(4,500)	(71,100)
Increase in net OPEB obligation	\$ 30,239	\$ 16,100
Net OPEB obligation-beginning of year	132,031	226,776
Net OPEB obligation-end of year	\$ 162,270	\$ 242,876

COUNTY OF NORTHUMBERLAND, VIRGINIANotes to Financial Statements *(Continued)*

As of June 30, 2016

Note 15—Other Postemployment Benefits - Health Insurance: (Continued)**C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County :			
6/30/2014	\$ 25,900	20.85%	\$ 100,730
6/30/2015	32,801	4.57%	132,031
6/30/2016	34,739	12.95%	162,270
School Board:			
6/30/2014	\$ 86,834	70.48%	\$ 210,676
6/30/2015	87,200	81.54%	226,776
6/30/2016	87,200	81.54%	242,876

D. Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the County's actuarial accrued liability for benefits was \$209,100, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,657,400, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.72%.

As of January 1, 2013, the most recent actuarial valuation date, the School Board's actuarial accrued liability for benefits was \$1,018,300, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$7,730,300, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.17%.

Actuarial valuations of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 15—Other Postemployment Benefits - Health Insurance: (Continued)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The cost method for valuation of liabilities used for this valuation is the Projected Unit Credit (PUC) Actuarial Cost Method. A PUC accrued benefit is determined for each active member in the Plan on the basis of the member's benefit projected to the assumed date of retirement and the member's creditable service at the valuation date. The actuarial liability for retirement benefits is the sum of the actuarial present value of the PUC accrued benefit of each active member. The normal cost for retirement benefits is the sum of the actuarial present value for the expected increase in the PUC accrued benefit during the plan year for each active member under the assumed retirement age.

The following simplifying assumptions were made:

Retirement age for active employees—The actuary used medical trend rates consistent with information from the Getzen Trend Model, Milliman's *Health Cost Guidelines* and actuarial judgment to project retirement trends. These trends rates do not include the effects of changes in demographics of the covered group.

Mortality—Life expectancies were based on mortality tables from the RP-2000 Combined Healthy Mortality Tables for males and females projected to 2020 using Scale AA.

Coverage elections - The actuary used medical trend data consistent with information from the Getzen Trend Model, Milliman's *Health Cost Guidelines* and actuarial judgment. The actuary assumed that 20% of eligible retirees will elect coverage and 20% of retirees who elect coverage will cover their spouse.

Based on the historical and expected returns of the County and School Board's short-term investment portfolio, a discount of 3.50% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2015 and January 1, 2013, respectively, was thirty years.

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2016

Note 16—Other Postemployment Benefits (OPEB) - Health Insurance Credit:

A. Plan Description

Northumberland County participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

Employees of Northumberland County who retire under VRS with at least 15 years of total creditable service under the System and are enrolled in a health insurance plan, are eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 12.

B. Funding Policy

As a participating local political subdivision, the County is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2016 were .020% of annual covered payroll.

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The County is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 16—Other Postemployment Benefits (OPEB) - Health Insurance Credit: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

For 2016, the County's contribution of \$166 was equal to the ARC and OPEB cost. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years are as follows:

Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
June 30, 2016	\$ 166	100%	\$ -
June 30, 2015	140	100%	-
June 30, 2014	132	100%	-

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 34,935
Actuarial avalue of plan assets	\$ 44,781
Unfunded actuarial accrued liability (UAAL)	\$ (9,846)
Funded ratio (actuarial value of plan assets/AAL)	128.18%
Covered payroll (active plan members)	\$ 789,986
UAAL as a percentage of covered payroll	-1.25%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 16—Other Postemployment Benefits (OPEB) - Health Insurance Credit: (Continued)

E. Actuarial Methods and Assumptions: (Continued)

Retiree postemployment benefit expenses are determined under the Projected Unit Credit actuarial cost method. Under this method, benefits are projected for life and their present value is determined. The present value is divided into equal parts, which are earned over the period from date of hire to the full eligibility date.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2015 was 19-28 years using an open amortization period.

F. Professional Employees - Discretely Presented Component Unit School Board

The School Board professional employees participate in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.06% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2016, 2015, and 2014 were \$89,745, \$79,395 and \$81,953, respectively and equaled the required contributions for each year.

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 17— Fair Value Measurements:

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

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

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

The County has the following recurring fair value measurements as of June 30, 2016:

Investment type	Balance June 30, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Debt Securities:				
U.S. Government Money Market Fund	\$ 481,225	\$ 481,225	\$ -	\$ -

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2016

Note 18—Upcoming Pronouncements:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

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

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 19—Closure and Postclosure Costs:

The County demonstrated financial assurance requirements for postclosure care and corrective action costs, if any, through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code. In addition, the County closed its landfill in August 1996 and is liable for postclosure monitoring for a period of ten years. The amount reported as landfill postclosure liability at June 30, 2016 represents the estimated liability for postclosure monitoring of \$0 over a period of one year. This amount is based on what it would cost to perform all postclosure care in 2016. Actual costs may be higher due to inflation, changes in technology or changes in regulations

Note 20—Restatement of Beginning Net Position/Fund Balance

The following adjustments were made to beginning net position:

	<u>Governmental Activities Net Position</u>	<u>Buisness-type Activities Net Position</u>	<u>General Fund Fund Balance</u>
Balance as previously reported	\$ 11,604,097	\$ 3,164,855	\$ 4,785,503
Remove advance to sanitaty district	<u>(427,338)</u>	<u>427,338</u>	<u>(427,338)</u>
Balance as restated	<u>\$ 11,176,759</u>	<u>\$ 3,592,193</u>	<u>\$ 4,358,165</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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County of Northumberland, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 16,842,074	\$ 16,842,074	\$ 17,175,133	\$ 333,059
Other local taxes	1,755,000	1,755,000	1,812,625	57,625
Permits, privilege fees, and regulatory licenses	123,900	123,900	102,714	(21,186)
Fines and forfeitures	26,000	26,000	20,871	(5,129)
Revenue from the use of money and property	125,000	125,000	135,179	10,179
Charges for services	6,739	6,739	7,807	1,068
Miscellaneous	306,641	306,641	148,204	(158,437)
Recovered costs	33,045	33,045	109,792	76,747
Intergovernmental:				
Commonwealth	3,356,372	3,356,372	3,789,386	433,014
Federal	971,238	971,238	748,860	(222,378)
Total revenues	\$ 23,546,009	\$ 23,546,009	\$ 24,050,571	\$ 504,562
EXPENDITURES				
Current:				
General government administration	\$ 1,542,601	\$ 1,332,601	\$ 1,700,773	\$ (368,172)
Judicial administration	791,643	792,339	742,368	49,971
Public safety	4,307,142	4,393,299	4,540,066	(146,767)
Public works	1,287,979	1,287,979	1,379,597	(91,618)
Health and welfare	2,464,312	2,507,230	2,396,073	111,157
Education	11,172,365	11,172,365	10,914,193	258,172
Parks, recreation, and cultural	193,263	193,263	193,263	-
Community development	410,220	425,220	355,043	70,177
Capital projects	215,000	215,000	37,406	177,594
Debt service:				
Principal retirement	880,000	880,000	880,000	-
Interest and other fiscal charges	1,499,531	1,499,531	1,452,679	46,852
Total expenditures	\$ 24,764,056	\$ 24,698,827	\$ 24,591,461	\$ 107,366
Excess (deficiency) of revenues over (under) expenditures	\$ (1,218,047)	\$ (1,152,818)	\$ (540,890)	\$ 611,928
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (391,277)	\$ (391,277)
Issuance of lease revenue bonds	-	29,580,000	29,580,000	-
Bond premium	-	2,532,642	2,532,642	-
Payment to refunded bond escrow agent	-	(32,065,000)	(31,847,870)	217,130
Bond issuance costs	-	-	(264,772)	(264,772)
Total other financing sources (uses)	\$ -	\$ 47,642	\$ (391,277)	\$ (438,919)
Net change in fund balances	\$ (1,218,047)	\$ (1,105,176)	\$ (932,167)	\$ 173,009
Fund balances - beginning, as restated	6,363,793	6,250,922	4,358,165	(1,892,757)
Fund balances - ending	\$ 5,145,746	\$ 5,145,746	\$ 3,425,998	\$ (1,719,748)

County of Northumberland, Virginia
Schedule of OPEB Funding Progress
As of June 30, 2015

Primary Government:

County Health Insurance Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
1/1/2009	\$ -	\$ 193,500	\$ 193,500	0.00%	\$ 3,044,100	6.36%
1/1/2012	-	167,200	167,200	0.00%	3,156,800	5.30%
1/1/2015	-	209,100	209,100	0.00%	3,657,400	5.72%

Health Insurance Credit Program Through Virginia Retirement System:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2015	\$ 44,781	\$ 34,935	\$ (9,846)	128.18%	\$ 789,986	-1.25%
6/30/2014	44,114	33,531	(10,583)	131.56%	722,538	-1.46%
6/30/2013	39,494	31,903	(7,591)	123.79%	729,311	-1.04%
6/30/2012	36,475	26,232	(10,243)	139.05%	583,042	-1.76%
6/30/2011	37,680	30,423	(7,257)	123.85%	566,329	-1.28%
6/30/2010	33,097	30,863	(2,234)	107.24%	3,057,420	-0.07%
6/30/2009	29,381	29,372	(9)	100.03%	3,017,259	0.00%
6/30/2008	38,020	31,429	(6,591)	120.97%	2,921,685	-0.23%
6/30/2007	26,715	46,253	19,538	57.76%	2,807,947	0.70%

Discretely Presented Component Unit:

School Board Non-Professional Health Insurance Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
1/1/2011	\$ -	\$ 660,900	\$ 660,900	0.00%	\$ 7,899,500	8.37%
1/1/2013	-	1,018,300	1,018,300	0.00%	7,730,300	13.17%

County of Northumberland, Virginia
Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Primary Government
For the Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 383,185	\$ 379,392
Interest	1,084,417	1,031,873
Changes of benefit terms	-	-
Differences between expected and actual experience	(282,284)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(683,580)	(637,699)
Net change in total pension liability	\$ 501,738	\$ 773,566
Total pension liability - beginning	15,833,461	15,059,895
Total pension liability - ending (a)	<u>\$ 16,335,199</u>	<u>\$ 15,833,461</u>
 Plan fiduciary net position		
Contributions - employer	\$ 408,319	\$ 439,811
Contributions - employee	176,948	168,381
Net investment income	658,638	1,965,945
Benefit payments, including refunds of employee contributions	(683,580)	(637,699)
Administrative expense	(8,983)	(10,518)
Other	(137)	104
Net change in plan fiduciary net position	\$ 551,205	\$ 1,926,024
Plan fiduciary net position - beginning	14,346,881	12,420,857
Plan fiduciary net position - ending (b)	<u>\$ 14,898,086</u>	<u>\$ 14,346,881</u>
 County's net pension liability - ending (a) - (b)	 \$ 1,437,113	 \$ 1,486,580
 Plan fiduciary net position as a percentage of the total pension liability	 91.20%	 90.61%
 Covered payroll	 \$ 3,565,027	 \$ 3,367,620
 County's net pension liability as a percentage of covered payroll	 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 Components of and Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 69,172	\$ 66,406
Interest	273,641	268,066
Changes of benefit terms	-	-
Differences between expected and actual experience	84,598	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(279,140)	(230,511)
Net change in total pension liability	\$ 148,271	\$ 103,961
Total pension liability - beginning	4,048,734	3,944,773
Total pension liability - ending (a)	<u>\$ 4,197,005</u>	<u>\$ 4,048,734</u>
 Plan fiduciary net position		
Contributions - employer	\$ 83,473	\$ 70,655
Contributions - employee	31,292	31,088
Net investment income	152,762	479,575
Benefit payments, including refunds of employee contributions	(279,140)	(230,511)
Administrative expense	(2,217)	(2,674)
Other	(32)	25
Net change in plan fiduciary net position	\$ (13,862)	\$ 348,158
Plan fiduciary net position - beginning	3,458,087	3,109,929
Plan fiduciary net position - ending (b)	<u>\$ 3,444,225</u>	<u>\$ 3,458,087</u>
 School Division's net pension liability - ending (a) - (b)	 \$ 752,780	 \$ 590,647
 Plan fiduciary net position as a percentage of the total pension liability	 82.06%	 85.41%
 Covered payroll	 \$ 637,904	 \$ 636,555
 School Division's net pension liability as a percentage of covered payroll	 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 Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.10121%	0.10127%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 12,739,000.00	\$ 12,238,000
Employer's Covered Payroll	8,240,448.28	7,260,159
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	154.59%	168.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%	70.88%

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

Schedule of Employer Contributions
For the Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2016	\$ 432,398	\$ 432,398	\$ -	\$ 3,763,252	11.49%
2015	409,622	409,622	-	3,565,027	11.49%
2014	439,811	439,811	-	3,367,620	13.06%
2013	430,566	430,566	-	3,296,831	13.06%
2012	311,840	311,840	-	3,096,728	10.07%
2011	305,393	305,393	-	3,032,696	10.07%
2010	223,440	223,440	-	3,060,823	7.30%
2009	220,178	220,178	-	3,016,132	7.30%
2008	158,334	158,334	-	2,948,494	5.37%
2007	149,003	149,003	-	2,774,721	5.37%
Component Unit School Board (nonprofessional)					
2016	\$ 86,917	\$ 86,917	\$ -	\$ 659,462	13.18%
2015	84,076	84,076	-	637,904	13.18%
2014	72,313	72,313	-	636,555	11.36%
2013	74,653	74,653	-	657,157	11.36%
2012	56,158	56,158	-	607,765	9.24%
2011	58,877	58,877	-	637,193	9.24%
2010	67,782	67,782	-	661,936	10.24%
2009	70,626	70,626	-	689,704	10.24%
2008	59,778	59,778	-	687,898	8.69%
2007	60,361	60,361	-	694,606	8.69%
Component Unit School Board (professional)					
2016	\$ 1,194,865	\$ 1,194,865	\$ -	\$ 8,240,448	14.50%
2015	1,052,723	1,052,723	-	7,260,159	14.50%
2014	860,880	860,880	-	7,383,190	11.66%
2013	782,648	782,648	-	6,712,247	11.66%
2012	757,010	757,010	-	6,681,465	11.33%
2011	592,578	592,578	-	6,635,812	8.93%
2010	958,268	958,268	-	6,938,943	13.81%
2009	898,696	898,696	-	6,507,574	13.81%
2008	1,091,754	1,091,754	-	7,135,647	15.30%
2007	993,665	993,665	-	6,997,641	14.20%

County of Northumberland, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30 2015 are not material.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Component Unit School Board - Professional Employees

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

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES*

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County of Northumberland, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2016

	<u>Law Library Fund</u>	<u>Forfeited Assets Fund</u>	<u>Economic Development Fund</u>	<u>Courthouse Security Fund</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 774	\$ 146,273	\$ 14,436	\$ 103,795	\$ 265,278
Receivables (net of allowance for uncollectibles):					
Accounts receivable	-	-	-	1,265	1,265
Notes receivable	-	-	10,345	-	10,345
Total assets	<u>\$ 774</u>	<u>\$ 146,273</u>	<u>\$ 24,781</u>	<u>\$ 105,060</u>	<u>\$ 276,888</u>
LIABILITIES AND FUND BALANCES					
Fund balances:					
Restricted	\$ 774	\$ 146,273	\$ 24,781	\$ 105,060	\$ 276,888
Total fund balances	<u>\$ 774</u>	<u>\$ 146,273</u>	<u>\$ 24,781</u>	<u>\$ 105,060</u>	<u>\$ 276,888</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, 2016

	Law Library <u>Fund</u>	Forfeited Assets <u>Fund</u>	Economic Development <u>Fund</u>	Courthouse Security <u>Fund</u>	<u>Total</u>
REVENUES					
Revenue from the use of money and property	\$ -	\$ -	\$ 15	\$ -	\$ 15
Charges for services	1	-	-	14,425	14,426
Miscellaneous	-	100	-	-	100
Intergovernmental:					
Commonwealth	-	537	-	-	537
Total revenues	<u>\$ 1</u>	<u>\$ 637</u>	<u>\$ 15</u>	<u>\$ 14,425</u>	<u>\$ 15,078</u>
EXPENDITURES					
Current:					
Public safety	\$ -	\$ 25,838	\$ -	\$ -	\$ 25,838
Total expenditures	<u>\$ -</u>	<u>\$ 25,838</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,838</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1</u>	<u>\$ (25,201)</u>	<u>\$ 15</u>	<u>\$ 14,425</u>	<u>\$ (10,760)</u>
Net change in fund balances	\$ 1	\$ (25,201)	\$ 15	\$ 14,425	\$ (10,760)
Fund balances - beginning	773	171,474	24,766	90,635	287,648
Fund balances - ending	<u>\$ 774</u>	<u>\$ 146,273</u>	<u>\$ 24,781</u>	<u>\$ 105,060</u>	<u>\$ 276,888</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, 2016

	Law Library Fund				Forfeited Assets Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	1	1	-	-	-	-
Miscellaneous	-	-	-	-	-	-	100	100
Intergovernmental:								
Commonwealth	-	-	-	-	-	-	537	537
Total revenues	\$ -	\$ -	\$ 1	\$ 1	\$ -	\$ -	\$ 637	\$ 637
EXPENDITURES								
Current:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,838	\$ (25,838)
Total expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,838	\$ (25,838)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 1	\$ 1	\$ -	\$ -	\$ (25,201)	\$ (25,201)
Net change in fund balances	\$ -	\$ -	\$ 1	\$ 1	\$ -	\$ -	\$ (25,201)	\$ (25,201)
Fund balances - beginning	-	-	773	773	-	-	171,474	171,474
Fund balances - ending	\$ -	\$ -	\$ 774	\$ 774	\$ -	\$ -	\$ 146,273	\$ 146,273

Economic Development Fund					Courthouse Security Fund				
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
Original	Final				Original	Final			
\$ -	\$ -	\$ 15	\$ 15		\$ -	\$ -	\$ -	\$ -	
-	-	-	-		-	-	14,425	14,425	
-	-	-	-		-	-	-	-	
-	-	-	-		-	-	-	-	
\$ -	\$ -	\$ 15	\$ 15		\$ -	\$ -	\$ 14,425	\$ 14,425	
\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
\$ -	\$ -	\$ 15	\$ 15		\$ -	\$ -	\$ 14,425	\$ 14,425	
\$ -	\$ -	\$ 15	\$ 15		\$ -	\$ -	\$ 14,425	\$ 14,425	
-	-	24,766	24,766		-	-	90,635	90,635	
\$ -	\$ -	\$ 24,781	\$ 24,781		\$ -	\$ -	\$ 105,060	\$ 105,060	

County of Northumberland, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Agency Funds			
	<u>Special Welfare</u>	<u>Road Improvement Bond</u>	<u>350th Anniversary</u>	<u>Tornado Relief</u>
ASSETS				
Cash and cash equivalents	\$ 86,243	\$ 46,303	\$ 104	\$ 10,137
Total assets	<u>\$ 86,243</u>	<u>\$ 46,303</u>	<u>\$ 104</u>	<u>\$ 10,137</u>
LIABILITIES				
Amounts held for others	\$ -	\$ 46,303	\$ 104	\$ 10,137
Amounts held for social services clients	86,243	-	-	-
Total liabilities	<u>\$ 86,243</u>	<u>\$ 46,303</u>	<u>\$ 104</u>	<u>\$ 10,137</u>

Agency Funds						
Northern Neck						
Fallen Heroes		Regional Special Education	Animal Shelter	Sheriff's Investigative Funds		Total
\$	173	\$ 1,223,238	\$ 197,964	\$ 939	\$	1,565,101
\$	173	\$ 1,223,238	\$ 197,964	\$ 939	\$	1,565,101
\$	173	\$ 1,223,238	\$ 197,964	\$ 939	\$	1,478,858
	-	-	-	-	\$	86,243
\$	173	\$ 1,223,238	\$ 197,964	\$ 939	\$	1,565,101

County of Northumberland, Virginia
Combined Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2016

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 80,922	\$ 68,968	\$ 63,647	\$ 86,243
Liabilities:				
Amounts held for social services clients	\$ 80,922	\$ 68,968	\$ 63,647	\$ 86,243
Road Improvement Bond:				
Assets:				
Cash and cash equivalents	\$ 55,237	\$ 11,316	\$ 20,250	\$ 46,303
Liabilities:				
Amounts held for others	\$ 55,237	\$ 11,316	\$ 20,250	\$ 46,303
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
For the Year Ended June 30, 2016 (Continued)

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Northern Neck Regional Special Education:				
Assets:				
Cash and cash equivalents	\$ 1,497,700	\$ 1,382,685	\$ 1,657,147	\$ 1,223,238
Liabilities:				
Amounts held for others	\$ 1,497,700	\$ 1,382,685	\$ 1,657,147	\$ 1,223,238
Animal Shelter:				
Assets:				
Cash and cash equivalents	\$ 151,210	\$ 53,325	\$ 6,571	\$ 197,964
Liabilities:				
Amounts held for others	\$ 151,210	\$ 53,325	\$ 6,571	\$ 197,964
Sheriff's Investigative Fund:				
Assets:				
Cash and cash equivalents	\$ 194	\$ 2,500	\$ 1,755	\$ 939
Liabilities:				
Amounts held for others	\$ 194	\$ 2,500	\$ 1,755	\$ 939
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 1,795,677	\$ 1,518,794	\$ 1,749,370	\$ 1,565,101
Total assets	\$ 1,795,677	\$ 1,518,794	\$ 1,749,370	\$ 1,565,101
Liabilities:				
Amounts held for others	\$ 1,714,755	\$ 1,449,826	\$ 1,685,723	\$ 1,478,858
Amounts held for social services clients	80,922	68,968	63,647	86,243
Total liabilities	\$ 1,795,677	\$ 1,518,794	\$ 1,749,370	\$ 1,565,101

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Northumberland, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board - Governmental Funds
June 30, 2016

	School Operating Fund	Health Insurance Recovery Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,000	\$ 160,267	\$ -	\$ 162,267
Cash in custody of others	-	-	74,465	74,465
Due from other funds	-	-	11,288	11,288
Due from other governmental units	1,609,915	-	15,234	1,625,149
Total assets	<u>\$ 1,611,915</u>	<u>\$ 160,267</u>	<u>\$ 100,987</u>	<u>\$ 1,873,169</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 123,193	\$ -	\$ -	\$ 123,193
Accrued liabilities	1,475,434	-	-	1,475,434
Due to other funds	11,288	-	-	11,288
Total liabilities	<u>\$ 1,609,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,609,915</u>
Fund balances:				
Committed:				
School Operating Fund	\$ 2,000	\$ -	\$ -	\$ 2,000
School Cafeteria Fund	-	-	100,987	100,987
Assigned				
Health Insurance Recovery Fund	-	160,267	-	160,267
Total fund balances	<u>\$ 2,000</u>	<u>\$ 160,267</u>	<u>\$ 100,987</u>	<u>\$ 263,254</u>
Total liabilities and fund balances	<u>\$ 1,611,915</u>	<u>\$ 160,267</u>	<u>\$ 100,987</u>	<u>\$ 1,873,169</u>

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

Total fund balances per above \$ 263,254

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	\$ 11,607,428	
Accumulated depreciation	<u>(4,276,701)</u>	7,330,727

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

Items related to measurement of net pension liability (1,056,110)

Pension contributions subsequent to the measurement date will be a reduction to the net
pension liability in the next fiscal year and, therefore, are not reported in the funds. 1,281,782

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	\$ (407,897)	
Net pension liability	(13,491,780)	
Deferred outflows related to measurement of net pension liability	45,792	
Adjustments for changes in proportionate share of net pension liability	644,000	
Net OPEB obligation	<u>(242,876)</u>	(13,452,761)

Net position of governmental activities \$ (5,633,108)

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, 2016

	School Operating Fund	Health Insurance Recovery Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ 6,799	\$ -	\$ 39	\$ 6,838
Charges for services	-	-	164,911	164,911
Miscellaneous	155,997	-	8,354	164,351
Recovered costs	283,298	-	-	283,298
Intergovernmental:				
Local government	10,897,293	-	-	10,897,293
Commonwealth	4,058,882	-	5,808	4,064,690
Federal	907,617	-	428,492	1,336,109
Total revenues	<u>\$ 16,309,886</u>	<u>\$ -</u>	<u>\$ 607,604</u>	<u>\$ 16,917,490</u>
EXPENDITURES				
Current:				
Education	\$ 16,261,645	\$ -	\$ 644,511	\$ 16,906,156
Debt service:				
Principal retirement	31,841	-	-	31,841
Total expenditures	<u>\$ 16,293,486</u>	<u>\$ -</u>	<u>\$ 644,511</u>	<u>\$ 16,937,997</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 16,400	\$ -	\$ (36,907)	\$ (20,507)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 16,400	\$ 16,400
Transfers out	(16,400)	-	-	(16,400)
Total other financing sources (uses)	<u>\$ (16,400)</u>	<u>\$ -</u>	<u>\$ 16,400</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ (20,507)	\$ (20,507)
Fund balances - beginning	2,000	160,267	121,494	283,761
Fund balances - ending	<u>\$ 2,000</u>	<u>\$ 160,267</u>	<u>\$ 100,987</u>	<u>\$ 263,254</u>

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

Net change in fund balances - total governmental funds - per above \$ (20,507)

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	\$ 46,738	
Depreciation expense	(380,694)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>2,341,992</u>	2,008,036

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, disposals and donations) is to decrease net position. (271,000)

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

(Increase) decrease in items related to measurement of net pension liability 973,074

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	\$ (7,450)	
(Increase) decrease in net pension liability	(663,133)	
Increase (decrease) in deferred outflows of resources related to pensions payments	(88,491)	
Increase (decrease) in deferred outflows related to measurement of net pension liability	45,792	
Decrease (increase) in net OPEB obligation	<u>(16,100)</u>	(729,382)

Change in net position of governmental activities

\$ 1,960,221

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, 2016

	School Operating Fund			Variance with Final Budget
	Budgeted Amounts			Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	\$ 6,000	\$ 6,000	\$ 6,799	\$ 799
Miscellaneous	190,050	217,093	155,997	(61,096)
Recovered costs	-	-	283,298	283,298
Intergovernmental:				
Local government	11,155,465	11,155,465	10,897,293	(258,172)
Commonwealth	4,243,208	4,243,208	4,058,882	(184,326)
Federal	925,125	925,125	907,617	(17,508)
Total revenues	<u>\$ 16,519,848</u>	<u>\$ 16,546,891</u>	<u>\$ 16,309,886</u>	<u>\$ (237,005)</u>
EXPENDITURES				
Current:				
Education	\$ 16,407,420	\$ 16,434,463	\$ 16,261,645	\$ 172,818
Capital projects	77,870	77,870	-	77,870
Debt service:				
Principal retirement	32,610	32,610	31,841	769
Interest and other fiscal charges	1,948	1,948	-	1,948
Total expenditures	<u>\$ 16,519,848</u>	<u>\$ 16,546,891</u>	<u>\$ 16,293,486</u>	<u>\$ 253,405</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,400</u>	<u>\$ 16,400</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (16,400)	\$ (16,400)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,400)</u>	<u>\$ (16,400)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	2,000	2,000
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>

County of Northumberland, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 50	\$ 50	\$ 39	\$ (11)
Charges for services	199,909	199,909	164,911	(34,998)
Miscellaneous	-	-	8,354	8,354
Intergovernmental:				
Commonwealth	6,007	6,007	5,808	(199)
Federal	336,483	372,866	428,492	55,626
Total revenues	<u>\$ 542,449</u>	<u>\$ 578,832</u>	<u>\$ 607,604</u>	<u>\$ 28,772</u>
EXPENDITURES				
Current:				
Education	\$ 542,449	\$ 578,832	\$ 644,511	\$ (65,679)
Total expenditures	<u>\$ 542,449</u>	<u>\$ 578,832</u>	<u>\$ 644,511</u>	<u>\$ (65,679)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,907)</u>	<u>\$ (36,907)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 16,400	\$ 16,400
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,400</u>	<u>\$ 16,400</u>
Net change in fund balances	\$ -	\$ -	\$ (20,507)	\$ (20,507)
Fund balances - beginning	-	-	121,494	121,494
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,987</u>	<u>\$ 100,987</u>

SUPPORTING SCHEDULES

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County of Northumberland, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 1 of 6

<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	\$ 13,657,074	\$ 13,657,074	\$ 13,781,287	\$ 124,213
Real and personal public service corporation taxes	180,000	180,000	231,682	51,682
Personal property taxes	2,190,000	2,190,000	2,204,107	14,107
Custom house boat taxes	400,000	400,000	480,055	80,055
Mobile home taxes	25,000	25,000	24,341	(659)
Machinery and tools taxes	180,000	180,000	192,346	12,346
Merchant's capital taxes	45,000	45,000	47,042	2,042
Penalties	105,000	105,000	121,154	16,154
Interest	60,000	60,000	93,119	33,119
Total general property taxes	\$ 16,842,074	\$ 16,842,074	\$ 17,175,133	\$ 333,059
Other local taxes:				
Local sales and use taxes	\$ 680,000	\$ 680,000	\$ 695,920	\$ 15,920
Consumers' utility taxes	335,000	335,000	345,599	10,599
Consumption tax	55,000	55,000	53,308	(1,692)
Motor vehicle licenses	360,000	360,000	358,666	(1,334)
Bank stock taxes	175,000	175,000	202,320	27,320
Taxes on recordation and wills	150,000	150,000	156,812	6,812
Total other local taxes	\$ 1,755,000	\$ 1,755,000	\$ 1,812,625	\$ 57,625
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 17,000	\$ 17,000	\$ 15,690	\$ (1,310)
Land use application fees	1,500	1,500	880	(620)
Transfer fees	1,000	1,000	875	(125)
Permits and other licenses	104,400	104,400	85,269	(19,131)
Total permits, privilege fees, and regulatory licenses	\$ 123,900	\$ 123,900	\$ 102,714	\$ (21,186)
Fines and forfeitures:				
Court fines and forfeitures	\$ 26,000	\$ 26,000	\$ 20,871	\$ (5,129)
Revenue from use of money and property:				
Revenue from use of money	\$ 55,000	\$ 55,000	\$ 61,342	\$ 6,342
Revenue from use of property	70,000	70,000	73,837	3,837
Total revenue from use of money and property	\$ 125,000	\$ 125,000	\$ 135,179	\$ 10,179
Charges for services:				
Sheriff's fees	\$ 539	\$ 539	\$ 539	\$ -
Court costs	1,500	1,500	1,708	208
Courthouses maintenance fees	2,000	2,000	2,620	620
Charges for Commonwealth's Attorney	900	900	1,217	317
Charges for correction and detention	1,000	1,000	893	(107)
Charges for other protection	650	650	830	180
Charges for community development	150	150	-	(150)
Total charges for services	\$ 6,739	\$ 6,739	\$ 7,807	\$ 1,068

County of Northumberland, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 2 of 6

<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	\$ 306,641	\$ 306,641	\$ 148,204	\$ (158,437)
Recovered costs:				
Regional jail	\$ -	\$ -	\$ 70,941	\$ 70,941
Regional landfill	-	-	4,800	4,800
Health department	9,045	9,045	-	(9,045)
Summer youth employment	-	-	749	749
Game reimbursements	-	-	6,650	6,650
DMV License Agent fee	24,000	24,000	26,652	2,652
Total recovered costs	\$ 33,045	\$ 33,045	\$ 109,792	\$ 76,747
Total revenue from local sources	\$ 19,218,399	\$ 19,218,399	\$ 19,512,325	\$ 293,926
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 385,000	\$ 385,000	\$ 370,015	\$ (14,985)
Motor vehicle carriers' tax	-	-	4	4
Mobile home titling tax	12,000	12,000	16,627	4,627
Recordation and grantors tax	-	-	47,808	47,808
Personal property tax relief funds	950,000	950,000	942,300	(7,700)
Additional tax on deeds	40,000	40,000	54,470	14,470
Total noncategorical aid	\$ 1,387,000	\$ 1,387,000	\$ 1,431,224	\$ 44,224
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 224,950	\$ 224,950	\$ 201,892	\$ (23,058)
Sheriff	746,161	746,161	744,198	(1,963)
Commissioner of revenue	90,023	90,023	90,017	(6)
Treasurer	113,895	113,895	113,890	(5)
Registrar/electoral board	36,000	36,000	44,180	8,180
Clerk of the Circuit Court	229,693	229,693	229,010	(683)
Total shared expenses	\$ 1,440,722	\$ 1,440,722	\$ 1,423,187	\$ (17,535)
Other categorical aid:				
Public assistance and welfare administration	\$ 450,000	\$ 450,000	\$ 384,988	\$ (65,012)
Animal friendly plates	-	-	198	198
Victim witness program	20,500	20,500	4,481	(16,019)
EMS - Four for life	12,000	12,000	-	(12,000)
Comprehensive services act	-	-	268,458	268,458
Fire programs fund	40,000	40,000	39,779	(221)
Wireless grant	-	-	42,256	42,256
Emergency communications grant	-	-	149,907	149,907

County of Northumberland, Virginia
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2016

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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)				
PSAP wireless	\$ -	\$ -	\$ 42,895	\$ 42,895
Records preservation	-	-	2,005	2,005
Other grants	6,150	6,150	8	(6,142)
Total other categorical aid	\$ 528,650	\$ 528,650	\$ 934,975	\$ 406,325
Total categorical aid	\$ 1,969,372	\$ 1,969,372	\$ 2,358,162	\$ 388,790
Total revenue from the Commonwealth	\$ 3,356,372	\$ 3,356,372	\$ 3,789,386	\$ 433,014
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 971,238	\$ 971,238	\$ 729,106	\$ (242,132)
Community development block grant	-	-	15,000	15,000
Ground transportation	-	-	4,754	4,754
Total categorical aid	\$ 971,238	\$ 971,238	\$ 748,860	\$ (222,378)
Total revenue from the federal government	\$ 971,238	\$ 971,238	\$ 748,860	\$ (222,378)
Total General Fund	\$ 23,546,009	\$ 23,546,009	\$ 24,050,571	\$ 504,562
Special Revenue Funds:				
Forfeited Assets Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 100	\$ 100
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Forfeited assets	\$ -	\$ -	\$ 537	\$ 537
Total Forfeited Assets Fund	\$ -	\$ -	\$ 637	\$ 637
Law Library Fund:				
Revenue from local sources:				
Charges for services:				
Law library fees	\$ -	\$ -	\$ 1	\$ 1
Total Law Library Fund	\$ -	\$ -	\$ 1	\$ 1
Economic Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 15	\$ 15
Total Economic Development Fund	\$ -	\$ -	\$ 15	\$ 15

County of Northumberland, Virginia
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2016

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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>
Special Revenue Funds: (Continued)				
Courthouse Security Fund:				
Revenue from local sources:				
Charges for services:				
Courthouse security fees	\$ -	\$ -	\$ 14,425	\$ 14,425
Total Courthouse Security Fund	\$ -	\$ -	\$ 14,425	\$ 14,425
Total Primary Government	\$ 23,546,009	\$ 23,546,009	\$ 24,065,649	\$ 519,640
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	\$ 6,000	\$ 6,000	\$ 6,799	\$ 799
Miscellaneous:				
Miscellaneous	\$ 190,050	\$ 217,093	\$ 155,997	\$ (61,096)
Recovered costs:				
Adult education	\$ -	\$ -	\$ 283,298	\$ 283,298
Total revenue from local sources	\$ 196,050	\$ 223,093	\$ 446,094	\$ 223,001
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Northumberland, Virginia	\$ 11,155,465	\$ 11,155,465	\$ 10,897,293	\$ (258,172)
Categorical aid:				
Share of state sales tax	\$ 1,419,608	\$ 1,419,608	\$ 1,435,623	\$ 16,015
Basic school aid	1,623,535	1,623,535	1,554,315	(69,220)
Primary class size	73,098	73,098	68,468	(4,630)
At risk payments	70,772	70,772	68,236	(2,536)
Career Technical Education	11,410	11,410	-	(11,410)
Early reading intervention	7,331	7,331	6,516	(815)
English as a second language	6,858	6,858	7,656	798
Effective discipline grant	-	-	25,000	25,000
Foster care	28,989	28,989	-	(28,989)
GED funding	24,611	24,611	22,889	(1,722)
Gifted and talented	15,998	15,998	15,431	(567)
Health incentive	6,127	6,127	-	(6,127)
Homebound	3,561	3,561	1,361	(2,200)
ISAEF	7,859	7,859	7,859	-
Preschool initiative	96,000	96,000	48,000	(48,000)
Mentor teacher program	-	-	1,891	1,891
Positive behavior intervention	33,216	33,216	-	(33,216)
Remedial education	67,057	67,057	64,677	(2,380)

County of Northumberland, Virginia
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2016

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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: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Remedial summer education	33,130	33,130	26,678	(6,452)
School fringes	284,222	284,222	305,154	20,932
Security grant	-	-	1,271	1,271
Special education	186,875	186,875	180,242	(6,633)
Standards of Learning algebra readiness	9,206	9,206	8,350	(856)
Teacher incentive	27,379	27,379	-	(27,379)
Textbook payment	32,753	32,753	31,590	(1,163)
Technology VPSA	128,000	128,000	128,000	-
Vocational education	45,613	45,613	49,675	4,062
Total categorical aid	\$ 4,243,208	\$ 4,243,208	\$ 4,058,882	\$ (184,326)
Total revenue from the Commonwealth	\$ 4,243,208	\$ 4,243,208	\$ 4,058,882	\$ (184,326)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 415,459	\$ 415,459	\$ 393,068	\$ (22,391)
Vocational education	30,418	30,418	24,985	(5,433)
Title VIB	311,855	311,855	289,936	(21,919)
Summer school food program	-	-	2,253	2,253
Advanced placement testing	-	-	656	656
Title II Part A	72,859	72,859	72,301	(558)
JROTC grant	67,700	67,700	71,786	4,086
Title VI - rural education	26,834	26,834	52,632	25,798
Total categorical aid	\$ 925,125	\$ 925,125	\$ 907,617	\$ (17,508)
Total revenue from the federal government	\$ 925,125	\$ 925,125	\$ 907,617	\$ (17,508)
Total School Operating Fund	\$ 16,519,848	\$ 16,546,891	\$ 16,309,886	\$ (237,005)
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 50	\$ 50	\$ 39	\$ (11)
Charges for services:				
Cafeteria sales	\$ 199,909	\$ 199,909	\$ 164,911	\$ (34,998)
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 8,354	\$ 8,354
Total revenue from local sources	\$ 199,959	\$ 199,959	\$ 173,304	\$ (26,655)

County of Northumberland, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

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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: (Continued)				
Special Revenue Fund: (Continued)				
School Cafeteria Fund: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 6,007	\$ 6,007	\$ 5,808	\$ (199)
Revenue from the federal government:				
Categorical aid:				
Commodities	\$ -	\$ 36,383	\$ 36,383	\$ -
School nutrition program	336,483	336,483	392,109	55,626
Total categorical aid	<u>\$ 336,483</u>	<u>\$ 372,866</u>	<u>\$ 428,492</u>	<u>\$ 55,626</u>
Total revenue from the federal government	<u>\$ 336,483</u>	<u>\$ 372,866</u>	<u>\$ 428,492</u>	<u>\$ 55,626</u>
Total School Cafeteria Fund	<u>\$ 542,449</u>	<u>\$ 578,832</u>	<u>\$ 607,604</u>	<u>\$ 28,772</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 17,062,297</u>	<u>\$ 17,125,723</u>	<u>\$ 16,917,490</u>	<u>\$ (208,233)</u>

County of Northumberland, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

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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	\$ 234,888	\$ 24,888	\$ 262,581	\$ (237,693)
General and financial administration:				
County administrator	\$ 282,726	\$ 282,726	\$ 285,342	\$ (2,616)
Information Technology	168,836	168,836	172,215	(3,379)
Legal services	15,000	15,000	15,000	-
Commissioner of revenue	316,762	316,762	316,751	11
Independent Auditor	40,311	40,311	39,500	811
Treasurer	348,808	348,808	384,169	(35,361)
Total general and financial administration	\$ 1,172,443	\$ 1,172,443	\$ 1,212,977	\$ (40,534)
Board of elections:				
Electoral board and officials	\$ 43,292	\$ 43,292	\$ 135,188	\$ (91,896)
Registrar	91,978	91,978	90,027	1,951
Total board of elections	\$ 135,270	\$ 135,270	\$ 225,215	\$ (89,945)
Total general government administration	\$ 1,542,601	\$ 1,332,601	\$ 1,700,773	\$ (368,172)
Judicial administration:				
Courts:				
Circuit court	\$ 14,827	\$ 14,827	\$ 22,589	\$ (7,762)
General district court	3,590	3,590	3,681	(91)
Victim witness protection program	46,613	46,613	49,185	(2,572)
Juvenile and domestic relations district court	79,524	79,524	47,800	31,724
Clerk of the circuit court	318,278	318,278	314,895	3,383
Total courts	\$ 462,832	\$ 462,832	\$ 438,150	\$ 24,682
Commonwealth's attorney:				
Commonwealth's attorney	\$ 328,811	\$ 329,507	\$ 304,218	\$ 25,289
Total judicial administration	\$ 791,643	\$ 792,339	\$ 742,368	\$ 49,971
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,369,027	\$ 2,406,183	\$ 2,319,243	\$ 86,940
Fire and rescue services:				
Fire department	\$ 427,418	\$ 427,418	\$ 428,921	\$ (1,503)
Ambulance and rescue services	655,547	655,547	616,613	38,934
Total fire and rescue services	\$ 1,082,965	\$ 1,082,965	\$ 1,045,534	\$ 37,431
Correction and detention:				
Payments to Regional Jail	\$ 345,838	\$ 345,838	\$ 345,838	\$ -
Inspections:				
Building	\$ 213,050	\$ 213,050	\$ 211,622	\$ 1,428

County of Northumberland, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

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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	\$ 182,815	\$ 231,816	\$ 219,742	\$ 12,074
Emergency services	113,097	113,097	397,797	(284,700)
Medical examiner	350	350	290	60
Total other protection	<u>\$ 296,262</u>	<u>\$ 345,263</u>	<u>\$ 617,829</u>	<u>\$ (272,566)</u>
Total public safety	<u>\$ 4,307,142</u>	<u>\$ 4,393,299</u>	<u>\$ 4,540,066</u>	<u>\$ (146,767)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Streetlights	<u>\$ 18,360</u>	<u>\$ 18,360</u>	<u>\$ 17,352</u>	<u>\$ 1,008</u>
Sanitation and waste removal:				
Refuse disposal	\$ 10,000	\$ 10,000	\$ 9,766	\$ 234
Refuse collection	1,020,926	1,020,926	1,073,895	(52,969)
Total sanitation and waste removal	<u>\$ 1,030,926</u>	<u>\$ 1,030,926</u>	<u>\$ 1,083,661</u>	<u>\$ (52,735)</u>
Maintenance of general buildings and grounds:				
General properties	<u>\$ 238,693</u>	<u>\$ 238,693</u>	<u>\$ 278,584</u>	<u>\$ (39,891)</u>
Total public works	<u>\$ 1,287,979</u>	<u>\$ 1,287,979</u>	<u>\$ 1,379,597</u>	<u>\$ (91,618)</u>
Health and welfare:				
Health:				
Supplement of local health department	<u>\$ 164,082</u>	<u>\$ 172,000</u>	<u>\$ 182,540</u>	<u>\$ (10,540)</u>
Mental health and mental retardation:				
Community services board	<u>\$ 42,161</u>	<u>\$ 42,161</u>	<u>\$ 31,621</u>	<u>\$ 10,540</u>
Welfare:				
Public assistance and welfare administration	\$ 1,919,920	\$ 1,918,920	\$ 1,530,280	\$ 388,640
Comprehensive services act	150,000	185,000	455,857	(270,857)
Other Social Services	188,149	189,149	195,775	(6,626)
Total welfare	<u>\$ 2,258,069</u>	<u>\$ 2,293,069</u>	<u>\$ 2,181,912</u>	<u>\$ 111,157</u>
Total health and welfare	<u>\$ 2,464,312</u>	<u>\$ 2,507,230</u>	<u>\$ 2,396,073</u>	<u>\$ 111,157</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 16,900	\$ 16,900	\$ 16,900	\$ -
Contribution to County School Board	11,155,465	11,155,465	10,897,293	258,172
Total education	<u>\$ 11,172,365</u>	<u>\$ 11,172,365</u>	<u>\$ 10,914,193</u>	<u>\$ 258,172</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>

County of Northumberland, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Library:				
Contribution to county library	\$ 143,263	\$ 143,263	\$ 143,263	\$ -
Total parks, recreation, and cultural	\$ 193,263	\$ 193,263	\$ 193,263	\$ -
Community development:				
Planning and community development:				
Planning and zoning	\$ 259,358	\$ 259,358	\$ 215,516	\$ 43,842
Economic development	37,500	52,500	46,692	5,808
Planning district commission	14,500	14,500	13,143	1,357
Total planning and community development	\$ 311,358	\$ 326,358	\$ 275,351	\$ 51,007
Environmental management:				
Contribution to soil and water conservation district	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Wetlands	18,889	18,889	19,706	(817)
Forestry	5,314	5,314	5,243	71
Total environmental management	\$ 39,203	\$ 39,203	\$ 39,949	\$ (746)
Cooperative extension program:				
Extension office	\$ 59,659	\$ 59,659	\$ 39,743	\$ 19,916
Total community development	\$ 410,220	\$ 425,220	\$ 355,043	\$ 70,177
Capital projects:				
County owned facilities	\$ 175,000	\$ 175,000	\$ 19,054	\$ 155,946
Sheriff's office	-	-	18,352	(18,352)
Fleeton/Callao Sewer project	40,000	40,000	-	40,000
Total capital projects	\$ 215,000	\$ 215,000	\$ 37,406	\$ 177,594
Debt service:				
Principal retirement	\$ 880,000	\$ 880,000	\$ 880,000	\$ -
Interest and other fiscal charges	1,499,531	1,499,531	1,452,679	46,852
Total debt service	\$ 2,379,531	\$ 2,379,531	\$ 2,332,679	\$ 46,852
Total General Fund	\$ 24,764,056	\$ 24,698,827	\$ 24,591,461	\$ 107,366
Special Revenue Funds:				
Forfeited Assets Fund:				
Public safety:				
Sheriff:				
Forfeited assets	\$ -	\$ -	\$ 25,838	\$ (25,838)
Total Forfeited Assets Fund	\$ -	\$ -	\$ 25,838	\$ (25,838)
Total Primary Government	\$ 24,764,056	\$ 24,698,827	\$ 24,617,299	\$ 81,528

County of Northumberland, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

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	\$ 886,908	\$ 886,908	\$ 855,871	\$ 31,037
Instruction costs	11,808,834	11,835,877	11,740,217	95,660
Pupil transportation	1,242,975	1,242,975	1,113,043	129,932
Operation and maintenance of school plant	1,907,321	1,907,321	1,704,361	202,960
School food	-	-	306,850	(306,850)
Technology	561,382	561,382	541,303	20,079
Other operating costs	\$ 16,407,420	\$ 16,434,463	\$ 16,261,645	\$ 172,818
Total education	\$ 16,407,420	\$ 16,434,463	\$ 16,261,645	\$ 172,818
Capital projects:				
Capital Outlay	\$ 77,870	\$ 77,870	\$ -	\$ 77,870
Debt service:				
Principal retirement	\$ 32,610	\$ 32,610	\$ 31,841	\$ 769
Interest and other fiscal charges	1,948	1,948	-	1,948
Total debt service	\$ 34,558	\$ 34,558	\$ 31,841	\$ 2,717
Total School Operating Fund	\$ 16,519,848	\$ 16,546,891	\$ 16,293,486	\$ 253,405
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
School food	\$ 542,449	\$ 578,832	\$ 644,511	\$ (65,679)
Total School Cafeteria Fund	\$ 542,449	\$ 578,832	\$ 644,511	\$ (65,679)
Total Discretely Presented Component Unit - School Board	\$ 17,062,297	\$ 17,125,723	\$ 16,937,997	\$ 187,726

STATISTICAL INFORMATION

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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
2006-07	\$ 1,250,550	\$ 913,462	\$ 2,786,622	\$ 1,299,662	\$ 1,979,837	\$ 11,307,420	\$ 154,433	\$ 462,873	\$ 1,757,383	\$ 641,660	\$ 22,553,902
2007-08	1,185,448	897,658	3,325,552	1,261,074	1,963,371	10,145,703	162,433	582,207	1,906,293	725,364	22,155,103
2008-09	1,312,517	841,269	2,909,507	1,206,586	1,962,122	9,552,038	89,228	433,527	1,860,565	787,029	20,954,388
2009-10	1,284,916	925,689	3,153,464	1,165,665	1,965,340	7,882,786	160,000	249,496	1,805,133	799,163	19,391,652
2010-11	1,449,612	1,885,783	3,112,797	1,239,359	2,113,100	10,152,027	160,000	356,559	1,747,492	804,516	23,021,245
2011-12	1,575,956	809,001	3,192,554	1,197,769	2,108,697	9,613,564	160,000	866,569	1,681,962	805,077	22,011,149
2012-13	1,887,494	748,238	3,340,665	1,209,904	1,991,739	11,598,124	161,418	754,292	1,608,524	836,447	24,136,845
2013-14	1,745,031	729,034	3,489,876	1,341,207	2,034,759	13,264,282	160,216	632,469	1,565,816	780,519	25,743,209
2014-15	1,752,971	668,958	3,638,800	1,261,806	2,254,600	10,703,493	234,380	392,796	1,509,002	912,461	23,329,267
2015-16	1,565,248	787,486	4,167,123	1,373,510	2,381,542	14,239,193	193,173	359,072	1,542,994	1,065,484	27,674,825

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES							
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General				Unrestricted		Grants and Contributions Not Restricted to Specific Programs	Total
				Property Taxes	Other Local Taxes	Earnings	Miscellaneous				
2006-07	\$ 535,960	\$ 3,073,567	\$ 68,266	\$ 13,176,306	\$ 2,236,690	\$ 1,600,110	\$ 241,736	\$ 1,109,209	\$ 22,041,844		
2007-08	569,645	2,871,605	630,311	13,447,313	1,945,289	1,801,426	345,799	1,085,298	22,696,686		
2008-09	529,047	2,945,673	66,934	14,409,617	2,188,526	486,072	341,443	1,089,447	22,056,759		
2009-10	527,391	2,759,311	-	15,020,712	1,756,737	234,120	346,648	1,394,902	22,039,821		
2010-11	534,321	2,948,734	-	15,295,156	1,693,183	232,707	245,832	1,430,443	22,380,376		
2011-12	561,706	2,605,285	560,885	15,443,129	1,731,687	182,448	170,499	1,379,120	22,634,759		
2012-13	612,221	2,507,321	298,775	16,199,114	1,749,597	170,617	233,532	1,440,348	23,211,525		
2013-14	590,151	2,707,605	138,084	16,291,941	1,787,209	157,150	139,608	1,430,889	23,242,637		
2014-15	582,684	2,926,608	137,940	17,085,338	1,853,559	148,763	59,502	1,430,436	24,224,830		
2015-16	520,600	3,107,559	-	17,109,646	1,812,625	135,194	176,920	1,431,224	24,293,768		

Table 3

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

Fiscal Year	General Government			Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural		Community Development	Debt Service	Total
	Administration	Judicial Administration					Education (2)				
2006-07	\$ 1,275,536	\$ 684,040	\$ 2,894,649	\$ 1,282,308	\$ 1,955,978	\$ 15,144,972	\$ 150,000	\$ 462,872	\$ 2,533,503	\$ 26,383,858	
2007-08	1,283,522	714,521	3,536,111	1,272,472	1,948,819	16,010,041	160,000	427,682	3,051,646	28,404,814	
2008-09	1,247,501	758,759	3,318,605	1,213,509	1,939,676	16,087,829	160,000	432,735	2,998,457	28,157,071	
2009-10	1,227,526	831,469	3,070,468	1,178,666	1,949,423	15,133,600	160,000	366,703	2,965,494	26,883,349	
2010-11	1,449,459	750,685	3,183,692	1,258,125	2,110,973	14,929,147	160,000	365,561	2,945,797	27,153,439	
2011-12	1,303,952	799,970	3,214,223	1,212,832	2,094,948	15,549,789	160,000	399,377	2,918,399	27,653,490	
2012-13	1,611,371	746,282	3,761,020	1,209,452	2,026,063	15,803,625	160,000	434,021	2,716,454	28,468,288	
2013-14	1,525,218	726,972	3,592,050	1,343,060	2,041,404	15,929,537	160,000	398,097	2,701,296	28,417,634	
2014-15	1,465,848	703,337	4,384,453	1,278,360	2,245,848	16,346,444	233,132	370,274	2,384,030	29,411,726	
2015-16	1,700,773	742,368	4,565,904	1,379,597	5,396,073	16,923,056	193,263	355,043	2,332,679	33,588,756	

(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 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property				Recovered Costs	Inter-governmental (2)	Total
						Charges for Services	Miscellaneous				
2006-07	\$ 13,105,187	\$ 1,583,747	\$ 218,274	\$ 12,185	\$ 352,575	\$ 267,989	\$ 381,660	\$ 98,462	\$ 11,209,787	\$ 27,229,866	
2007-08	13,367,097	1,945,289	206,459	16,987	285,088	272,732	527,635	247,678	11,564,983	28,433,948	
2008-09	14,879,752	2,188,526	180,070	15,480	252,556	233,143	588,022	101,770	9,903,162	28,342,481	
2009-10	14,896,149	1,756,737	137,646	29,883	231,790	274,183	507,538	103,838	9,897,347	27,835,111	
2010-11	15,151,420	1,693,183	138,534	23,951	232,690	251,972	353,815	115,436	9,935,375	27,896,376	
2011-12	15,503,870	1,731,687	134,362	30,603	182,269	215,937	276,157	102,261	9,293,353	27,470,499	
2012-13	16,134,615	1,749,597	127,195	27,611	169,793	197,537	359,880	102,265	8,904,032	27,772,525	
2013-14	16,246,598	1,787,209	107,766	28,476	156,447	149,392	353,604	111,246	9,100,199	28,040,937	
2014-15	17,102,085	1,853,559	112,582	27,675	154,421	162,050	291,499	124,422	10,167,053	29,995,346	
2015-16	17,175,133	1,812,625	102,714	20,871	142,032	187,144	312,655	109,792	9,939,582	29,802,548	

(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		Total Tax Collections	Percent of		Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
				Tax	Collections (1)		Total Tax	Collections to Tax Levy		
2006-07	\$ 13,873,126	\$ 13,688,759	98.67%	\$ 195,874	\$ 13,884,633	100.08%	\$ 202,803	1.46%		
2007-08	14,238,395	14,013,307	98.42%	179,242	14,192,549	99.68%	310,307	2.18%		
2008-09	15,889,738	15,528,432	97.73%	196,546	15,724,978	98.96%	399,253	2.51%		
2009-10	15,769,623	15,429,741	97.84%	242,026	15,671,767	99.38%	508,662	3.23%		
2010-11	16,041,437	15,693,936	97.83%	256,693	15,950,629	99.43%	560,820	3.50%		
2011-12	16,275,738	15,971,392	98.13%	294,244	16,265,636	99.94%	561,257	3.45%		
2012-13	16,995,677	16,679,439	98.14%	203,352	16,882,791	99.34%	647,572	3.81%		
2013-14	17,106,506	16,736,919	97.84%	261,762	16,998,681	99.37%	710,759	4.15%		
2014-15	17,840,566	17,569,040	98.48%	273,210	17,842,250	100.01%	685,239	3.84%		
2015-16	17,941,860	17,621,608	98.22%	281,548	17,903,156	99.78%	647,344	3.61%		

(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
2006-07	\$ 2,829,613,762	\$ 99,792,019	\$ 3,062,848	\$ 4,316,128	\$ 38,647,253	\$ 2,975,432,010
2007-08	2,902,222,017	103,742,431	2,887,999	4,386,808	36,978,612	3,050,217,867
2008-09	2,961,160,227	111,854,782	2,530,695	4,645,795	28,020,738	3,108,212,237
2009-10	3,011,546,185	102,709,252	2,318,911	4,641,003	32,584,722	3,153,800,073
2010-11	3,047,497,890	106,808,354	2,688,648	5,243,876	36,317,490	3,198,556,258
2011-12	3,080,451,758	106,163,570	5,161,162	4,939,229	45,441,422	3,242,157,141
2012-13	3,091,570,771	105,462,100	4,893,424	4,567,724	41,926,278	3,248,420,297
2013-14	3,120,026,152	105,379,492	5,828,476	4,685,002	45,044,045	3,280,963,167
2014-15	2,805,775,428	106,938,812	5,468,822	4,821,578	45,154,586	2,968,159,226
2015-16	2,810,608,837	107,339,101	5,349,593	5,015,304	47,412,637	2,975,725,472

(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
2006-07	\$ 0.36	\$ 0.36	\$ 3.60	\$ 1.00	\$ 3.60
2007-08	0.36	0.36	3.60	1.00	3.60
2008-09	0.40	0.40	3.60	1.00	3.60
2009-10	0.40	0.40	3.60	1.00	3.60
2010-11	0.40	0.40	3.60	1.00	3.60
2011-12	0.40	0.40	3.60	1.00	3.60
2012-13	0.40	0.40	3.60	1.00	3.60
2013-14	0.42	0.42	3.60	1.00	3.60
2014-15	0.49	0.49	3.60	1.00	3.60
2015-16	0.49	0.49	3.60	1.00	3.60

(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
2006-07	12,259	\$ 2,975,432,010	\$ 2,406,843	0.08%	\$ 196
2007-08	12,259	3,050,217,867	2,036,268	0.07%	166
2008-09	12,259	3,108,212,237	1,693,657	0.05%	138
2009-10	12,330	3,153,800,073	1,353,874	0.04%	110
2010-11	12,330	3,198,556,258	1,006,775	0.03%	82
2011-12	12,330	3,242,157,141	615,000	0.02%	50
2012-13	12,330	3,248,420,297	310,000	0.01%	25
2013-14	12,330	3,280,963,167	-	0.00%	-
2014-15	12,330	2,968,159,226	-	0.00%	-
2015-16	12,330	2,975,725,472	-	0.00%	-

(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.

COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

**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, 2016, 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 December 8, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control that we consider to be material weaknesses, 2016-001 and 2016-002.

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*.

County of Northumberland, Virginia's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and 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. Clark", followed by a horizontal line.

Richmond, Virginia
December 8, 2016

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Northumberland, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Northumberland, Virginia's major federal programs for the year ended June 30, 2016. 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 (CFR) 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, 2016.

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
December 8, 2016

County of Northumberland, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

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	0950115/0950116	\$ 13,858
Temporary Assistance for Needy Families	93.558	0400115/0400116	101,031
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115/0500116	117
Low-income Home Energy Assistance	93.568	0600415/00600416	11,683
CCDF Cluster:			
Child Care and Development Block Grant	93.575	0770115/0770116	(280)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760115/0760116	19,654
Total CCDF Cluster			<u>\$ 19,374</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115/090116	670
Foster Care - Title IV-E	93.658	1100115/1100116	111,801
Adoption Assistance	93.659	1150115/1150116	68,014
Social Services Block Grant	93.667	1000115/1000116	72,255
Chafee Foster Care Independence Program	93.674	9150115/9150116	1,102
Children's Health Insurance Program	93.767	0540115/0540116	5,944
Medical Assistance Program	93.778	1200115/1200116	180,101
Total Department of Health and Human Services			<u>\$ 585,950</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>\$ 15,000</u>
Department of Defense:			
Direct payments:			
Jr ROTC	12.xxx	N/A	<u>\$ 71,786</u>
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and Community Highway Safety	20.600	60507-50159/59255	<u>\$ 4,754</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	\$ 783
<i>Department of Health:</i>			
Summer Food Service Program for Children	10.559	unavailable	<u>4,919</u> \$ 5,702
<i>Department of Agriculture:</i>			
Food Distribution - National School Lunch Program	10.555	17901-45707	\$ 36,383
<i>Department of Education:</i>			
National School Lunch Program	10.555	17901-40623	<u>317,087</u> 353,470
School Breakfast Program	10.553	17901-40591	<u>71,573</u>
Total Child Nutrition Cluster			<u>\$ 430,745</u>

County of Northumberland, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Agriculture: (Continued)			
Pass Through Payments: (Continued)			
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010115/0010116	143,156
Total Department of Agriculture			\$ 573,901
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 393,068
Special Education - Grants to States	84.027	17901-43071	289,936
Career and Technical Education - Basic Grants to States	84.048	17901-61095	24,985
Advanced Placement Program	84.330	17901-60957	656
Rural Education	84.358	17901-43481	52,632
Supporting Effective Instruction State Grant	84.367	17901-61480	72,301
Total Department of Education			\$ 833,578
Total Expenditures of Federal Awards			\$ 2,084,969

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, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Northumberland, Virginia under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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	\$ 748,860
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Component Unit School Board:

School Operating Fund	\$ 907,617
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School Cafeteria Fund	428,492
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Total component unit School Board	<u>\$ 1,336,109</u>
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Total expenditures of federal awards per basic financial statements	<u>\$ 2,084,969</u>
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Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u><u>\$ 2,084,969</u></u>
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County of Northumberland, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education - Grants to States
10.553/10.555/10.559	Child Nutrition Cluster
84.010	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

**County of Northumberland, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Section II-Financial Statement Findings

2016-001

Financial Reporting

Criteria:	Per Statement of Auditing Standards 115 (SAS 115), identification of adjustments to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exists. Internal controls should be in place that provide assurance that audited financial statements reconcile to the County's internal documents.
Condition:	The financial statements did not contain all necessary adjustments to reconcile to the County's internal documents to comply with generally accepted accounting principles (GAAP).
Effect of Condition:	There is more than a remote likelihood that a misstatement of the County's financial statements or notes to the financial statements that is more than inconsequential will not be prevented or detected by the County's internal controls over financial reporting.
Cause of Condition:	Procedures have not been implemented to provide for posting year-end accrual's to the County's general ledger.
Recommendation:	Procedures should be implemented providing for the posting of all year-end accruals to allow for reconciliation between the audited financial statements and the County's general ledger reports. In order to take the next step to address this issue, the County should consider employing a governmental accounting consultant, that is independent of the County's Auditor, to assist with the preparation of year end working trial balances.
Management's Response:	The County is considering corrective action for FY17.

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**County of Northumberland, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Section II-Financial Statement Findings (Continued)

2016-002

Financial Reporting

Criteria:	Per Auditor of Public Account Specifications, Section 3-7, localities are required to verify the accuracy of the information reported to VRS. Internal controls should be in place that provide assurance that audited financial statements reconcile to the School Board's internal documents related to VRS payments.
Condition:	The financial statements did not contain all necessary postings to reconcile to the School Board's internal documents to the VRS snapshots.
Effect of Condition:	There is more than a remote likelihood that a misstatement of the School Board's financial statements or notes to the financial statements that is more than inconsequential will not be prevented or detected by the School Board's internal controls over financial reporting.
Cause of Condition:	Procedures have not been implemented to provide for reconciling VRS payments to the financial statements.
Recommendation:	Procedures should be implemented to allow for reconciliation between the VRS snapshots and the School Board's financial statements. This reconciliation should be performed monthly during the processing of payroll.
Management's Response:	The County is considering corrective action for FY17.

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, 2016

There were no prior audit findings.

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