

COUNTY OF WESTMORELAND, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

COUNTY OF WESTMORELAND, VIRGINIA

Financial Report
Year Ended June 30, 2016

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COUNTY OF WESTMORELAND, VIRGINIA

BOARD OF SUPERVISORS

Darryl E. Fisher, Chairman

W.W. Hynson, Vice-Chairman

Dorothy Dickerson Tate

Russ Culver

Larry Roberson

SCHOOL BOARD

Daniel Wallace, Chairman
Ralph Fallin, Vice-Chairman

Patricia Lewis
Iris Lane

Sandra Ramsey

BOARD OF SOCIAL SERVICES

Leonard Perotti, Chairman
Kathryn Allen, Vice-Chairman

David Coombes
Bonnie Watson

Juanita Cox

OTHER OFFICIALS

Judge of the Circuit Court
Clerk of the Circuit Court
Commonwealth's Attorney
Treasurer
Sheriff
Superintendent of Schools
Director of Social Services
Commissioner of the Revenue
County Administrator

Herbert M. Hewitt
Gwynne Chatham
Julia Sichel
Sue N. Jones
C.O. Balderson
Dr. Michael Perry
Helen Wilkins Ball
Carol B. Gawen
Norm Risavi

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 Westmoreland, 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 Westmoreland, 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 Westmoreland, Virginia'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 the County of Westmoreland, 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, 82 Pension Issues - an amendment of GASB Statements 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 4-9, 85-91 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Westmoreland, 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.

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, 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2017, on our consideration of the County of Westmoreland, 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 Westmoreland, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
January 31, 2017

COUNTY OF WESTMORELAND, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Citizens of Westmoreland County
County of Westmoreland, Virginia

As management of the County of Westmoreland, 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.

Financial Highlights

Government-wide Financial Statements

- On a government-wide basis for governmental activities, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$13,458,387 (net position). For business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21,456,847.

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures of \$893,507 (Exhibit 5) after making contributions totaling \$7,477,840 to the School Board.

- As of the close of the current fiscal year, the County's governmental funds reported ending fund balances of \$10,865,649 an increase of \$893,507 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,936,965 or 27% of total general fund expenditures.
- Combined long-term obligations for the governmental funds increased \$171,783 during the current fiscal year.

The Proprietary Funds, on an accrual basis, reported a decrease in net position of (\$390,509) (Exhibit 8).

- As of the close of the current fiscal year, the County's proprietary funds reported ending net position of \$21,456,847, a decrease (\$390,509).
- Combined long-term obligations in the proprietary funds decreased (\$39,127) during the current fiscal year.

Overview of the Financial Statements

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

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

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

Overview of the Financial Statements: (Continued)

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, deferred outflows of resources, liabilities and deferred inflows of resources, with the excess of assets and deferred outflows over liabilities and deferred inflows 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 Westmoreland, Virginia itself (known as the primary government), but also a legally separate school district for which the County of Westmoreland, Virginia is financially accountable. Financial information for this component unit is reported separately from the financial information present 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 Westmoreland, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Proprietary Funds - Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

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

Overview of the Financial Statements: (Continued)

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

Other information - In addition to the basic financial statements 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's governmental activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13,458,387 at the close of the most recent fiscal year.

Summary Statement of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
	Current and other assets	\$ 12,101,944	\$ 11,086,859	\$ 2,130,895	\$ 2,899,616	\$ 14,232,839
Capital assets	17,815,994	17,909,691	29,757,340	29,091,018	47,573,334	47,000,709
Total assets	\$ 29,917,938	\$ 28,996,550	\$ 31,888,235	\$ 31,990,634	\$ 61,806,173	\$ 60,987,184
Deferred outflows of resources	\$ 694,668	\$ 664,700	\$ 20,472	\$ 20,463	\$ 715,140	\$ 685,163
Long-term liabilities	\$ 15,785,627	\$ 15,613,844	\$ 9,971,665	\$ 10,010,792	\$ 25,757,292	\$ 25,624,636
Current liabilities	762,838	810,917	456,285	113,971	1,219,123	924,888
Total liabilities	\$ 16,548,465	\$ 16,424,761	\$ 10,427,950	\$ 10,124,763	\$ 26,976,415	\$ 26,549,524
Deferred outflows of resources	\$ 605,754	\$ 1,206,739	\$ 23,910	\$ 38,978	\$ 629,664	\$ 1,245,717
Net position:						
Net investment in capital assets	\$ 6,898,487	\$ 6,951,868	\$ 19,902,178	\$ 19,190,500	\$ 26,800,665	\$ 26,142,368
Restricted	49,631	49,631	539,380	539,380	589,011	589,011
Unrestricted	6,510,269	5,028,251	1,015,289	2,117,476	7,525,558	7,145,727
Total net position	\$ 13,458,387	\$ 12,029,750	\$ 21,456,847	\$ 21,847,356	\$ 34,915,234	\$ 33,877,106

Government-wide Financial Analysis (Continued)

At the end of the current fiscal year, the County’s investment in capital assets net of related debt used to acquire those assets was \$6,898,487 for governmental activities. The County uses these capital assets to provide services to citizens therefore; these assets are not available for future spending. Although the County’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County’s net position increased by \$1,428,637 during the current fiscal year.

Government-wide Financial Analysis: (Continued)

Governmental Activities - Governmental activities and business-type activities increased the County’s net position by \$1,428,637 and (\$390,509) respectively. Key elements of this increase are as follows:

Summary Statement of Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 506,475	\$ 508,124	\$ 1,724,044	\$ 1,796,817	\$ 2,230,519	\$ 2,304,941
Operating grants and contributions	4,483,909	4,673,753	-	-	4,483,909	4,673,753
Capital grants and contributions	-	897,712	-	-	-	897,712
General revenues:						
General property taxes	16,551,690	16,117,911	-	-	16,551,690	16,117,911
Other local taxes	1,834,980	1,803,473	-	-	1,834,980	1,803,473
Grants and other contributions not restricted	1,954,848	1,894,172	-	-	1,954,848	1,894,172
Use of money and property	286,491	293,219	30,332	31,962	316,823	325,181
Miscellaneous	146,890	103,094	13,430	14,417	160,320	117,511
Total revenues	\$ 25,765,283	\$ 26,291,458	\$ 1,767,806	\$ 1,843,196	\$ 27,533,089	\$ 28,134,654
Expenses:						
General government administration	\$ 2,775,459	\$ 2,579,220	\$ -	\$ -	\$ 2,775,459	\$ 2,579,220
Judicial administration	1,122,068	870,734	-	-	1,122,068	870,734
Public safety	4,575,347	4,564,172	-	-	4,575,347	4,564,172
Public works	2,727,720	1,986,869	-	-	2,727,720	1,986,869
Health and welfare	3,526,367	3,767,706	-	-	3,526,367	3,767,706
Education	7,801,727	7,785,510	-	-	7,801,727	7,785,510
Parks, recreation, and cultural	685,361	670,301	-	-	685,361	670,301
Community development	666,753	627,158	-	-	666,753	627,158
Interest on long-term debt	455,844	422,919	-	-	455,844	422,919
Water and Sewer	-	-	2,158,315	1,887,883	2,158,315	1,887,883
Total expenses	\$ 24,336,646	\$ 23,274,589	\$ 2,158,315	\$ 1,887,883	\$ 26,494,961	\$ 25,162,472
Increase in net position	\$ 1,428,637	\$ 3,016,869	\$ (390,509)	\$ (44,687)	\$ 1,038,128	\$ 2,972,182
Net position, July 1, as restated	12,029,750	9,012,881	21,847,356	21,892,043	33,877,106	30,904,924
Net position, June 30	\$ 13,458,387	\$ 12,029,750	\$ 21,456,847	\$ 21,847,356	\$ 34,915,234	\$ 33,877,106

Government-wide Financial Analysis: (Continued)

- The increase of \$1,428,637 in the governmental activities net position was largely attributable revenues exceeding expenses.
- Net position for business-type activities showed a decrease of (\$390,509) during fiscal year 2015.

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

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 \$10,865,649 an increase of \$893,507 in comparison with the prior year. Approximately 64% of this total amount constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is nonspendable, restricted, committed, and assigned to indicate that it is not available for new spending because it has already been constrained.

Proprietary Funds - The focus of the County's proprietary funds is upon determination of net income, financial position, and changes in financial position. Funds are accounted for in a manner similar to private business enterprises. The County's proprietary funds consists of the Water and Sewer Fund. The proprietary funds reflected a combined decrease in net position of (\$390,509).

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was an increase of \$2,472,756 in expenditures and can be briefly summarized as follows:

- \$406,522 in increases for general government administration
- \$37,597 in increases for judicial administration
- \$629,299 in increases for public safety
- \$196,347 in increases for public works
- \$897,858 in increases for capital projects
- \$305,133 in other increases

Of this increase, \$84,754 was to be funded from intergovernmental revenues. The remaining \$2,388,002 was to be budgeted from available fund balance and other revenue increases. During the year, however, expenditures were less than budgetary estimates by \$2,583,102 thus eliminating the need to draw upon all of the \$1,262,482 of the existing fund balance which was budgeted.

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 \$17,815,994 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. Investment in capital assets for the County's proprietary operations amounts to \$29,757,340 as of June 30, 2016. This investment includes land, water systems, sewer systems, and equipment.

Additional information on the County's capital assets can be found in note 9 of this report.

Long-term debt - At the end of the current fiscal year, the County had total long-term obligations outstanding of \$15,785,627 for its governmental activities. Of this amount \$6,628,451 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt for governmental operations \$9,157,176 represents bonds secured solely by specified revenue sources (i.e., revenue bonds). Business-type debt is comprised of \$9,769,336 bonds secured solely by water and sewer revenues, \$85,826 treatment plant upgrade, net pension liability of \$98,942 and compensated absences of \$17,561.

The County's total debt outstanding increased by \$132,656 during the current fiscal year.

Additional information on the County of Westmoreland, Virginia's long-term debt can be found in Note 12 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is currently 4.1 percent, which is a decrease from a rate of 4.8 percent a year ago. This is slightly higher than the state's average unemployment rate of 4.0 percent and is less than the national average rate of 4.1 percent.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the County's budget for the 2016 fiscal year.

The fiscal year 2017 general fund budget amounted to \$28,651,794.

Requests for Information

This financial report is designed to provide a general overview of the County of Westmoreland, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, P.O. Box 1000, Montross, Virginia 22520.

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
June 30, 2016

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit School Board
ASSETS				
Cash and cash equivalents	\$ 2,633,360	\$ 59,926	\$ 2,693,286	\$ 4,120,179
Cash in custody of others	55,815	-	55,815	-
Investments	7,177,161	1,339,087	8,516,248	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	574,727	-	574,727	-
Accounts receivable	165,513	65,664	231,177	117,080
Due from component unit	543,829	-	543,829	-
Due from other governmental units	846,893	126,838	973,731	678,998
Prepaid items	55,015	-	55,015	-
Restricted assets:				
Cash and investments	49,631	539,380	589,011	-
Capital assets (net of accumulated depreciation):				
Land	378,301	427,377	805,678	258,916
Buildings and system	13,961,797	26,321,737	40,283,534	6,224,802
Machinery and equipment	1,706,191	26,646	1,732,837	1,210,863
Intangible assets	-	985,015	985,015	-
Construction in progress	1,769,705	1,996,565	3,766,270	-
Total assets	\$ 29,917,938	\$ 31,888,235	\$ 61,806,173	\$ 12,610,838
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to the measurement date	\$ 657,414	\$ 20,472	\$ 677,886	\$ 1,302,835
Deferred charge on refunding	37,254	-	37,254	-
Total deferred outflows of resources	\$ 694,668	\$ 20,472	\$ 715,140	\$ 1,302,835
LIABILITIES				
Accounts payable	\$ 678,428	\$ 381,996	\$ 1,060,424	\$ 224,067
Accrued liabilities	-	-	-	1,762,917
Retainage payable	-	58,838	58,838	-
Customers' deposits	-	35	35	-
Accrued interest payable	42,278	15,416	57,694	26,706
Due to primary government	-	-	-	543,829
Due to other governmental units	42,132	-	42,132	89,110
Long-term liabilities:				
Due within one year	974,253	180,317	1,154,570	183,963
Due in more than one year	14,811,374	9,791,348	24,602,722	18,039,901
Total liabilities	\$ 16,548,465	\$ 10,427,950	\$ 26,976,415	\$ 20,870,493
DEFERRED INFLOWS OF RESOURCES				
Change in proportionate share of net pension liability	\$ -	\$ -	\$ -	\$ 241,000
Items related to the measurement of the net pension liability	562,428	23,910	586,338	1,245,306
Deferred revenue - property taxes	43,326	-	43,326	-
Total deferred inflows of resources	\$ 605,754	\$ 23,910	\$ 629,664	\$ 1,486,306
NET POSITION				
Net Investment in capital assets	\$ 6,898,487	\$ 19,902,178	\$ 26,800,665	\$ 6,428,878
Restricted:				
Debt service and bond covenants	49,631	539,380	589,011	-
Unrestricted (deficit)	6,510,269	1,015,289	7,525,558	(14,872,004)
Total net position	\$ 13,458,387	\$ 21,456,847	\$ 34,915,234	\$ (8,443,126)

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

COUNTY OF WESTMORELAND, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,775,459	\$ 2,010	\$ 248,647	\$ -
Judicial administration	1,122,068	167,271	524,436	-
Public safety	4,575,347	47,775	1,294,393	-
Public works	2,727,720	284,285	8,592	-
Health and welfare	3,526,367	-	2,367,021	-
Education	7,801,727	-	-	-
Parks, recreation, and cultural	685,361	48	40,820	-
Community development	666,753	5,086	-	-
Interest on long-term debt	455,844	-	-	-
Total governmental activities	\$ 24,336,646	\$ 506,475	\$ 4,483,909	\$ -
Business-type activities:				
Water and sewer	\$ 2,158,315	\$ 1,724,044	\$ -	\$ -
Total business-type activities	\$ 2,158,315	\$ 1,724,044	\$ -	\$ -
Total primary government	\$ 26,494,961	\$ 2,230,519	\$ 4,483,909	\$ -
COMPONENT UNIT:				
School Board	\$ 19,283,652	\$ 229,359	\$ 12,089,060	\$ 195,021

General revenues:
 General property taxes
 Local sales and use taxes
 Consumers' utility taxes
 Motor vehicle licenses
 Taxes on recordation and wills
 Other local taxes
 Unrestricted revenues from use of money and property
 Miscellaneous
 Payment from local government
 Grants and contributions not restricted to specific programs
 Total general revenues
 Change in net position
 Net position - beginning, as restated
 Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	School Board
\$ (2,524,802)		\$ (2,524,802)	
(430,361)		(430,361)	
(3,233,179)		(3,233,179)	
(2,434,843)		(2,434,843)	
(1,159,346)		(1,159,346)	
(7,801,727)		(7,801,727)	
(644,493)		(644,493)	
(661,667)		(661,667)	
(455,844)		(455,844)	
<u>\$ (19,346,262)</u>		<u>\$ (19,346,262)</u>	
	\$ (434,271)	\$ (434,271)	
	\$ (434,271)	\$ (434,271)	
	<u>\$ (434,271)</u>	<u>\$ (19,780,533)</u>	
			\$ <u>(6,770,212)</u>
\$ 16,551,690	\$ -	\$ 16,551,690	\$ -
741,223	-	741,223	-
330,886	-	330,886	-
538,683	-	538,683	-
171,876	-	171,876	-
52,312	-	52,312	-
286,491	30,332	316,823	35,549
146,890	13,430	160,320	319,197
-	-	-	7,709,846
1,954,848	-	1,954,848	-
<u>\$ 20,774,899</u>	<u>\$ 43,762</u>	<u>\$ 20,818,661</u>	<u>\$ 8,064,592</u>
1,428,637	(390,509)	1,038,128	1,294,380
12,029,750	21,847,356	33,877,106	(9,737,506)
<u>\$ 13,458,387</u>	<u>\$ 21,456,847</u>	<u>\$ 34,915,234</u>	<u>\$ (8,443,126)</u>

Fund Financial Statements

Balance Sheet
 Governmental Funds
 June 30, 2016

	General	General Capital Projects	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 2,350,716	\$ -	\$ 299,209	\$ 2,649,925
Investments	6,134,420	1,042,119	622	7,177,161
Cash in custody of others	55,815	-	-	55,815
Receivables (net of allowance for uncollectibles):				
Taxes receivable	574,727	-	-	574,727
Accounts receivable	165,513	-	-	165,513
Due from component unit	543,829	-	-	543,829
Due from other governmental units	846,893	-	-	846,893
Prepaid items	55,015	-	-	55,015
Restricted assets:				
Temporarily restricted:				
Investments	-	-	49,631	49,631
Total assets	<u>\$ 10,726,928</u>	<u>\$ 1,042,119</u>	<u>\$ 349,462</u>	<u>\$ 12,118,509</u>
LIABILITIES				
Reconciled overdraft	\$ -	\$ 16,565	\$ -	\$ 16,565
Accounts payable	673,858	-	4,570	678,428
Due to other governmental units	42,132	-	-	42,132
Total liabilities	<u>\$ 715,990</u>	<u>\$ 16,565</u>	<u>\$ 4,570</u>	<u>\$ 737,125</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>\$ 515,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 515,735</u>
Fund balances:				
Nonspendable	\$ 55,015	\$ -	\$ -	\$ 55,015
Restricted	216,199	-	49,631	265,830
Committed	463,715	-	295,261	758,976
Assigned	1,823,309	1,025,554	-	2,848,863
Unassigned	6,936,965	-	-	6,936,965
Total fund balances	<u>\$ 9,495,203</u>	<u>\$ 1,025,554</u>	<u>\$ 344,892</u>	<u>\$ 10,865,649</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,726,928</u>	<u>\$ 1,042,119</u>	<u>\$ 349,462</u>	<u>\$ 12,118,509</u>

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

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 \$ 10,865,649

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 378,301	
Construction in progress	1,769,705	
Buildings and improvements, net of depreciation	13,961,797	
Machinery and equipment, net of depreciation	<u>1,706,191</u>	17,815,994

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

Property taxes	\$ 472,409	
Items related to the measurement of net pension liability	<u>(562,428)</u>	(90,019)

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.

657,414

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

Accrued interest payable	\$ (42,278)	
Bonds and notes payable	(11,098,922)	
Deferred charge on refunding	37,254	
Net OPEB obligation	(147,752)	
Compensated absences	(583,346)	
Capital leases	(582,116)	
Net pension liability	(3,177,292)	
Landfill closure/post-closure liability	<u>(196,199)</u>	<u>(15,790,651)</u>

Net position of governmental activities \$ 13,458,387

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

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2016

	General	General Capital Projects	Other Governmental Funds	Total
REVENUES				
General property taxes	\$ 16,358,566	\$ -	\$ 57,700	\$ 16,416,266
Other local taxes	1,834,980	-	-	1,834,980
Permits, privilege fees, and regulatory licenses	220,715	-	-	220,715
Fines and forfeitures	141,797	-	-	141,797
Revenue from the use of money and property	120,284	12,837	153,370	286,491
Charges for services	79,758	-	64,205	143,963
Miscellaneous	146,890	-	-	146,890
Recovered costs	920,276	-	-	920,276
Intergovernmental:				
Commonwealth	5,323,073	-	-	5,323,073
Federal	1,115,684	-	-	1,115,684
Total revenues	<u>\$ 26,262,023</u>	<u>\$ 12,837</u>	<u>\$ 275,275</u>	<u>\$ 26,550,135</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,759,675	\$ -	\$ -	\$ 2,759,675
Judicial administration	859,048	-	-	859,048
Public safety	5,195,903	-	-	5,195,903
Public works	2,665,091	-	-	2,665,091
Health and welfare	3,492,592	-	-	3,492,592
Education	7,487,926	-	-	7,487,926
Parks, recreation, and cultural	457,279	-	-	457,279
Community development	644,514	-	10,126	654,640
Nondepartmental	175,655	-	-	175,655
Capital projects	1,132,651	5,251	22,452	1,160,354
Debt service:				
Principal retirement	583,635	68,478	176,693	828,806
Interest and other fiscal charges	377,971	10,670	80,911	469,552
Total expenditures	<u>\$ 25,831,940</u>	<u>\$ 84,399</u>	<u>\$ 290,182</u>	<u>\$ 26,206,521</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 430,083</u>	<u>\$ (71,562)</u>	<u>\$ (14,907)</u>	<u>\$ 343,614</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 30,000	\$ 54,148	\$ 46,000	\$ 130,148
Transfers out	(125,148)	-	(5,000)	(130,148)
Issuance of capital leases	549,893	-	-	549,893
Total other financing sources (uses)	<u>\$ 454,745</u>	<u>\$ 54,148</u>	<u>\$ 41,000</u>	<u>\$ 549,893</u>
Net change in fund balances	\$ 884,828	\$ (17,414)	\$ 26,093	\$ 893,507
Fund balances - beginning	8,610,375	1,042,968	318,799	9,972,142
Fund balances - ending	<u>\$ 9,495,203</u>	<u>\$ 1,025,554</u>	<u>\$ 344,892</u>	<u>\$ 10,865,649</u>

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

Reconciliation of 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 \$ 893,507

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 capital outlays exceeded depreciation in the current period.

Capital asset additions	\$ 1,285,807	
Depreciation expense	<u>(1,147,498)</u>	138,309
Transfer of joint tenancy assets from Primary Government to the Component Unit		(232,006)

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

Property taxes	135,424	
Change in deferred inflows related to measurement of the net pension liability	<u>609,092</u>	744,516

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Increase in landfill closure/post-closure liability	\$ (1,750)	
Issuance of bonds	(549,893)	
Lease revenue bonds	350,604	
Deferred charge on refunding	(12,418)	
General obligation bonds	115,000	
State literary fund loans	249,000	
Capital leases	<u>114,202</u>	264,745

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.

Compensated absences	\$ (65,981)	
Net OPEB obligation	(37,081)	
Net pension liability	(345,884)	
Deferred outflows related to pension payments subsequent to the measurement date	42,386	
Accrued interest payable	<u>26,126</u>	<u>(380,434)</u>
Change in net position of governmental activities		<u>\$ 1,428,637</u>

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

Statement of Net Position
 Proprietary Funds
 June 30, 2016

	<u>Enterprise Fund</u>
	<u>Water and</u>
	<u>Sewer</u>
	<u>Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 59,926
Investments	1,339,087
Accounts receivable, net of allowance for uncollectibles	65,664
Due from other governmental units	126,838
Total current assets	<u>\$ 1,591,515</u>
Noncurrent assets:	
Restricted assets:	
Cash and investments	\$ 539,380
Total restricted assets	<u>\$ 539,380</u>
Capital assets:	
Land - Sewer	\$ 427,377
Buildings and system - Sewer	31,068,717
Buildings and system - Water	1,183,857
Machinery and equipment - Sewer	142,958
Intangible assets - Sewer	1,209,113
Accumulated depreciation - Sewer	(5,518,718)
Accumulated depreciation - Water	(752,529)
Construction in progress - Sewer	1,996,565
Total net capital assets	<u>\$ 29,757,340</u>
Total noncurrent assets	<u>\$ 30,296,720</u>
Total assets	<u>\$ 31,888,235</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to the measurement date	<u>\$ 20,472</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 381,996
Retainage payable	58,838
Customers' deposits	35
Accrued interest payable	15,416
Compensated absences - current portion	1,756
Sewer treatment plant agreement - current portion	6,319
Bonds payable - Sewer - current portion	166,714
Bonds payable - Water - current portion	5,528
Total current liabilities	<u>\$ 636,602</u>
Noncurrent liabilities:	
Bonds payable - Sewer - net of current portion	\$ 9,349,623
Bonds payable - Water - net of current portion	247,469
Sewer treatment plant agreement - noncurrent portion	79,509
Net pension liability	98,942
Compensated absences - net of current portion	15,805
Total noncurrent liabilities	<u>\$ 9,791,348</u>
Total liabilities	<u>\$ 10,427,950</u>
DEFERRED INFLOWS OF RESOURCES	
Items related to the measurement of the net pension liability	<u>\$ 23,910</u>
NET POSITION	
Net investment in capital assets	\$ 19,902,178
Restricted for debt service and bond covenants	539,380
Unrestricted	1,015,289
Total net position	<u>\$ 21,456,847</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2016

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u> <u>Fund</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 48,791
Sewer revenues	1,371,734
Total operating revenues	<u>\$ 1,420,525</u>
OPERATING EXPENSES	
Water	\$ 32,308
Sewer	932,102
Other expenses	24,816
Depreciation - water	47,354
Depreciation - sewer	749,266
Total operating expenses	<u>\$ 1,785,846</u>
Operating income (loss)	<u>\$ (365,321)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 30,332
Availability/connection/tap fees - sewer	303,519
Interest expense - water	(11,515)
Interest expense - sewer	(360,954)
Other nonoperating item - water	6,780
Other nonoperating item - sewer	6,650
Total nonoperating revenues (expenses)	<u>\$ (25,188)</u>
Income (loss)	<u>\$ (390,509)</u>
Change in net position	<u>\$ (390,509)</u>
Total net position - beginning, as restated	<u>21,847,356</u>
Total net position - ending	<u><u>\$ 21,456,847</u></u>

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

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2016

	<u>Enterprise Funds</u> Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,363,664
Payments to suppliers	(479,949)
Payments to and for employees	(234,372)
Net cash provided by (used for) operating activities	<u>\$ 649,343</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (1,404,104)
Principal payments on bonds	(165,875)
Principal payments on treatment plant agreement	(6,319)
Interest expense	(372,746)
Availability/connection fees	303,519
Other	13,430
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,632,095)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (purchase) of investments	\$ 554,113
Interest income	30,332
Net cash provided by (used for) investing activities	<u>\$ 584,445</u>
Net increase (decrease) in cash and cash equivalents	\$ (398,307)
Cash and cash equivalents - beginning	458,233
Cash and cash equivalents - ending	<u><u>\$ 59,926</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (365,321)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 796,620
(Increase) decrease in accounts receivable	(56,861)
(Increase) decrease in deferred outflows - pension contributions subsequent to the measurement date	(9)
Increase (decrease) in accounts payable	283,753
Increase (decrease) in net pension liability	4,739
Increase (decrease) in deferred inflows - items related to measurement of net pension liability	(15,068)
Increase (decrease) in compensated absences	1,490
Total adjustments	<u>\$ 1,014,664</u>
Net cash provided by (used for) operating activities	<u><u>\$ 649,343</u></u>

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>85,681</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 41,794
Amounts held for social services clients	14,060
Amounts held for alternative education program	<u>29,827</u>
Total liabilities	<u>\$ 85,681</u>

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

COUNTY OF WESTMORELAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

The County of Westmoreland, located in the northern neck of Virginia and bordered by the counties of Essex, King George, Northumberland and Richmond, was founded in 1653. The County has a population of 16,718 and a land area of 222 square miles.

The County is governed under the County Administrator - Board of Supervisors form of government. Westmoreland County engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, human service programs, landfill operations, planning, community development and recreation, cultural, and historic activities.

The financial statements of the County of Westmoreland, 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 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.

A. Financial Reporting Entity

Management's Discussion and Analysis: GASB Statement No. 34 requires that 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). This analysis is similar to analysis the private sector provides in their annual reports.

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 (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

A. Financial Reporting Entity (Continued)

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 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. The County and many other governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the original budget, final budget, and actual results.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component unit, entity for which the government is considered to be financially accountable. 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. The County has no component units that meet the requirements for blending. The discretely presented component unit, on the other hand, is reported in a separate column in the government-wide statements to emphasize it is legally separate from the primary government. The discretely presented component unit has a June 30 fiscal year-end.

Inclusions in the Financial Reporting Entity:

1. Component Unit:

a. Westmoreland County School Board:

The Westmoreland County School Board is elected to four year terms by the County voters. The School Board may hold property and issue debt subject to approval by the Board of Supervisors. The School Board provides public primary and secondary education services to the County residents. The primary funding sources of the School Board are state and federal grants, and appropriations from the County, which are significant since the School Board does not have separate taxing authority. The County also approves the School Board budget. The School Board does not issue separate financial statements.

Exclusions from the Financial Reporting Entity:

1. Jointly Governed Organizations:

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

A. Financial Reporting Entity (Continued)

Exclusions from the Financial Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

The financial activities of the following organizations are excluded from the accompanying financial statements for the reasons indicated:

a. Northern Neck Regional Jail

The Northern Neck Regional Jail is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The counties of Richmond, Northumberland, and Westmoreland and the Town of Warsaw provide the financial support for the Jail through the assessment of user fees for prisoner care and appoint its governing Board, in which is vested the ability to execute contracts and to budget and expend funds. The Westmoreland County Board of Supervisors appoints two (2) of the seven (7) members of the Jail Board. No one locality contributes more than 50% of the Authority's funding or has oversight responsibility over its operations. The County of Westmoreland acts as fiscal agent for the Authority.

b. Rappahannock Regional Library

The Rappahannock Regional Library is considered an intergovernmental (joint) venture and therefore its operations are not included in the County's financial statements. The Counties of Westmoreland, Stafford and Spotsylvania and the City of Fredericksburg provide the financial support for the Library and appoint its governing Board, in which is vested the ability to execute contracts and to budget and to expend funds. The County appoints one (1) of the seven (7) members of the Board. No one locality contributes more than 50% of the Library's funding. The County provided \$423,327 in operating funds to the Library in 2016.

c. Middle Peninsula Northern Neck Community Services Board

The Middle Peninsula Northern Neck Community Services Board is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. This organization provides mental health, mental retardation, and substance abuse services to ten counties. The Counties of Essex, King and Queen, King William, Middlesex, Richmond, Mathews, Gloucester, Westmoreland, Lancaster and Northumberland appoint one member each to the 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. Westmoreland County contributed \$54,777 as operating grants to the Middle Peninsula Northern Neck Community Services Board for the fiscal year ended June 30, 2016.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

A. Financial Reporting Entity (Continued)

Exclusions from the Financial Reporting Entity: (Continued)

d. Middle Peninsula Juvenile Detention Commission

The Middle Peninsula Juvenile Detention Commission is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. Westmoreland County along with 16 other counties appoint one member each to the 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. Westmoreland County contributed \$64,874 to the Middle Peninsula Juvenile Detention Commission for the fiscal year ended June 30, 2016.

Obtaining of Financial Statements for Jointly Governed Organizations

Complete financial statements of the jointly governed organizations may be obtained by contacting the County of Westmoreland, Virginia County Administrator, P.O. Box 1000, Montross, Virginia 22520-1000.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. The focus is on both the County as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that 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. 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, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The County does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Internal service charges if applicable, are eliminated and the net income or loss from internal service activities are allocated to the various functional expense categories based on the internal charges to each function.

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. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

Proprietary fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings and other revenues not directly derived from the providing of services.

The County's fiduciary funds are presented in the fund financial statements by type (private purpose, if applicable, and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the County in FY 2016.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

1. Governmental Funds:

Governmental Funds account for and report the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Funds are:

- 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 are used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for reporting purposes.
- b. Debt Service Funds - The Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should also be used to report financial resources being accumulated for future debt service. The A.T. Johnson Debt Service Fund is the only debt service fund. The AT Johnson Debt Service Fund is a nonmajor 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 only special revenue fund is the Placid Bay Sanitary District Fund. The Placid Bay Sanitary District Fund is a nonmajor fund.
- d. Capital Projects Funds - The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The General Capital Projects Fund is considered a major fund.

2. Proprietary Funds:

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

- a. 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. The Enterprise Funds consist of the following fund:
 - Water and Sewer Fund - This fund accounts for income and expenses of the Rt. 3 Corridor, water services, Montross Sewer, Washington District sewer service and the Coles Point Sewer Service.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

3. Fiduciary Funds (Trust and Agency Funds):

Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The funds include Private Purpose Trust and Agency Funds. Private purpose trust funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency funds also utilize the accrual basis of accounting but have no measurement focus. The County has no Private Purpose Trust Funds. The Agency Funds consist of the following:

a. Agency Funds:

- Special Welfare Fund - This fund accounts for monies provided primarily through private donors for assistance of children in foster care and needy senior citizens. This fund is also used to account for monies received from other governments and individuals (i.e., social security and child support) to be paid to special welfare recipients.
- Adult Education Program Fund - This fund accounts for the operation of the Northern Neck Regional Alternative Education Program. The Program is a regional program utilized by local school districts for alternative education activities.

4. Component Unit:

Westmoreland County School Board:

The Westmoreland County School Board has the following funds:

Governmental Funds:

- School Operating Fund - This fund is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Westmoreland and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.
- Special Revenue Funds - Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- School Cafeteria Fund - This special revenue fund accounts for the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales, and state and federal grants.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statement of net position and statement of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net position or on the statement of fiduciary net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net position, statement of activities, financial statements of the Proprietary Funds, and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, Debt Service, and Capital Projects (for the primary government and component unit School Board) are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are unavailable. Interest income is recorded as earned. Federal and state reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred and all other grant requirements have been satisfied. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Budgets and Budgetary Accounting

The Board of Supervisors annually adopts budgets for the various funds of the primary government and component unit School Board. All appropriations are legally controlled at the department level for the primary government funds. The School Board appropriation is determined by the Board of Supervisors and controlled in total by the primary government.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all major funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the major funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Encumbrances:

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to commit an applicable portion of an appropriation, is used as an extension of formal budgetary control in the primary government and component unit School Board. Encumbrances outstanding at year-end are reported as commitments of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year. These encumbrances are subject to reappropriation by the Board of Supervisors in the succeeding fiscal year.

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

1. Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings and open-houses are conducted to obtain citizen comments. Also, several work sessions between the Board of Supervisors and School Board are conducted on the School Board budget.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Budgets and Budgetary Accounting: (Continued)

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, function and departmental level. The appropriation for each fund, function and department can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within departments and the School Board is authorized to transfer budgeted amounts within the school system's categories. Supplemental appropriations in addition to the appropriated budget were necessary during the year. Supplemental appropriations may not be made without amending the budget.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except School Funds), General Capital Projects Funds, Debt Service Funds, and Proprietary Funds. The School Operating and School Cafeteria Funds are integrated only at the level of legal adoption.

The County may adopt budgets for other funds, such as the Agency Funds, for use as a management control device over such funds. Capital Project and County Facility budgets are adopted at the time the project is approved and the construction contract awarded. Any unexpended current year appropriations are reappropriated in the ensuing fiscal year(s) until the project is completed.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse on June 30, for all County and School Board funds.
8. All budgetary data presented in the accompanying financial statements is the original budget as of June 30, 2016, as adopted, appropriated and legally amended.
9. The expenditure budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government and at the function level for the School Board. State law requires that if budget amendments exceed 1% of the original adopted budget the Board of Supervisors may legally amend the budget only by following procedures used in the adoption of the original budget.

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

Investments are reported at fair value.

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

G. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$197,742 at June 30, 2016 and is comprised of the following:

General Fund--taxes receivable	\$ 154,263
Water and Sewer Fund--accounts receivable	43,479
Total	<u>\$ 197,742</u>

H. Prepaid Items

Prepaid items are reported on the consumption method.

I. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds of the primary government and component unit School Board, and as assets in the government-wide financial statements to the extent the County's and School Board's capitalization threshold of \$5,000 is met and the asset has an estimated life in excess of two years. The County and Component Unit School Board do not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are property of the Commonwealth of Virginia. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Building and improvements	10 to 40 years
Furniture and other equipment	3 to 20 years

To the extent the County's capitalization threshold of \$5,000 is met and the asset has an estimated life in excess of two years, capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and systems	10 to 50 years
Equipment	5 to 10 years
Intangibles	20 to 40 years

All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their acquisition value on the date donated. The County and School Board do not capitalize historical treasures or works of art.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Interest on cost of construction funds for the Proprietary Funds is capitalized where applicable. No interest was capitalized in fiscal year 2016.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

J. 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 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. Another item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. 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, 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, 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 are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

K. Compensated Absences

The County and Component Unit School Board accrue compensated absences (annual and sick leave benefits) when vested. The amounts include all balances earned by employees which would be paid upon employee terminations, resignations or retirements.

An estimate of ten percent of the liability has been classified as current in the government-wide financial statements.

L. 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 Retirement Plan and the additions to/deductions from the County 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

N. Long-Term Obligations

The County reports long-term obligations at face value. The face value of the obligations is believed to approximate fair value.

O. 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.

P. Net Position Flow Assumption

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

Q. Fund Equity

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

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

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Q. Fund Equity: (Continued)

- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of 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 the Board of Supervisors or the County Administrator.

In the general fund, the County strives to maintain an unassigned fund balance to be used for unanticipated emergencies of 15% of the actual GAAP basis expenditures/operating revenues.

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

	General Fund	General Capital Projects Fund	Other Governmental Funds	Total
Fund Balances:				
Nonspendable:				
Prepaid items	\$ 55,015	\$ -	\$ -	\$ 55,015
Restricted:				
Post closure	\$ 196,199	\$ -	\$ -	\$ 196,199
Placid bay sanitary district	-	-	49,631	49,631
Underground tanks	20,000	-	-	20,000
Total Restricted Fund Balance	\$ 216,199	\$ -	\$ 49,631	\$ 265,830
Committed:				
Debt service	\$ -	\$ -	\$ 117,754	\$ 117,754
Placid bay sanitary district	-	-	177,507	177,507
Courthouse debt service	337,500	-	-	337,500
Land purchase	104,605	-	-	104,605
Other purposes	21,610	-	-	21,610
Total Committed Fund Balance	\$ 463,715	\$ -	\$ 295,261	\$ 758,976
Assigned:				
Contingency	\$ 336,468	\$ -	\$ -	\$ 336,468
Fire and rescue	342,260	-	-	342,260
Capital projects	137,491	1,025,554	-	1,163,045
James Monroe enhancement	462,879	-	-	462,879
Tourism	102,672	-	-	102,672
Other purposes	441,539	-	-	441,539
Total Assigned Fund Balance	\$ 1,823,309	\$ 1,025,554	\$ -	\$ 2,848,863
Unassigned	\$ 6,936,965	\$ -	\$ -	\$ 6,936,965
Total Fund Balances	\$ 9,495,203	\$ 1,025,554	\$ 344,892	\$ 10,865,649

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

R. 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 City 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 City's financial statement as a result of the implementation of Statement No. 72. All required disclosures are located in Note 3.

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

The City 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 City 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 - DEPOSITS AND INVESTMENTS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by 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.

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 2 - DEPOSITS AND INVESTMENTS: (Continued)

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).

Custodial Credit Risk (Investments)

The County's investments at June 30, 2016 were held in the County's name by the County's custodial bank.

Credit Risk of Debt Securities

The County's investment policy stipulates that U.S. dollar denominated commercial paper issued by an entity incorporated in the U.S. must be rated at least A-1 by Standard & Poor Corp. and P-1 by Moody's Investors Service. The policy also stipulates that U.S. dollar denominated Corporate Notes and Bonds must have a rating of at least A by Standard & Poor Corp. and by Moody's Investors Service.

The County's rated debt investments as of June 30, 2016 were rated by *Standard & Poor's* and/or an equivalent national rating organization and the ratings are presented below using the *Standard & Poor's* rating scale.

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings					
	AA+	AA	AA-	A-1+	A	BBB+
U.S. Agencies	\$ -	\$ -	\$ -	\$ 499,844	\$ -	\$ -
U.S. Treasuries	6,441,756	-	-	-	-	-
Corporate Debt	-	50,261	645,361	-	499,565	671,498
Total	\$ 6,441,756	\$ 50,261	\$ 645,361	\$ 499,844	\$ 499,565	\$ 671,498

Concentration of Credit Risk

The County's investment policy contains several stipulations concerning the amount of funds that can be invested. Not more than 40% of the total funds available for investment may be invested in bankers' acceptances. Not more than 35% of the total funds available for investment may be invested in commercial paper, and not more than 5% in the obligations of any one issuer.

Interest Rate Risk

The County's investment policy contains certain guidelines concerning interest rate risk. Funds must be invested at all times in keeping with the seasonal pattern of the County's cash balances. County personnel must monitor and update cash flow projections to be communicated to the investment managers. A minimum of 10% of the portfolio must be invested in securities maturing within 30 days, and a minimum of 50% of the portfolio must be invested in securities maturing within 24 months.

The interest rate risk is summarized below:

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Investment Type	Fair Value	Investment Maturities (in years)	
		Less Than 1 Year	1-5 Years
U.S. Treasuries	\$ 6,441,756	\$ 262,915	\$ 6,178,841
U.S. Agencies	499,844	499,844	-
Corporate Bonds	1,866,685	236,719	1,629,966
Total	\$ 8,808,285	\$ 999,478	\$ 7,808,807

NOTE 3 - 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 City 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	June 30, 2016	Fair Value Measurement Using Quoted Prices in Active Markets For Identical Assets (Level 1)
U.S. Treasuries	\$ 6,441,756	\$ 6,441,756
U.S. Agencies	499,844	499,844
Corporate Bonds	1,866,685	1,866,685
Total	\$ 8,808,285	\$ 8,808,285

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 4 - PROPERTY TAXES:

Real property taxes are assessed on property values as of January 1, and attach as an enforceable lien on property as of the date levied by the Board of Supervisors. Personal property taxes are assessed on a prorated basis for the period the property is located in the County and also attach as an enforceable lien on the property.

Real estate and personal property taxes are due on December 5.

A ten percent penalty is levied on all taxes not collected on or before their due date. An interest charge of ten percent per annum is also levied on such taxes beginning on their due date.

Property taxes for calendar year 2015 were levied by the County Board of Supervisors on May 1, 2015, on the assessed value listed as of January 1, 2015.

Property taxes levied in the prior year have been recorded as receivables as of the date the County has the legal right to receive payments thereon. The receivables collected during the fiscal year and during the first 45 days of the succeeding fiscal year are recognized as revenues in the current fiscal year.

Taxes receivable as of the end of the year (June 30) and not collected until the succeeding year are reported as unavailable revenues.

On April 18, 2000 the County adopted a resolution which established a separate tax district to pay all or any portion of the County's expenditures for operating the Westmoreland County school division. This resulted in two separate sets of tax rates. One set of rates for taxpayers residing in the area of the Town of Colonial Beach, and a different set of rates for those residing in the remainder of the County. For calendar year 2014 the rates per \$100 of assessed value were as follows:

	<u>Colonial Beach</u>	<u>Placid Bay Sanitary District</u>	<u>All Other</u>
Real Estate	0.34	0.06	0.52
Personal Property	1.81	N/A	3.00
Machinery and Tools	1.50	N/A	1.50
Merchants Capital	0.22	N/A	0.46

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 5 - RECEIVABLES:

Accounts Receivable:

Receivables at June 30, 2016 consist of the following:

	Primary Government		Business- type Activities	Component
	Governmental Activities			Unit
	General	Total		School Board
Property taxes	\$ 728,990	\$ 728,990	\$ -	\$ -
Utility taxes	27,567	27,567	-	-
Water and sewer charges	-	-	109,143	-
Other	137,946	137,946	-	117,080
Total	\$ 894,503	\$ 894,503	\$ 109,143	\$ 117,080
Allowance for uncollectibles	(154,263)	(154,263)	(43,479)	-
Net receivables	\$ 740,240	\$ 740,240	\$ 65,664	\$ 117,080

NOTE 6 - DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2016:

	Governmental	Business- Type Activities	Component
	Activities		Unit
	General		School Board
Commonwealth of Virginia:			
Local sales taxes	\$ 179,209	-	\$ -
Communication taxes	100,584	-	-
State sales taxes	-	-	416,594
Social Services	164,043	-	-
Comprehensive Services Act	218,275	-	-
Shared expenses and grants	138,654	-	-
Other	46,128	-	18,978
Rural development funds	-	126,838	-
Federal pass-through school funds	-	-	243,426
Total	\$ 846,893	\$ 126,838	\$ 678,998

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 7 - INTERFUND BALANCES AND TRANSFERS:

Primary Government:

Transfers To/From Other Funds:

Transfers to the Capital Projects Fund from the General Fund to pay general obligation debt service and related costs	\$	54,148
Transfers to the AT Johnson Debt Service Fund to pay general obligation debt service and related costs		46,000
Transfers to the General Fund to reimburse shared costs		<u>30,000</u>
Total transfers	\$	<u><u>130,148</u></u>

Reconciliation of transfers:

Transfers in - governmental funds	\$	<u>130,148</u>
Total transfers	\$	<u><u>130,148</u></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 funds in accordance with budgeting authorization.

NOTE 8 - DUE TO OTHER GOVERNMENTAL UNITS:

At June 30, 2016:

	<u>Governmental Activities General</u>	<u>Component Unit School Board</u>
Town of Colonial Beach:		
Sales tax	\$ 38,333	\$ 89,110
Town of Montross:		
Sales tax	<u>3,799</u>	<u>-</u>
Total	<u><u>\$ 42,132</u></u>	<u><u>\$ 89,110</u></u>

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 9 - CAPITAL ASSETS:

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

Primary Government:

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 378,301	\$ -	\$ -	\$ 378,301
Construction in Progress	<u>1,944,629</u>	<u>817,546</u>	<u>992,470</u>	<u>1,769,705</u>
Total capital assets not being depreciated	<u>\$ 2,322,930</u>	<u>\$ 817,546</u>	<u>\$ 992,470</u>	<u>\$ 2,148,006</u>
Other capital assets:				
Buildings and improvements	\$ 17,920,104	\$ 1,082,330	\$ -	\$ 19,002,434
Machinery, equipment and vehicles	4,720,742	378,401	20,964	5,078,179
Jointly owned assets	<u>2,305,746</u>	<u>-</u>	<u>364,000</u>	<u>1,941,746</u>
Total other capital assets	<u>\$ 24,946,592</u>	<u>\$ 1,460,731</u>	<u>\$ 384,964</u>	<u>\$ 26,022,359</u>
Accumulated depreciation:				
Buildings and improvements	\$ 5,878,741	\$ 562,370	\$ -	\$ 6,441,111
Machinery, equipment and vehicles	2,888,493	504,459	20,964	3,371,988
Jointly owned assets	<u>592,597</u>	<u>80,669</u>	<u>131,994</u>	<u>541,272</u>
Total accumulated depreciation	<u>\$ 9,359,831</u>	<u>\$ 1,147,498</u>	<u>\$ 152,958</u>	<u>\$ 10,354,371</u>
Other capital assets, net	<u>\$ 15,586,761</u>	<u>\$ 313,233</u>	<u>\$ 232,006</u>	<u>\$ 15,667,988</u>
Net capital assets	<u>\$ 17,909,691</u>	<u>\$ 1,130,779</u>	<u>\$ 1,224,476</u>	<u>\$ 17,815,994</u>

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 9 - CAPITAL ASSETS: (Continued)

Primary Government: (Continued)

Depreciation is allocated to:

General government administration	\$ 173,651
Judicial administration	260,210
Public safety	345,809
Health and welfare	93,626
Education	81,795
Public works	47,075
Parks and recreation	132,082
Community Development	<u>13,250</u>

Total governmental activities \$ 1,147,498

	Balance July 1, 2015			Balance June 30, 2016
	<u>As Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>2016</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 427,377	\$ -	\$ -	\$ 427,377
Construction in progress	<u>691,279</u>	<u>1,305,286</u>	<u>-</u>	<u>1,996,565</u>
Total capital assets not being depreciated	<u>\$ 1,118,656</u>	<u>\$ 1,305,286</u>	<u>\$ -</u>	<u>\$ 2,423,942</u>
Other capital assets:				
Buildings and systems	\$ 32,094,918	\$ 157,656	\$ -	\$ 32,252,574
Intangible assets	1,209,113	-	-	1,209,113
Machinery and equipment	<u>142,958</u>	<u>-</u>	<u>-</u>	<u>142,958</u>
Total other capital assets	<u>\$ 33,446,989</u>	<u>\$ 157,656</u>	<u>\$ -</u>	<u>\$ 33,604,645</u>
Accumulated depreciation:				
Buildings and systems	\$ 5,181,553	\$ 749,284	\$ -	\$ 5,930,837
Intangible assets	187,511	36,587	-	224,098
Machinery and equipment	<u>105,563</u>	<u>10,749</u>	<u>-</u>	<u>116,312</u>
Total accumulated depreciation	<u>\$ 5,474,627</u>	<u>\$ 796,620</u>	<u>\$ -</u>	<u>\$ 6,271,247</u>
Other capital assets, net	<u>\$ 27,972,362</u>	<u>\$ (638,964)</u>	<u>\$ -</u>	<u>\$ 27,333,398</u>
Net capital assets	<u>\$ 29,091,018</u>	<u>\$ 666,322</u>	<u>\$ -</u>	<u>\$ 29,757,340</u>

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 9 - CAPITAL ASSETS: (Continued)

Component Unit-School Board:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 258,916	\$ -	\$ -	\$ 258,916
Other capital assets:				
Buildings	\$ 16,670,916	\$ 364,000	\$ -	\$ 17,034,916
Machinery, equipment and vehicles	4,164,046	322,440	-	4,486,486
Total other capital assets	\$ 20,834,962	\$ 686,440	\$ -	\$ 21,521,402
Accumulated depreciation:				
Buildings	\$ 10,197,778	\$ 612,336	\$ -	\$ 10,810,114
Machinery, equipment and vehicles	3,072,745	202,878	-	3,275,623
Total accumulated depreciation	\$ 13,270,523	\$ 815,214	\$ -	\$ 14,085,737
Other capital assets, net	\$ 7,564,439	\$ (128,774)	\$ -	\$ 7,435,665
Net capital assets	\$ 7,823,355	\$ (128,774)	\$ -	\$ 7,694,581
Depreciation is allocated to education		\$ 815,214		
Depreciation expense		\$ 683,220		
Transfer of accumulated depreciation on jointly owned assets		131,994		
Total increases in accumulated depreciation above		\$ 815,214		

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments on-behalf of school boards was reported in the school board's discrete column along with the related capital assets. Under the law, local governments have a tenancy in common with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the School Board of Westmoreland, Virginia for the year ended June 30, 2016, is that school financed assets in the amount of \$1,941,746 are reported in the Primary Government for financial reporting purposes.

NOTE 10 - PENSION PLAN:

Plan Description

Name of Plan: Virginia Retirement System (VRS)
 Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan
 Administering Entity: Virginia Retirement System (System)

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 a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>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.</p>	<p>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")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

Note 10-Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • 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. • 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.
<p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p>	<p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • 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.

Note 10-Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>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.</p>	<p>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.</p>	<p>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.</p>

Note 10-Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>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.</p> <p><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.</p>
<p>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.</p>	<p>Vesting Same as Plan</p>	<p>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.</p>

Note 10-Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting (Cont.)</p> <p>Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting (Cont.)</p> <p>Same as Plan 1.</p>	<p>Vesting</p> <p><u>Defined Benefit Component: (Cont.)</u></p> <p>Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u></p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • 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.

COUNTY OF WESTMORELAND, VIRGINIA

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

Note 10-Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u></p> <ul style="list-style-type: none"> • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>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.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><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.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

COUNTY OF WESTMORELAND, VIRGINIA

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

Note 10-Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

Note 10-Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>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.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>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.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>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.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

COUNTY OF WESTMORELAND, VIRGINIA

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

Note 10-Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • 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). 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Eligibility:</u> Same as Plan 1</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

Note 10-Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <ul style="list-style-type: none"> • 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. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>

Note 10-Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • 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. <p><u>Defined Contribution Component:</u> Not applicable.</p>

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for 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.

COUNTY OF WESTMORELAND, VIRGINIA

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

Note 10-Pension Plan: (Continued)

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	73	49
Inactive members:		
Vested inactive members	10	10
Non-vested inactive members	15	20
Inactive members active elsewhere in VRS	52	5
Total inactive members	77	35
Active members	112	47
Total covered employees	262	131

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 13.21% 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 County were \$677,886 and \$635,491 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 10.43% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

Note 10-Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$75,033 and \$77,574 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, 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% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF WESTMORELAND, VIRGINIA

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

Note 10-Pension Plan: (Continued)

Actuarial Assumptions - General Employees: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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

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.

Note 10-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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

Note 10-Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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	<u>1.00%</u>	-1.50%	<u>-0.02%</u>
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* 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 WESTMORELAND, VIRGINIA

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

Note 10-Pension Plan: (Continued)

Discount Rate

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

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 22,691,285	\$ 19,765,674	\$ 2,925,611
Changes for the year:			
Service cost	\$ 648,302	\$ -	\$ 648,302
Interest	1,554,107	-	1,554,107
Differences between expected and actual experience	(78,724)	-	(78,724)
Contributions - employer	-	633,577	(633,577)
Contributions - employee	-	244,702	(244,702)
Net investment income	-	907,326	(907,326)
Benefit payments, including refunds of employee contributions	(979,525)	(979,525)	-
Administrative expenses	-	(12,350)	12,350
Other changes	-	(193)	193
Net changes	\$ 1,144,160	\$ 793,537	\$ 350,623
Balances at June 30, 2015	\$ 23,835,445	\$ 20,559,211	\$ 3,276,234

COUNTY OF WESTMORELAND, VIRGINIA

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

Note 10-Pension Plan: (Continued)

Changes in Net Pension Liability

	<u>Component School Board (nonprofessional)</u>		
	<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 3,847,910	\$ 3,595,932	\$ 251,978
Changes for the year:			
Service cost	\$ 84,808	\$ -	\$ 84,808
Interest	262,208	-	262,208
Differences between expected and actual experience	(83,136)	-	(83,136)
Contributions - employer	-	77,446	(77,446)
Contributions - employee	-	37,061	(37,061)
Net investment income	-	161,881	(161,881)
Benefit payments, including refunds of employee contributions	(204,176)	(204,176)	-
Administrative expenses	-	(2,275)	2,275
Other changes	-	(34)	34
Net changes	<u>\$ 59,704</u>	<u>\$ 69,903</u>	<u>\$ (10,199)</u>
Balances at June 30, 2015	<u>\$ 3,907,614</u>	<u>\$ 3,665,835</u>	<u>\$ 241,779</u>

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:

	<u>Rate</u>		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
County Net Pension Liability (Asset)	\$ 6,218,633	\$ 3,276,234	\$ 818,348
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	\$ 663,764	\$ 241,779	\$ (116,775)

COUNTY OF WESTMORELAND, VIRGINIA

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

Note 10-Pension Plan: (Continued)

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

For the year ended June 30, 2016, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$360,041 and (\$16,869), 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	\$ -	\$ 56,296	-	40,282
Net difference between projected and actual earnings on pension plan investments	-	530,043	\$ -	\$ 96,024
Employer contributions subsequent to the measurement date	677,886	-	75,033	-
Total	\$ 677,886	\$ 586,339	\$ 75,033	\$ 136,306

\$677,886 and \$75,033 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, 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:

Year ended June 30	Primary Government	Component Unit School Board (Nonprofessional)
2017	\$ (230,595)	\$ (78,065)
2018	(230,595)	(37,783)
2019	(219,605)	(37,781)
2020	94,456	17,323

Note 10-Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information 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 \$1,227,802 and \$1,198,913 for the years ended June 30, 2016 and June 30, 2015, respectively.

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 \$14,781,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 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 .11744% as compared to .11661% at June 30, 2014.

COUNTY OF WESTMORELAND, VIRGINIA

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

Note 10-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2016, the school division recognized pension expense of \$1,006,000. 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 204,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	241,000
Net difference between projected and actual earnings on pension plan investments	-	905,000
Employer contributions subsequent to the measurement date	<u>1,227,802</u>	<u>-</u>
Total	<u>\$ 1,227,802</u>	<u>\$ 1,350,000</u>

\$1,227,802 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	\$ (477,000)
2018	(477,000)
2019	(477,000)
2020	94,000
Thereafter	(13,000)

Note 10-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

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

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

Note 10-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* 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%.

Note 10-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Discount Rate

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 21,630,590	\$ 14,781,000	\$ 9,142,336

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 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.

NOTE 11 - COMPENSATED ABSENCES:

In accordance with GASB Statement 16 "Accounting for Compensated Absences," the County and its component unit have accrued the liability arising from all outstanding compensated absences. The liability for future vacation and sick leave benefits is accrued when such benefits meet certain conditions. See note 12 for details of changes.

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 12 - LONG TERM OBLIGATIONS:

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

	Balance July 1, 2015	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2016
Long-term obligations from governmental activities:				
Lease revenue bonds	\$ 9,507,780	\$ -	\$ 350,604	\$ 9,157,176
Capital leases	146,425	549,893	114,202	582,116
General obligation bonds:				
School	1,400,000	-	115,000	1,285,000
State Literary Fund loans:				
School	905,746	-	249,000	656,746
Landfill closure/post-closure liability	194,449	1,750	-	196,199
Net OPEB obligation	110,671	54,381	17,300	147,752
Net pension liability	2,831,408	2,153,910	1,808,026	3,177,292
Compensated absences	517,365	117,718	51,737	583,346
Total from governmental activities	<u>\$ 15,613,844</u>	<u>\$ 2,877,652</u>	<u>\$ 2,705,869</u>	<u>\$ 15,785,627</u>
Long-term obligations from business-type activities:				
Virginia Resources Authority lease revenue bonds	\$ 9,808,373	\$ 126,838	\$ 165,875	\$ 9,769,336
Treatment plant upgrade agreement	92,145	-	6,319	85,826
Net pension liability	94,203	66,892	62,153	98,942
Compensated absences	16,071	3,097	1,607	17,561
Total from business-type activities	<u>\$ 10,010,792</u>	<u>\$ 196,827</u>	<u>\$ 235,954</u>	<u>\$ 9,971,665</u>
Long-term obligations from component unit:				
Capital lease	\$ 1,418,169	\$ -	\$ 152,466	\$ 1,265,703
Net OPEB obligation	1,624,849	89,187	28,600	1,685,436
Net pension liability	14,343,978	3,970,325	3,291,524	15,022,779
Compensated absences	170,564	96,438	17,056	249,946
Total from component unit	<u>\$ 17,557,560</u>	<u>\$ 4,155,950</u>	<u>\$ 3,489,646</u>	<u>\$ 18,223,864</u>
Total long-term obligations	<u>\$ 43,182,196</u>	<u>\$ 7,230,429</u>	<u>\$ 6,431,469</u>	<u>\$ 43,981,156</u>
Reconciliation to Exhibit 1:				
Primary Government				
Long-term liabilities due within one year				\$ 1,154,570
Long-term liabilities due in more than one year				24,602,722
Component Unit				
Long-term liabilities due within one year				183,963
Long-term liabilities due in more than one year				18,039,901
Total long-term obligations				<u>\$ 43,981,156</u>

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 12 - LONG TERM OBLIGATIONS: (Continued)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,253,447	\$ 845,490
2018	1,279,680	807,950
2019	1,175,706	769,411
2020	699,442	733,898
2021	648,272	713,913
2022-2026	2,909,368	3,284,390
2027-2031	2,397,247	2,476,627
2032-2036	2,695,486	1,930,874
2037-2041	3,225,693	1,400,667
2042-2046	3,213,744	804,535
2047-2051	2,491,295	299,574
2052-2055	685,685	21,491
Total	<u>\$ 22,675,065</u>	<u>\$ 14,088,820</u>

Note: The above includes all long-term bonds, capital leases, treatment plant upgrade agreement, and early retirement incentive obligation. Compensated absences, Net OPEB obligation and landfill closure/postclosure liability are not included. Lease revenue bonds drawn on the \$4,308,600 issuance as of June 30, 2016 are excluded and that issuance will be included in the table when all proceeds are drawn.

Details of Long-Term Obligations:

	<u>Amount Outstanding</u>	<u>Due within One year</u>
<u>Governmental Activities:</u>		
<u>Lease Revenue Bonds:</u>		
\$2,848,683 Refunding lease revenue bonds, payable in various annual installments ranging from \$166,844 to \$260,989, due on January 15 through 2020, interest payable semi-annually at 3.71%.	\$ 763,531	\$ 245,508
\$7,500,000 lease revenue bonds, payable in monthly installments of \$28,125 through March 11, 2053, interest payable at 3.125%.	7,368,718	108,777
\$1,031,500 lease revenue bonds, payable in monthly installments of \$4,096 through December 28, 2053, interest payable at 3.5%.	1,024,927	13,495
Total lease revenue bonds	<u>\$ 9,157,176</u>	<u>\$ 367,780</u>

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 12 - LONG TERM OBLIGATIONS: (Continued)

	<u>Amount Outstanding</u>	<u>Due within One year</u>
<u>Governmental Activities: (Continued)</u>		
<u>State Literary Fund Loans:</u>		
\$680,635, issued July 25, 1996, due in annual installments of \$34,000 through May 15, 2018, interest payable annually at 3%.	\$ 68,835	\$ 34,000
\$992,911, issued July 25, 1996, due in annual installments of \$50,000 through May 15, 2015, interest payable annually at 3%.	92,911	50,000
\$3,300,000, issued November 15, 1997, due in annual installments of \$165,000 through November 15, 2019, interest at 3%.	<u>495,000</u>	<u>165,000</u>
Total State Literary Fund Loans	<u>\$ 656,746</u>	<u>\$ 249,000</u>
<u>Capital Leases:</u>		
The County purchased radio equipment under capital lease agreements. Title to the equipment passes to the entity upon completion of payment of the minimum lease payments. The lease is due in annual installments of \$51,905 from April 1, 2014 to April 1, 2018, interest payable at 3.14%.	\$ 99,117	\$ 48,792
The County purchased radio equipment under capital lease agreements. Title to the equipment passes to the entity upon completion of payment of the minimum lease payments. The lease is due in semi-annual installments of \$71,155 from June 15, 2016 to December 15, 2019, interest payable at 1.55%.	<u>482,999</u>	<u>135,347</u>
Total Capital Leases	<u>\$ 582,116</u>	<u>\$ 184,139</u>
<u>General Obligation Bonds:</u>		
\$1,975,000 general obligation school bonds, payable in annual principal installments of \$115,000, due on June 1 through 2027, interest payable semi-annually at 5.31%.	<u>\$ 1,285,000</u>	<u>\$ 115,000</u>
<u>Landfill closure and post-closure care monitoring liability</u>	<u>\$ 196,199</u>	<u>\$ -</u>
<u>Compensated absences (payable from general fund)</u>	<u>\$ 583,346</u>	<u>\$ 58,334</u>
<u>Net pension liability</u>	<u>\$ 3,177,292</u>	<u>\$ -</u>
<u>Net OPEB obligation</u>	<u>\$ 147,752</u>	<u>\$ -</u>
Total long-term obligations from governmental activities	<u><u>\$ 15,785,627</u></u>	<u><u>\$ 974,253</u></u>

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 12 - LONG TERM OBLIGATIONS: (Continued)

	<u>Amount Outstanding</u>	<u>Due within One year</u>
<u>Business-type Activities:</u>		
<u>Lease Revenue Bonds:</u>		
\$308,200 Lease revenue bonds, payable in 480 monthly installments of \$1,400 beginning on November 12, 2002, interest payable at 4.50% per year.	\$ 252,997	\$ 5,528
\$1,206,000 Lease revenue bonds, payable in 480 monthly installments of \$4,619 beginning on July 18, 2004, interest payable at 3.25% per year.	968,148	24,323
\$608,930 Lease revenue bonds, payable in 480 monthly installments of \$2,795 beginning on July 18, 2004, interest payable at 4.50% per year.	511,500	10,742
\$375,100 Lease revenue bonds, payable in 454 monthly installments of \$1,722 beginning on March 22, 2007, interest payable at 4.50% per year.	331,303	5,876
\$295,700 Lease revenue bonds, payable in \$454 monthly installments of \$1,310 beginning on July 17, 2007, interest payable at 4.25% per year.	261,209	4,710
\$1,174,000 Lease revenue bonds, payable in 454 monthly installments of \$5,107 beginning on October 26, 2007, interest payable at 4.125% per year.	1,038,800	18,786
\$1,000,000 Lease revenue bonds, payable in 480 monthly installments of \$4,500 beginning on July 20, 2008, interest payable at 4.50% per year.	913,527	13,161
\$1,287,000 Lease revenue bonds, payable in 454 monthly installments of \$5,599 beginning on October 26, 2007, interest payable at 4.125% per year.	1,138,732	20,602
\$1,500,000 revenue bonds, payable in 454 monthly installments of \$5,010 beginning on February 5, 2012, interest payable at 2.375% per year. Interest only due on January 5, 2011 and January 5, 2012.	1,386,055	27,499
\$3,003,000 revenue bonds, payable in 456 monthly installments of \$12,823 beginning on February 5, 2012, interest payable at 4.00% per year. Interest only due on January 5, 2011 and January 5, 2012.	2,840,225	41,015
\$4,308,600 revenue bonds, payable in 456 monthly installments of \$12,969 beginning on June 26, 2018, interest payable at 1.75% per year. Interest only due on May 26, 2017 and May 26, 2018. As of June 30, 2016 proceeds in the amount of \$126,838 have been drawn.	126,838	-
Total Lease Revenue bonds	\$ 9,769,334	\$ 172,242

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 12 - LONG TERM OBLIGATIONS: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due within One year</u>
<u>Business-type Activities: (Continued)</u>		
Treatment plant upgrade agreement with the Town of Colonial Beach payable in monthly installments of \$526. Interest payable at 0.00% per year.	\$ 85,828	\$ 6,319
<u>Net pension liability (payable from water and sewer funds)</u>	\$ 98,942	\$ -
<u>Compensated absences (payable from water and sewer funds)</u>	\$ 17,561	\$ 1,756
Total long-term obligations from business-type activities	<u>\$ 9,971,665</u>	<u>\$ 180,317</u>
<u>Component Unit:</u>		
<u>Capital Lease:</u>		
The School Board purchased energy savings equipment under a capital lease agreement. Title to the equipment passes to the entity upon completion of payment of the minimum lease payments. There are no restrictions imposed by the agreements.	\$ 1,265,703	\$ 158,968
<u>Compensated absences (payable from school fund)</u>	\$ 249,946	\$ 24,995
<u>Net Pension Liability</u>	\$ 15,022,779	\$ -
<u>Net OPEB Obligation</u>	\$ 1,685,436	\$ -
Total long-term obligations from component unit	<u>\$ 18,223,864</u>	<u>\$ 183,963</u>
Total long-term obligations	<u>\$ 43,981,156</u>	<u>\$ 1,338,533</u>

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 13 - UNEARNED AND DEFERRED/UNAVAILABLE REVENUE:

At June 30, 2016:

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Primary Government:		
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ -	\$ 472,409
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	<u>43,326</u>	<u>43,326</u>
Total	<u>\$ 43,326</u>	<u>\$ 515,735</u>

NOTE 14 - COMMITMENTS AND CONTINGENCIES:

Federal Programs

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, would be immaterial.

As of June 30, 2016, the County had outstanding construction commitments in the amount of \$3,467,201 related to the Cabin Point/Glebe Harbor project.

NOTE 15 - LITIGATION:

At June 30, 2016, there were no matters of litigation involving the County which would materially affect the County financial position should any court decision or pending matter not be favorable to the County.

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 16 - LANDFILL CLOSURE AND POST CLOSURE CARE COST:

The County closed its landfill prior to the date mandated by state and federal laws and regulations; thereby, reducing the liability period for post closure monitoring to ten years subsequent to closure. The \$196,199 reported as landfill closure and post closure liability at June 30, 2016, represents the remainder of the liability to close the landfill and the estimated liability for post closure monitoring. These amounts are based on what it would cost to perform all closure and post closure care in 2016. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

The County has demonstrated financial assurance requirements for closure and postclosure care and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

NOTE 17 - RISK MANAGEMENT:

The County and Component Unit School Board are exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County and School Board participate with other localities in a public entity risk pool for their coverage of worker's compensation with Virginia Municipal League and public official's liability with the Virginia Association of Counties Group Self Insurance Risk Pool. The County and School Board pay an annual premium to the pools for its general insurance through member premiums and continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 18 - SURETY BOND INFORMATION:

	<u>Amount</u>
Commonwealth of Virginia, Department of General Services, Division of Risk Management-Surety	
Gwynne Chatham, Clerk of the Circuit Court	\$ 103,000
Sue Jones, Treasurer	400,000
Carol B.Gawen, Commissioner of the Revenue	3,000
Norman Risavi, County Administrator	2,000
C.O. Balderson, Sheriff	30,000
Constitutional Officers, their employees and agents	500,000
Department of Social Service Employees - Blanket Bond	100,000
W.W. Hynson - Surety	
Dorothy Tate, Supervisor	1,000
Dorothy Tate- Surety	
Russ Culver, Supervisor	1,000
Darryl E. Fisher - Surety	
Larry Roberson, Supervisor	1,000
Larry Roberson - Surety	
Darryl E. Fisher, Supervisor	1,000
Russ Culver - Surety	
W.W. Hynson, Supervisor	1,000
VSBA Property and Casualty Pool	
Linda Nettles, Clerk School Board	10,000
Peerless Insurance Company - Surety	
Dr. Michael Perry, Superintendent of Schools	25,000

NOTE 19—OTHER POSTEMPLOYMENT BENEFIT HEALTH INSURANCE PROGRAM:

County:

A. Plan Description

The County Post-Retirement Medical Plan is a single-employer defined benefit healthcare plan which offers health insurance for retired employees. The plan is administered by the County. Participants in the Plan must be eligible to retire through the Virginia Retirement System and attain either (1) the age of 50 with at least 10 years of service with the County, or (2) the age of 55 with at least 5 years of service with the County. The plan has no separate financial report.

B. Funding Policy

The County establishes employer contribution rates for plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. This is determined annually as part of the budgetary process. The retiree and spouse must pay 100% of the premium cost.

C. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (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. The following table shows the components of the County's annual OPEB cost for the year, the amount actuarially contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 54,600
Interest on net OPEB obligation	3,873
Adjustment to annual required contribution	(4,092)
Annual OPEB cost (expense)	<u>\$ 54,381</u>
Contributions made	(17,300)
Increase in net OPEB obligation	<u>\$ 37,081</u>
Net OPEB obligation-beginning of year	110,671
Net OPEB obligation-end of year	<u><u>\$ 147,752</u></u>

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 19—OTHER POSTEMPLOYMENT BENEFIT HEALTH INSURANCE PROGRAM: (Continued)

County: (Continued)

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

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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 42,321	17%	\$ 75,321
June 30, 2015	44,550	21%	110,671
June 30, 2016	54,381	32%	147,752

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 390,800
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	390,800
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	4,971,600
UAAL as a percentage of covered payroll	7.86%

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. 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 revisions 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.

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 the 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.

NOTE 19—OTHER POSTEMPLOYMENT BENEFIT HEALTH INSURANCE PROGRAM: (Continued)

County: (Continued)

E. Actuarial Methods and Assumptions (Continued)

Cost Method

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 average final compensation 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 actuarial liability and the normal cost for termination benefits, disability benefits, and pre-retirement spouse's death benefits are determined in a similar manner by projecting the member's average final compensation to each assumed date of termination, disablement, or death. The actuarial liability and normal cost for the supplemental benefits are based upon the present value of the expected supplement expected to be paid to those covered employees attaining eligibility. The actuarial liability for inactive members is determined as the actuarial present value of the pension and supplemental benefits expected to be paid.

The difference between the actuarial liability and the actuarial value of assets is the unfunded actuarial liability. The annual required contribution is the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liability over the amortization period and is adjusted with one-half year's interest to reflect that payments are made throughout the year. The amortization amount is determined as a level percentage of payroll.

Interest Assumptions

In the June 30, 2016, the most recent actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.20 percent initially, reduced by decrements to an ultimate rate of 4.40 percent after seventy-six years. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was thirty years.

	<u>Unfunded</u>
Discount rate	\$ 3.50%
Payroll growth	3.00%

NOTE 19—OTHER POSTEMPLOYMENT BENEFIT HEALTH INSURANCE PROGRAM: (Continued)

School Board:

A. Plan Description

The School Board Post-Retirement Medical Plan is a single-employer defined benefit healthcare plan which offers health insurance for retired employees. The plan is administered by the School Board. Retired employees, who have attained the age of 50, who were employed by Westmoreland County Public Schools with at least 10 years of service which have attained the age of 50 or have at least 5 years of service and have attained the age of 55 are eligible for retiree medical benefits. The plan has no separate financial report.

B. Funding Policy

The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. The School Board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. This is determined annually as part of the budgetary process. The School Board contributes \$525.20 per month towards participants' premiums, and \$636.90 per month for retiree and spouse/dependent coverage, participating retirees pay the remainder of the monthly premiums. Surviving spouses are not allowed access to the plan.

C. Annual OPEB Cost and Net OPEB Obligation

The School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (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. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actuarially contributed to the plan, and changes in the School Board's net OPEB obligation:

Annual required contribution	\$ 92,400
Interest on net OPEB obligation	56,870
Adjustment to annual required contribution	<u>(60,083)</u>
Annual OPEB cost (expense)	\$ 89,187
Contributions made	<u>(28,600)</u>
Increase in net OPEB obligation	\$ 60,587
Net OPEB obligation-beginning of year	1,624,849
Net OPEB obligation-end of year	<u><u>\$ 1,685,436</u></u>

NOTE 19—OTHER POSTEMPLOYMENT BENEFIT HEALTH INSURANCE PROGRAM: (Continued)

School Board: (Continued)

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

The School Board’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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 105,167	58%	\$ 1,578,670
June 30, 2015	108,679	58%	1,624,849
June 30, 2016	89,187	32%	1,685,436

D. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2016, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 997,900
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	997,900
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	9,463,600
UAAL as a percentage of covered payroll	10.54%

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. 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 revisions 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.

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 the 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.

NOTE 19—OTHER POSTEMPLOYMENT BENEFIT HEALTH INSURANCE PROGRAM: (Continued)

School Board: (Continued)

E. Actuarial Methods and Assumptions (Continued)

Cost Method

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 average final compensation 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 actuarial liability and the normal cost for termination benefits, disability benefits, and pre-retirement spouse's death benefits are determined in a similar manner by projecting the member's average final compensation to each assumed date of termination, disablement, or death. The actuarial liability and normal cost for the supplemental benefits are based upon the present value of the expected supplement expected to be paid to those covered employees attaining eligibility. The actuarial liability for inactive members is determined as the actuarial present value of the pension and supplemental benefits expected to be paid.

The difference between the actuarial liability and the actuarial value of assets is the unfunded actuarial liability. The annual required contribution is the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liability over the amortization period and is adjusted with one-half year's interest to reflect that payments are made throughout the year. The amortization amount is determined as a level percentage of payroll.

Interest Assumptions

In the January 1, 2016, the most recent actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4.70 percent initially, increased by decrements to an ultimate rate of 4.80 percent after eighty years. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2016, was thirty years.

	<u>Unfunded</u>
Discount rate	\$ 3.50%
Payroll growth	3.00%

NOTE 20 –OTHER POSTEMPLOYMENT BENEFITS - VRS HEALTH INSURANCE CREDIT:

A. Plan Description

The 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.

An employee of the County, 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 \$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.

Localities may elect to provide an additional health insurance credit of \$1 per month for each full year of the retired members' creditable service, not to exceed a maximum monthly credit of \$30. The enhanced credit is available for constitutional officers and their employees, local social services employees, and general registrars and their employees. Whereas the \$1.50 health credit cost is borne by the Commonwealth, the costs of such additional health insurance credit shall be borne by the locality.

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 10.

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 was .24% 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.

For 2015, the County's contribution of \$4,015 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 were as follows:

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 20 –OTHER POSTEMPLOYMENT BENEFITS- VRS HEALTH INSURANCE CREDIT: (Continued)

C. OPEB Cost and Net OPEB Obligation (Continued)

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 4,015	100%	-
June 30, 2015	3,403	100%	-
June 30, 2014	1,407	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)	\$ 50,740
Actuarial value of plan assets	11,619
Unfunded actuarial accrued liability	39,121
Funded ratio (actuarial value of plan assets/AAL)	22.90%
Covered payroll (active plan members)	1,537,103
UAAL as a percentage of covered payroll	2.55%

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.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7% 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 open amortization period at June 30, 2015 was 19-28 years.

NOTE 20 –OTHER POST-EMPLOYMENT BENEFITS (OPEB) - VRS HEALTH INSURANCE CREDIT (Continued)

F. Professional Employees - Discretely Presented Component Unit School Board

The School Board participates 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 \$93,168, \$48,593, and \$51,385, respectively and equaled the required contributions for each year.

NOTE 21 - UPCOMING GASB 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. No formal study or estimate of the impact of this standard has been performed.

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. No formal study or estimate of the impact of this standard has been performed.

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

COUNTY OF WESTMORELAND, VIRGINIA

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

NOTE 22 - RESTATEMENT:

Net position at June 30, 2015 was restated as follows:

	<u>Business-Type Activities</u>
Net Position as reported June 30, 2015	20,125,324
Restatement of receivables	(250,476)
Restatement of accumulated depreciation	<u>1,972,508</u>
Net Position as restated June 30, 2015	<u><u>21,847,356</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

General Fund

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
General property taxes	\$ 15,967,164	\$ 15,967,164	\$ 16,358,566	\$ 391,402
Other local taxes	1,783,850	1,783,850	1,834,980	51,130
Permits, privilege fees, and regulatory licenses	226,742	226,742	220,715	(6,027)
Fines and forfeitures	95,300	95,300	141,797	46,497
Revenue from the use of money and property	116,379	116,379	120,284	3,905
Charges for services	69,050	69,050	79,758	10,708
Miscellaneous	45,000	131,399	146,890	15,491
Recovered costs	961,806	964,364	920,276	(44,088)
Intergovernmental:				
Commonwealth	5,568,978	5,590,611	5,323,073	(267,538)
Federal	1,330,835	1,393,956	1,115,684	(278,272)
Total revenues	\$ 26,165,104	\$ 26,338,815	\$ 26,262,023	\$ (76,792)
EXPENDITURES				
Current:				
General government administration	\$ 2,579,789	\$ 2,986,311	\$ 2,759,675	\$ 226,636
Judicial administration	883,365	920,962	859,048	61,914
Public safety	5,378,966	6,008,265	5,195,903	812,362
Public works	2,602,545	2,798,892	2,665,091	133,801
Health and welfare	4,021,031	4,051,571	3,492,592	558,979
Education	7,487,925	7,487,925	7,487,926	(1)
Parks, recreation, and cultural	480,831	481,831	457,279	24,552
Community development	583,941	781,379	644,514	136,865
Nondepartmental	175,655	175,655	175,655	-
Capital projects	862,788	1,760,645	1,132,651	627,994
Debt service:				
Principal retirement	516,741	583,635	583,635	-
Interest and other fiscal charges	368,709	377,971	377,971	-
Total expenditures	\$ 25,942,286	\$ 28,415,042	\$ 25,831,940	\$ 2,583,102
Excess (deficiency) of revenues over (under) expenditures	\$ 222,818	\$ (2,076,227)	\$ 430,083	\$ 2,506,310
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 25,000	\$ 30,000	\$ 5,000
Transfers out	(99,148)	(125,148)	(125,148)	-
Issuance of capital leases	-	549,893	549,893	-
Total other financing sources (uses)	\$ (99,148)	\$ 449,745	\$ 454,745	\$ 5,000
Net change in fund balances	\$ 123,670	\$ (1,626,482)	\$ 884,828	\$ 2,511,310
Fund balances - beginning	(123,670)	1,626,482	8,610,375	6,983,893
Fund balances - ending	\$ -	\$ -	\$ 9,495,203	\$ 9,495,203

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	\$ 648,302	\$ 608,513
Interest	1,554,107	1,477,841
Differences between expected and actual experience	(78,724)	-
Benefit payments, including refunds of employee contributions	<u>(979,525)</u>	<u>(1,014,156)</u>
Net change in total pension liability	\$ 1,144,160	\$ 1,072,198
Total pension liability - beginning	<u>22,691,285</u>	<u>21,619,087</u>
Total pension liability - ending (a)	<u>\$ 23,835,445</u>	<u>\$ 22,691,285</u>
Plan fiduciary net position		
Contributions - employer	\$ 633,577	\$ 667,482
Contributions - employee	244,702	248,749
Net investment income	907,326	2,710,890
Benefit payments, including refunds of employee contributions	(979,525)	(1,014,156)
Administrative expense	(12,350)	(14,578)
Other	<u>(193)</u>	<u>143</u>
Net change in plan fiduciary net position	\$ 793,537	\$ 2,598,530
Plan fiduciary net position - beginning	<u>19,765,674</u>	<u>17,167,144</u>
Plan fiduciary net position - ending (b)	<u>\$ 20,559,211</u>	<u>\$ 19,765,674</u>
County's net pension liability - ending (a) - (b)	\$ 3,276,234	\$ 2,925,611
Plan fiduciary net position as a percentage of the total pension liability	86.25%	87.11%
Covered payroll	\$ 4,810,683	\$ 4,926,874
County's net pension liability as a percentage of covered payroll	68.10%	59.38%

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 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	\$ 84,808	\$ 98,467
Interest	262,208	252,023
Differences between expected and actual experience	(83,136)	-
Benefit payments, including refunds of employee contributions	(204,176)	(205,806)
Net change in total pension liability	\$ 59,704	\$ 144,684
Total pension liability - beginning	3,847,910	3,703,226
Total pension liability - ending (a)	<u>\$ 3,907,614</u>	<u>\$ 3,847,910</u>
 Plan fiduciary net position		
Contributions - employer	\$ 77,446	\$ 76,884
Contributions - employee	37,061	36,335
Net investment income	161,881	495,868
Benefit payments, including refunds of employee contributions	(204,176)	(205,806)
Administrative expense	(2,275)	(2,729)
Other	(34)	26
Net change in plan fiduciary net position	\$ 69,903	\$ 400,578
Plan fiduciary net position - beginning	3,595,932	3,195,354
Plan fiduciary net position - ending (b)	<u>\$ 3,665,835</u>	<u>\$ 3,595,932</u>
 School Division's net pension liability - ending (a) - (b)	\$ 241,779	\$ 251,978
 Plan fiduciary net position as a percentage of the total pension liability	93.81%	93.45%
 Covered payroll	\$ 743,755	\$ 726,912
 School Division's net pension liability as a percentage of covered payroll	32.51%	34.66%

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

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For The Year Ended June 30, 2016*

	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.11744%	0.11661%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 14,781,000	\$ 14,092,000
Employer's Covered Payroll	8,268,366	8,098,877
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	178.77%	174.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%	70.88%

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

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

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	\$ 677,886	\$ 677,886	\$ -	\$ 5,131,610	13.21%
2015	635,491	635,491	-	4,810,683	13.21%
2014	667,591	667,591	-	4,926,874	13.55%
2013	637,148	637,148	-	4,702,198	13.55%
2012	483,488	483,488	-	4,472,603	10.81%
2011	478,623	478,623	-	4,427,592	10.81%
2010	425,153	425,153	-	4,277,196	9.94%
2009	430,732	430,732	-	4,333,323	9.94%
2008	297,584	297,584	-	4,093,316	7.27%
2007	266,704	266,704	-	3,668,552	7.27%
Component Unit School Board (nonprofessional)					
2016	\$ 75,033	\$ 75,033	\$ -	\$ 719,396	10.43%
2015	77,574	77,574	-	743,755	10.43%
2014	76,907	76,907	-	726,912	10.58%
2013	88,952	88,952	-	840,755	10.58%
2012	75,948	75,948	-	941,121	8.07%
2011	77,553	77,553	-	961,009	8.07%
2010	86,172	86,172	-	983,698	8.76%
2009	86,685	86,685	-	989,558	8.76%
2008	63,602	63,602	-	983,024	6.47%
2007	61,160	61,160	-	945,285	6.47%
Component Unit School Board (professional) **					
2016	\$ 1,227,802	\$ 1,227,802	\$ -	\$ 8,831,974	13.90%
2015	1,198,913	1,198,913	-	8,268,366	14.50%

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

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, 2014 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

Schedule of OPEB Funding Progress
Last Three Fiscal Years

COUNTY:
Health Insurance Credit Program:

Actuarial Valuation Date *	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2015	\$ 11,619	\$ 50,740	\$ 39,121	22.90%	\$ 1,537,103	2.55%
6/30/2014	10,032	52,806	42,774	19.00%	1,442,070	2.97%
6/30/2013	9,624	50,214	40,590	19.17%	1,414,344	2.87%

OTHER POSTEMPLOYMENT BENEFITS:

Actuarial Valuation Date *	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2016	\$ -	\$ 390,800	\$ 390,800	0.00%	\$ 4,971,600	7.86%
6/30/2013	-	273,900	273,900	0.00%	4,154,700	6.59%

DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD:
OTHER POSTEMPLOYMENT BENEFITS:

Actuarial Valuation Date *	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1/1/2016	\$ -	\$ 997,900	\$ 997,900	0.00%	\$ 9,463,600	10.54%
1/1/2013	-	1,246,700	1,246,700	0.00%	9,445,600	13.20%
1/1/2011	-	3,230,700	3,230,700	0.00%	9,067,800	35.63%

* Three years of valuations are not available.

OTHER SUPPLEMENTARY INFORMATION

Combining and Individual Fund Financial Statements and Schedules

Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 12,000	\$ 12,000	\$ 12,837	\$ 837
Total revenues	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 12,837</u>	<u>\$ 837</u>
EXPENDITURES				
Capital projects	\$ 52,000	\$ 52,000	\$ 5,251	\$ 46,749
Debt service:				
Principal retirement	68,477	68,477	68,478	(1)
Interest and other fiscal charges	10,671	10,671	10,670	1
Total expenditures	<u>\$ 131,148</u>	<u>\$ 131,148</u>	<u>\$ 84,399</u>	<u>\$ 46,749</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (119,148)</u>	<u>\$ (119,148)</u>	<u>\$ (71,562)</u>	<u>\$ 47,586</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 79,148	\$ 54,148	\$ 54,148	\$ -
Total other financing sources (uses)	<u>\$ 79,148</u>	<u>\$ 54,148</u>	<u>\$ 54,148</u>	<u>\$ -</u>
Net change in fund balances	\$ (40,000)	\$ (65,000)	\$ (17,414)	\$ 47,586
Fund balances - beginning	40,000	65,000	1,042,968	977,968
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,025,554</u></u>	<u><u>\$ 1,025,554</u></u>

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Debt Service Fund	Special Revenue Fund	
	AT Johson Debt Service Fund	Placid Bay Sanitary District Fund	Total
ASSETS			
Cash and cash equivalents	\$ 121,611	\$ 177,598	\$ 299,209
Investments	-	622	622
Restricted assets:			
Investments	-	49,631	49,631
Total assets	<u>\$ 121,611</u>	<u>\$ 227,851</u>	<u>\$ 349,462</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	<u>\$ 3,857</u>	<u>\$ 713</u>	<u>\$ 4,570</u>
Fund balances:			
Committed	<u>\$ 117,754</u>	<u>\$ 227,138</u>	<u>\$ 344,892</u>
Total fund balances	<u>\$ 117,754</u>	<u>\$ 227,138</u>	<u>\$ 344,892</u>
Total liabilities and fund balances	<u>\$ 121,611</u>	<u>\$ 227,851</u>	<u>\$ 349,462</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2016

	Debt Service Fund	Special Revenue Fund	
	AT Johson Debt Service Fund	Placid Bay Sanitary District Fund	Total
REVENUES			
General property taxes	\$ -	\$ 57,700	\$ 57,700
Revenue from the use of money and property	152,674	696	153,370
Charges for services	2,010	62,195	64,205
Total revenues	<u>\$ 154,684</u>	<u>\$ 120,591</u>	<u>\$ 275,275</u>
EXPENDITURES			
Current:			
Community development	\$ -	\$ 10,126	\$ 10,126
Capital projects	-	22,452	22,452
Debt service:			
Principal retirement	170,120	6,573	176,693
Interest and other fiscal charges	26,809	54,102	80,911
Total expenditures	<u>\$ 196,929</u>	<u>\$ 93,253</u>	<u>\$ 290,182</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (42,245)</u>	<u>\$ 27,338</u>	<u>\$ (14,907)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 46,000	\$ -	\$ 46,000
Transfers out	-	(5,000)	(5,000)
Total other financing sources (uses)	<u>\$ 46,000</u>	<u>\$ (5,000)</u>	<u>\$ 41,000</u>
Net change in fund balances	\$ 3,755	\$ 22,338	\$ 26,093
Fund balances - beginning	113,999	204,800	318,799
Fund balances - ending	<u>\$ 117,754</u>	<u>\$ 227,138</u>	<u>\$ 344,892</u>

COUNTY OF WESTMORELAND, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2016

	Debt Service Fund			
	AT Johnson Debt Service Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			
REVENUES				
General property taxes	\$ -	\$ -	\$ -	-
Revenue from the use of money and property	160,960	160,960	152,674	(8,286)
Charges for services	3,000	3,000	2,010	(990)
Total revenues	<u>\$ 163,960</u>	<u>\$ 163,960</u>	<u>\$ 154,684</u>	<u>\$ (9,276)</u>
EXPENDITURES				
Current:				
Community development	\$ -	\$ -	\$ -	-
Capital projects	-	-	-	-
Debt service:				
Principal retirement	170,121	170,121	170,120	1
Interest and other fiscal charges	23,553	26,909	26,809	100
Total expenditures	<u>\$ 193,674</u>	<u>\$ 197,030</u>	<u>\$ 196,929</u>	<u>\$ 101</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (29,714)</u>	<u>\$ (33,070)</u>	<u>\$ (42,245)</u>	<u>\$ (9,175)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 20,000	\$ 20,000	\$ 46,000	26,000
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 46,000</u>	<u>\$ 26,000</u>
Net change in fund balances	\$ (9,714)	\$ (13,070)	\$ 3,755	16,825
Fund balances - beginning	9,714	13,070	113,999	100,929
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,754</u>	<u>\$ 117,754</u>

Special Revenue Fund				
Placid Bay Sanitary District Fund				
Budgeted Amounts				Variance with
Original	Final	Actual		Final Budget
				Positive
				(Negative)
\$ 60,101	\$ 60,101	\$ 57,700	\$	(2,401)
400	400	696		296
59,680	59,680	62,195		2,515
<u>\$ 120,181</u>	<u>\$ 120,181</u>	<u>\$ 120,591</u>	<u>\$</u>	<u>410</u>
\$ 115,434	\$ 166,777	\$ 10,126	\$	156,651
-	32,195	22,452		9,743
6,573	6,573	6,573		-
47,530	54,102	54,102		-
<u>\$ 169,537</u>	<u>\$ 259,647</u>	<u>\$ 93,253</u>	<u>\$</u>	<u>166,394</u>
<u>\$ (49,356)</u>	<u>\$ (139,466)</u>	<u>\$ 27,338</u>	<u>\$</u>	<u>166,804</u>
\$ -	\$ -	\$ -	\$	-
-	-	(5,000)		(5,000)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,000)</u>	<u>\$</u>	<u>(5,000)</u>
\$ (49,356)	\$ (139,466)	\$ 22,338	\$	161,804
49,356	139,466	204,800		65,334
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,138</u>	<u>\$</u>	<u>227,138</u>

Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2016

	<u>Agency Funds</u>		
	<u>Special Welfare</u>	<u>Alternative Education Program</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 34,325	\$ 51,356	\$ 85,681
LIABILITIES			
Accounts payable and accrued liabilities	\$ 20,265	\$ 21,529	\$ 41,794
Amounts held for social services clients	14,060	-	14,060
Amounts held for alternative education program	-	29,827	29,827
Total liabilities	<u>\$ 34,325</u>	<u>\$ 51,356</u>	<u>\$ 85,681</u>

Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2016

	Balance Beginning	Additions	Deletions	Balance End of Year
Special Welfare:				
ASSETS				
Cash and cash equivalents	\$ 30,459	\$ 34,325	\$ 30,459	\$ 34,325
Total assets	<u>\$ 30,459</u>	<u>\$ 34,325</u>	<u>\$ 30,459</u>	<u>\$ 34,325</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 16,400	\$ 20,265	\$ 16,400	\$ 20,265
Amounts held for social services clients	14,059	14,060	14,059	14,060
Total liabilities	<u>\$ 30,459</u>	<u>\$ 34,325</u>	<u>\$ 30,459</u>	<u>\$ 34,325</u>
Alternative Education Program:				
ASSETS				
Cash and cash equivalents	\$ 90,584	\$ 220,526	\$ 259,754	\$ 51,356
Total assets	<u>\$ 90,584</u>	<u>\$ 220,526</u>	<u>\$ 259,754</u>	<u>\$ 51,356</u>
LIABILITIES				
Amounts payable and accrued liabilities	\$ 36,840	\$ 21,529	\$ 36,840	\$ 21,529
Amounts held for alternative education program	53,744	198,997	222,914	29,827
Total liabilities	<u>\$ 90,584</u>	<u>\$ 220,526</u>	<u>\$ 259,754</u>	<u>\$ 51,356</u>
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 121,043	\$ 254,851	\$ 290,213	\$ 85,681
Total assets	<u>\$ 121,043</u>	<u>\$ 254,851</u>	<u>\$ 290,213</u>	<u>\$ 85,681</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 53,240	\$ 41,794	\$ 53,240	\$ 41,794
Amounts held for social services clients	14,059	14,060	14,059	14,060
Amounts held for alternative education program	53,744	198,997	222,914	29,827
Total liabilities	<u>\$ 121,043</u>	<u>\$ 254,851</u>	<u>\$ 290,213</u>	<u>\$ 85,681</u>

Combining Balance Sheet
 Discretely Presented Component Unit - School Board
 June 30, 2016

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,922,407	\$ 197,772	\$ 4,120,179
Receivables (net of allowance for uncollectibles):			
Accounts receivable	111,374	5,706	117,080
Due from other governmental units	639,176	39,822	678,998
Total assets	<u>\$ 4,672,957</u>	<u>\$ 243,300</u>	<u>\$ 4,916,257</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 212,466	\$ 11,601	\$ 224,067
Accrued liabilities	1,712,637	50,280	1,762,917
Due to primary government	543,829	-	543,829
Due to other governmental units	89,110	-	89,110
Total liabilities	<u>\$ 2,558,042</u>	<u>\$ 61,881</u>	<u>\$ 2,619,923</u>
Fund balances:			
Committed - cafeteria	\$ -	\$ 181,419	\$ 181,419
Committed - capital projects	215,368	-	215,368
Unassigned	1,899,547	-	1,899,547
Total fund balances	<u>\$ 2,114,915</u>	<u>\$ 181,419</u>	<u>\$ 2,296,334</u>
Total liabilities and fund balances	<u>\$ 4,672,957</u>	<u>\$ 243,300</u>	<u>\$ 4,916,257</u>

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

Total fund balances per above \$ 2,296,334

Capital assets used in governmental activities are not financial resources and,
 therefore, are not reported in the funds.

Land	\$ 258,916	
Buildings and systems	6,224,802	
Machinery and equipment	<u>1,210,863</u>	7,694,581

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

 Items related to the measurement of net pension liability (1,245,306)

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.

1,302,835

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

Compensated absences	\$ (249,946)	
Accrued interest payable	(26,706)	
Net OPEB obligation	(1,685,436)	
Net pension liability	(15,022,779)	
Adjustment for changes in proportionate share of net pension liability	(241,000)	
Capital lease	<u>(1,265,703)</u>	<u>(18,491,570)</u>

Net position of governmental activities \$ (8,443,126)

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	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 35,514	\$ 35	\$ 35,549
Charges for services	-	229,359	229,359
Miscellaneous	317,677	1,520	319,197
Intergovernmental:			
Local government	7,477,840	-	7,477,840
Commonwealth	9,908,083	14,494	9,922,577
Federal	1,433,773	700,731	2,134,504
Total revenues	<u>\$ 19,172,887</u>	<u>\$ 946,139</u>	<u>\$ 20,119,026</u>
EXPENDITURES			
Current:			
Education	\$ 18,063,129	\$ 1,012,828	\$ 19,075,957
Capital projects	27,571	-	27,571
Debt service:			
Principal retirement	152,466	-	152,466
Interest and other fiscal charges	58,255	-	58,255
Total expenditures	<u>\$ 18,301,421</u>	<u>\$ 1,012,828</u>	<u>\$ 19,314,249</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 871,466</u>	<u>\$ (66,689)</u>	<u>\$ 804,777</u>
Net change in fund balances	\$ 871,466	\$ (66,689)	\$ 804,777
Fund balances - beginning	1,243,449	248,108	1,491,557
Fund balances - ending	<u>\$ 2,114,915</u>	<u>\$ 181,419</u>	<u>\$ 2,296,334</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 \$ 804,777

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.

Capital asset additions	\$ 322,440	
Depreciation expense	<u>(683,220)</u>	(360,780)

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

Change in deferred inflows related to the measurement of the net pension liability 1,255,116

Transfer of joint tenancy assets from Primary Government to the Component Unit 232,006

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal retired on capital lease 152,466

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.

Compensated absences	\$ (79,382)	
Net OPEB obligation	(60,587)	
Net pension liability	(678,801)	
Deferred outflows of resources related to pension	26,348	
Accrued interest payable	<u>3,217</u>	<u>(789,205)</u>
Change in net position of governmental activities		<u>\$ 1,294,380</u>

COUNTY OF WESTMORELAND, 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 Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 29,793	\$ 29,793	\$ 35,514	\$ 5,721
Charges for services	-	-	-	-
Miscellaneous	167,114	167,114	317,677	150,563
Intergovernmental:				
Local government	7,437,489	7,477,839	7,477,840	1
Commonwealth	10,188,772	10,188,772	9,908,083	(280,689)
Federal	1,342,563	1,503,342	1,433,773	(69,569)
Total revenues	\$ 19,165,731	\$ 19,366,860	\$ 19,172,887	\$ (193,973)
EXPENDITURES				
Current:				
Education	\$ 18,705,012	\$ 18,988,719	\$ 18,063,129	\$ 925,590
Capital projects	62,000	75,826	27,571	48,255
Debt service:				
Principal retirement	152,466	152,466	152,466	-
Interest and other fiscal charges	58,255	58,255	58,255	-
Total expenditures	\$ 18,977,733	\$ 19,275,266	\$ 18,301,421	\$ 973,845
Excess (deficiency) of revenues over (under) expenditures	\$ 187,998	\$ 91,594	\$ 871,466	\$ 779,872
Net change in fund balances	\$ 187,998	\$ 91,594	\$ 871,466	\$ 779,872
Fund balances - beginning	(187,998)	(91,594)	1,243,449	1,335,043
Fund balances - ending	\$ -	\$ -	\$ 2,114,915	\$ 2,114,915

School Cafeteria Fund			
Budgeted Amounts		Actual	Variance with Final Budget
Original	Final		Positive (Negative)
\$ 279	\$ 279	\$ 35	\$ (244)
280,916	280,916	229,359	(51,557)
2,280	2,280	1,520	(760)
-	-	-	-
16,074	16,074	14,494	(1,580)
578,052	578,052	700,731	122,679
<u>\$ 877,601</u>	<u>\$ 877,601</u>	<u>\$ 946,139</u>	<u>\$ 68,538</u>
\$ 1,014,299	\$ 1,014,299	\$ 1,012,828	\$ 1,471
-	-	-	-
-	-	-	-
<u>\$ 1,014,299</u>	<u>\$ 1,014,299</u>	<u>\$ 1,012,828</u>	<u>\$ 1,471</u>
\$ (136,698)	\$ (136,698)	\$ (66,689)	\$ 70,009
\$ (136,698)	\$ (136,698)	\$ (66,689)	\$ 70,009
136,698	136,698	248,108	111,410
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,419</u>	<u>\$ 181,419</u>

Supporting Schedules

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 12,207,065	\$ 12,207,065	\$ 12,323,004	\$ 115,939
Real and personal public service corporation taxes	274,400	274,400	291,219	16,819
Personal property taxes	2,969,304	2,969,304	3,179,324	210,020
Mobile home taxes	26,220	26,220	22,615	(3,605)
Machinery and tools taxes	64,500	64,500	71,175	6,675
Farm machinery and tools taxes	93,750	93,750	100,453	6,703
Merchants capital taxes	40,125	40,125	45,653	5,528
Penalties	201,800	201,800	228,722	26,922
Interest	90,000	90,000	96,401	6,401
Total general property taxes	<u>\$ 15,967,164</u>	<u>\$ 15,967,164</u>	<u>\$ 16,358,566</u>	<u>\$ 391,402</u>
Other local taxes:				
Local sales and use taxes	\$ 741,350	\$ 741,350	\$ 741,223	\$ (127)
Consumers' utility taxes	316,000	316,000	330,886	14,886
Utility gross receipts taxes	49,000	49,000	48,977	(23)
Motor vehicle licenses	517,400	517,400	538,683	21,283
Bank stock taxes	3,000	3,000	-	(3,000)
Taxes on recordation and wills	155,000	155,000	171,876	16,876
E-911 taxes	2,000	2,000	3,050	1,050
Golf cart decals	100	100	285	185
Total other local taxes	<u>\$ 1,783,850</u>	<u>\$ 1,783,850</u>	<u>\$ 1,834,980</u>	<u>\$ 51,130</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 8,000	\$ 8,000	\$ 8,406	\$ 406
Permits and other licenses	218,742	218,742	212,309	(6,433)
Total permits, privilege fees, and regulatory licenses	<u>\$ 226,742</u>	<u>\$ 226,742</u>	<u>\$ 220,715</u>	<u>\$ (6,027)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 95,300	\$ 95,300	\$ 141,797	\$ 46,497
Revenue from use of money and property:				
Revenue from use of money	\$ 56,422	\$ 56,422	\$ 50,447	\$ (5,975)
Revenue from use of property	59,957	59,957	69,837	9,880
Total revenue from use of money and property	<u>\$ 116,379</u>	<u>\$ 116,379</u>	<u>\$ 120,284</u>	<u>\$ 3,905</u>
Charges for services:				
Sheriff's fees	\$ 1,600	\$ 1,600	\$ 2,623	\$ 1,023
Charges for law enforcement and traffic control	7,400	7,400	11,894	4,494
Charges for courthouse maintenance	15,000	15,000	17,667	2,667
Charges for court appointed attorney	4,000	4,000	5,502	1,502
Concealed weapons permits	3,000	3,000	9,144	6,144
Charges for Commonwealth's Attorney	2,000	2,000	2,305	305

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Charges for services: (Continued)				
Miscellaneous jail and inmate fees	\$ 8,200	\$ 8,200	\$ 6,653	\$ (1,547)
Charges for animal control	10,000	10,000	9,055	(945)
Charges for sanitation and waste removal	14,000	14,000	9,781	(4,219)
Charges for parks, recreation and cultural	50	50	48	(2)
Charges for planning and community development	3,800	3,800	5,086	1,286
Total charges for services	<u>\$ 69,050</u>	<u>\$ 69,050</u>	<u>\$ 79,758</u>	<u>\$ 10,708</u>
Miscellaneous:				
Expenditure refunds	\$ 100	\$ 100	-	\$ (100)
Miscellaneous other	44,900	131,299	146,890	15,591
Total miscellaneous	<u>\$ 45,000</u>	<u>\$ 131,399</u>	<u>\$ 146,890</u>	<u>\$ 15,491</u>
Recovered costs:				
Other recovered costs	\$ 331,806	\$ 331,806	\$ 388,822	\$ 57,016
Rescue recovery	630,000	632,558	531,454	(101,104)
Total recovered costs	<u>\$ 961,806</u>	<u>\$ 964,364</u>	<u>\$ 920,276</u>	<u>\$ (44,088)</u>
Total revenue from local sources	<u>\$ 19,265,291</u>	<u>\$ 19,354,248</u>	<u>\$ 19,823,266</u>	<u>\$ 469,018</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 50	\$ 50	\$ 50	-
Mobile home titling tax	15,000	15,000	36,418	21,418
Motor vehicle rental tax	1,600	1,600	1,833	233
State recordation tax	65,639	65,639	58,942	(6,697)
Tax on deeds	35,000	35,000	49,909	14,909
Communication sales and use taxes	600,000	600,000	666,480	66,480
Personal property tax relief funds	1,139,678	1,139,678	1,139,679	1
Total noncategorical aid	<u>\$ 1,856,967</u>	<u>\$ 1,856,967</u>	<u>\$ 1,953,311</u>	<u>\$ 96,344</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 261,603	\$ 263,668	\$ 259,386	\$ (4,282)
Sheriff	1,009,579	1,009,579	1,008,977	(602)
Commissioner of revenue	101,093	101,093	101,076	(17)
Treasurer	94,766	94,766	94,669	(97)
Registrar/electoral board	36,000	36,000	52,902	16,902
Clerk of the Circuit Court	204,578	204,578	203,003	(1,575)
Total shared expenses	<u>\$ 1,707,619</u>	<u>\$ 1,709,684</u>	<u>\$ 1,720,013</u>	<u>\$ 10,329</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid:				
Welfare administration and public assistance	\$ 612,929	\$ 612,929	\$ 454,414	\$ (158,515)
Two for life	19,300	20,595	20,595	-
Litter control grant	7,500	7,500	7,498	(2)
Fire programs	40,000	42,876	43,576	700
Children's Services Act	1,096,363	1,096,363	854,936	(241,427)
VJCCA grants	136,000	141,997	141,997	-
Victim-witness grant	46,000	53,156	62,047	8,891
Wireless grant	45,000	45,000	46,055	1,055
Other categorical aid	1,300	3,544	18,631	15,087
Total other categorical aid	<u>\$ 2,004,392</u>	<u>\$ 2,023,960</u>	<u>\$ 1,649,749</u>	<u>\$ (374,211)</u>
Total categorical aid	<u>\$ 3,712,011</u>	<u>\$ 3,733,644</u>	<u>\$ 3,369,762</u>	<u>\$ (363,882)</u>
Total revenue from the Commonwealth	<u>\$ 5,568,978</u>	<u>\$ 5,590,611</u>	<u>\$ 5,323,073</u>	<u>\$ (267,538)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 1,400	\$ 1,400	\$ 1,537	\$ 137
Total noncategorical aid	<u>\$ 1,400</u>	<u>\$ 1,400</u>	<u>\$ 1,537</u>	<u>\$ 137</u>
Categorical aid:				
Welfare administration and public assistance	\$ 937,435	\$ 954,322	\$ 1,057,671	\$ 103,349
Bullet proof vests	-	2,434	-	(2,434)
U.S. fish and wildlife	-	-	1,691	1,691
DMV grants	-	43,800	32,547	(11,253)
James Monroe birthplace enhancement	392,000	392,000	22,238	(369,762)
Total categorical aid	<u>\$ 1,329,435</u>	<u>\$ 1,392,556</u>	<u>\$ 1,114,147</u>	<u>\$ (278,409)</u>
Total revenue from the federal government	<u>\$ 1,330,835</u>	<u>\$ 1,393,956</u>	<u>\$ 1,115,684</u>	<u>\$ (278,272)</u>
Total General Fund	<u>\$ 26,165,104</u>	<u>\$ 26,338,815</u>	<u>\$ 26,262,023</u>	<u>\$ (76,792)</u>
Debt Service Funds:				
AT Johnson Debt Service Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 500	\$ 500	\$ 1,224	\$ 724
Revenue from the use of property	160,460	160,460	151,450	(9,010)
Total revenue from use of money and property	<u>\$ 160,960</u>	<u>\$ 160,960</u>	<u>\$ 152,674</u>	<u>\$ (8,286)</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Funds: (Continued)				
AT Johnson Debt Service Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Other charges for services	\$ 3,000	\$ 3,000	\$ 2,010	\$ (990)
Total revenue from local sources	\$ 163,960	\$ 163,960	\$ 154,684	\$ (9,276)
Total AT Johnson Debt Service Fund	\$ 163,960	\$ 163,960	\$ 154,684	\$ (9,276)
Capital Projects Fund:				
General Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 12,000	\$ 12,000	\$ 12,837	\$ 837
Total General Capital Projects Fund	\$ 12,000	\$ 12,000	\$ 12,837	\$ 837
Special Revenue Fund:				
Placid Bay Sanitary District Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 55,801	\$ 55,801	\$ 54,587	\$ (1,214)
Penalties	2,500	2,500	1,743	(757)
Interest	1,800	1,800	1,370	(430)
Total general property taxes	\$ 60,101	\$ 60,101	\$ 57,700	\$ (2,401)
Revenue from use of money and property:				-
Revenue from the use of money	\$ 400	\$ 400	\$ 696	\$ 296
Charges for services:				-
Road maintenance user fees	\$ 59,680	\$ 59,680	\$ 62,195	\$ 2,515
Total Placid Bay Sanitary District Fund	\$ 120,181	\$ 120,181	\$ 120,591	\$ 410
Total Primary Government	\$ 26,461,245	\$ 26,634,956	\$ 26,550,135	\$ (84,821)
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 money	\$ 2,500	\$ 2,500	\$ 1,815	\$ (685)
Revenue from the use of property	27,293	27,293	33,699	6,406
Total revenue from use of money and property	\$ 29,793	\$ 29,793	\$ 35,514	\$ 5,721
Miscellaneous:				
Expenditure refunds	\$ 167,114	\$ 167,114	\$ 249,637	\$ 82,523
Other miscellaneous	-	-	68,040	68,040
Total miscellaneous	\$ 167,114	\$ 167,114	\$ 317,677	\$ 150,563
Total revenue from local sources	\$ 196,907	\$ 196,907	\$ 353,191	\$ 156,284

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Westmoreland, Virginia	\$ 7,437,489	\$ 7,477,839	\$ 7,477,840	\$ 1
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,894,482	\$ 1,894,482	\$ 1,894,218	\$ (264)
Basic school aid	5,003,029	5,003,029	4,803,465	(199,564)
Remedial education	351,876	351,876	344,155	(7,721)
Gifted and talented	40,780	40,780	39,401	(1,379)
Special education	681,978	681,978	658,915	(23,063)
Vocational SOQ payments	94,575	94,575	91,376	(3,199)
Social security fringe benefits	266,370	266,370	257,363	(9,007)
Retirement fringe benefits	525,800	525,800	508,019	(17,781)
Early reading intervention	28,929	28,929	27,227	(1,702)
Salary supplement	-	-	78,995	78,995
At risk payments	345,785	345,785	333,824	(11,961)
Technology	209,600	209,600	195,021	(14,579)
Standards of Learning algebra readiness	22,635	22,635	26,124	3,489
K-3 initiatives	223,000	223,000	189,574	(33,426)
Preschool initiative	209,313	209,313	209,313	-
Other state funds	290,620	290,620	251,093	(39,527)
Total categorical aid	<u>\$ 10,188,772</u>	<u>\$ 10,188,772</u>	<u>\$ 9,908,083</u>	<u>\$ (280,689)</u>
Total revenue from the Commonwealth	<u>\$ 10,188,772</u>	<u>\$ 10,188,772</u>	<u>\$ 9,908,083</u>	<u>\$ (280,689)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 612,279	\$ 625,260	\$ 604,402	\$ (20,858)
Title VI-B, flow-through	369,572	369,572	363,400	(6,172)
Title VI-B, preschool	18,409	18,409	18,422	13
Interest subsidy	97,216	97,216	97,741	525
Title II Part A	98,032	124,976	103,499	(21,477)
Other federal funds	147,055	267,909	246,309	(21,600)
Total categorical aid	<u>\$ 1,342,563</u>	<u>\$ 1,503,342</u>	<u>\$ 1,433,773</u>	<u>\$ (69,569)</u>
Total revenue from the federal government	<u>\$ 1,342,563</u>	<u>\$ 1,503,342</u>	<u>\$ 1,433,773</u>	<u>\$ (69,569)</u>
Total School Operating Fund	<u>\$ 19,165,731</u>	<u>\$ 19,366,860</u>	<u>\$ 19,172,887</u>	<u>\$ (193,973)</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 279	\$ 279	\$ 35	\$ (244)
Charges for services:				
Cafeteria sales	\$ 280,916	\$ 280,916	\$ 229,359	\$ (51,557)
Miscellaneous:				
Other miscellaneous	\$ 2,280	\$ 2,280	\$ 1,520	\$ (760)
Total revenue from local sources	<u>\$ 283,475</u>	<u>\$ 283,475</u>	<u>\$ 230,914</u>	<u>\$ (52,561)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 16,074	\$ 16,074	\$ 14,494	\$ (1,580)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 578,052	\$ 578,052	\$ 700,731	\$ 122,679
Total revenue from the federal government	<u>\$ 578,052</u>	<u>\$ 578,052</u>	<u>\$ 700,731</u>	<u>\$ 122,679</u>
Total School Cafeteria Fund	<u>\$ 877,601</u>	<u>\$ 877,601</u>	<u>\$ 946,139</u>	<u>\$ 68,538</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 20,043,332</u>	<u>\$ 20,244,461</u>	<u>\$ 20,119,026</u>	<u>\$ (125,435)</u>

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

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 86,908	\$ 87,148	\$ 83,612	\$ 3,536
General and financial administration:				
County administrator	\$ 413,393	\$ 429,327	\$ 408,548	\$ 20,779
County attorney	79,650	128,818	109,789	19,029
Independent auditor	49,650	60,150	59,700	450
Commissioner of revenue	326,006	326,006	315,153	10,853
Assessor	40,000	252,444	205,662	46,782
Equalization board	-	1,502	1,502	-
Treasurer	381,508	397,771	361,689	36,082
Accounting	340,051	347,100	320,148	26,952
Data processing	413,981	501,134	462,815	38,319
Risk management	275,086	272,577	268,137	4,440
Delinquent tax collections	21,809	21,809	19,117	2,692
Dues for local government	5,345	5,345	5,206	139
Total general and financial administration	\$ 2,346,479	\$ 2,743,983	\$ 2,537,466	\$ 206,517
Board of elections:				
Electoral board and officials	\$ 34,491	\$ 46,365	\$ 40,667	\$ 5,698
Registrar	111,911	108,815	97,930	10,885
Total board of elections	\$ 146,402	\$ 155,180	\$ 138,597	\$ 16,583
Total general government administration	\$ 2,579,789	\$ 2,986,311	\$ 2,759,675	\$ 226,636
Judicial administration:				
Courts:				
Circuit court	\$ 35,662	\$ 36,911	\$ 34,214	\$ 2,697
General district court	2,076	2,076	860	1,216
Juvenile and domestic relations district court	2,125	2,125	1,755	370
Clerk of the circuit court	384,660	410,972	365,683	45,289
Victim-witness	48,506	55,199	50,453	4,746
Other	13,200	13,200	8,780	4,420
Total courts	\$ 486,229	\$ 520,483	\$ 461,745	\$ 58,738
Commonwealth's attorney:				
Commonwealth's attorney	\$ 397,136	\$ 400,479	\$ 397,303	\$ 3,176
Total commonwealth's attorney	\$ 397,136	\$ 400,479	\$ 397,303	\$ 3,176
Total judicial administration	\$ 883,365	\$ 920,962	\$ 859,048	\$ 61,914
Public safety:				
Law enforcement and traffic control:				
Sheriff - law enforcement	\$ 2,219,985	\$ 2,232,706	\$ 2,168,887	\$ 63,819
Other law enforcement and traffic control	9,700	71,932	45,072	26,860
Sheriff - 911 system	649,635	663,730	644,315	19,415
Total law enforcement and traffic control	\$ 2,879,320	\$ 2,968,368	\$ 2,858,274	\$ 110,094

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public Safety: (Continued)				
Fire and rescue services:				
Volunteer fire department	\$ 566,000	\$ 822,643	\$ 547,112	\$ 275,531
Ambulance and rescue services	1,128,683	1,423,142	1,106,319	316,823
Forestry	7,631	7,631	7,631	-
Total fire and rescue services	<u>\$ 1,702,314</u>	<u>\$ 2,253,416</u>	<u>\$ 1,661,062</u>	<u>\$ 592,354</u>
Correction and detention:				
Juvenile and domestic relations court service unit	\$ 128,775	\$ 133,775	\$ 74,798	\$ 58,977
Juvenile commission crime control	136,021	141,997	141,997	-
Total correction and detention	<u>\$ 264,796</u>	<u>\$ 275,772</u>	<u>\$ 216,795</u>	<u>\$ 58,977</u>
Inspections:				
Building	\$ 162,057	\$ 100,664	\$ 97,822	\$ 2,842
Other protection:				
Animal control	\$ 147,241	\$ 180,596	\$ 144,927	\$ 35,669
Medical examiner	180	360	300	60
Emergency management	94,666	94,666	93,438	1,228
Emergency services (civil defense)	128,392	134,423	123,285	11,138
Total other protection	<u>\$ 370,479</u>	<u>\$ 410,045</u>	<u>\$ 361,950</u>	<u>\$ 48,095</u>
Total public safety	<u>\$ 5,378,966</u>	<u>\$ 6,008,265</u>	<u>\$ 5,195,903</u>	<u>\$ 812,362</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 12,500	\$ 12,500	\$ 11,327	\$ 1,173
Sanitation and waste removal:				
Refuse collection	\$ 525,871	\$ 528,111	\$ 523,288	\$ 4,823
Refuse disposal	1,191,081	1,235,299	1,220,405	14,894
Total sanitation and waste removal	<u>\$ 1,716,952</u>	<u>\$ 1,763,410</u>	<u>\$ 1,743,693</u>	<u>\$ 19,717</u>
Maintenance of general buildings and grounds:				
General properties	\$ 873,093	\$ 1,022,982	\$ 910,071	\$ 112,911
Total public works	<u>\$ 2,602,545</u>	<u>\$ 2,798,892</u>	<u>\$ 2,665,091</u>	<u>\$ 133,801</u>
Health and welfare:				
Health:				
Local health department	\$ 179,243	\$ 192,827	\$ 192,827	\$ -
Mental health and mental retardation:				
Contribution to Chapter X Board	\$ 54,777	\$ 54,777	\$ 54,777	\$ -
Welfare:				
Welfare administration	\$ 1,780,679	\$ 1,780,679	\$ 1,688,758	\$ 91,921
Public assistance	379,972	396,859	308,595	88,264
Comprehensive Services Act	1,626,360	1,626,429	1,247,635	378,794
Total welfare	<u>\$ 3,787,011</u>	<u>\$ 3,803,967</u>	<u>\$ 3,244,988</u>	<u>\$ 558,979</u>
Total health and welfare	<u>\$ 4,021,031</u>	<u>\$ 4,051,571</u>	<u>\$ 3,492,592</u>	<u>\$ 558,979</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contribution to local school board	\$ 7,477,839	\$ 7,477,839	\$ 7,477,840	\$ (1)
Contributions to community college	10,086	10,086	10,086	-
Total education	<u>\$ 7,487,925</u>	<u>\$ 7,487,925</u>	<u>\$ 7,487,926</u>	<u>\$ (1)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Public landings	\$ 500	\$ 1,500	\$ 1,500	\$ -
Total parks and recreation	<u>\$ 500</u>	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ -</u>
Cultural enrichment:				
Westmoreland museum	\$ 32,452	\$ 32,452	\$ 32,452	\$ -
Other cultural enrichment	18,854	18,854	-	18,854
Total cultural enrichment	<u>51,306</u>	<u>51,306</u>	<u>32,452</u>	<u>18,854</u>
Library:				
Contribution to regional library	\$ 429,025	\$ 429,025	\$ 423,327	\$ 5,698
Total parks, recreation, and cultural	<u>\$ 480,831</u>	<u>\$ 481,831</u>	<u>\$ 457,279</u>	<u>\$ 24,552</u>
Community development:				
Planning and community development:				
Planning	\$ 385,668	\$ 396,519	\$ 384,713	\$ 11,806
Community development	37,850	37,850	37,850	-
Northern Neck Planning Commission	28,000	28,000	28,000	-
Planning District Commission	9,000	9,000	7,929	1,071
Zoning board	2,600	2,600	1,331	1,269
Wetlands board	5,750	5,750	3,787	1,963
Tourism	44,892	145,570	42,899	102,671
Industrial Development Authority	10,250	17,175	2,700	14,475
Other community development	-	78,850	77,240	1,610
Total planning and community development	<u>\$ 524,010</u>	<u>\$ 721,314</u>	<u>\$ 586,449</u>	<u>\$ 134,865</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 11,000	\$ 11,000	\$ 11,000	\$ -
Litter control	7,500	7,500	7,484	16
Total environmental management	<u>\$ 18,500</u>	<u>\$ 18,500</u>	<u>\$ 18,484</u>	<u>\$ 16</u>
Cooperative extension program:				
Cooperative extension program	\$ 41,431	\$ 41,565	\$ 39,581	\$ 1,984
Total cooperative extension program	<u>\$ 41,431</u>	<u>\$ 41,565</u>	<u>\$ 39,581</u>	<u>\$ 1,984</u>
Total community development	<u>\$ 583,941</u>	<u>\$ 781,379</u>	<u>\$ 644,514</u>	<u>\$ 136,865</u>
Nondepartmental:				
Other nondepartmental	\$ 175,655	\$ 175,655	\$ 175,655	\$ -

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Capital projects:				
English building renovation	\$ -	\$ 187,908	\$ 158,197	\$ 29,711
Land acquisition	104,605	104,605	104,605	-
James Monroe visitors center	471,073	496,073	33,194	462,879
Microwave construction	144,560	549,893	521,550	28,343
VDOT revenue sharing program	33,150	78,646	35,868	42,778
Other capital projects	109,400	343,520	279,237	64,283
Total capital projects	<u>\$ 862,788</u>	<u>\$ 1,760,645</u>	<u>\$ 1,132,651</u>	<u>\$ 627,994</u>
Debt service:				
Principal retirement	\$ 516,741	\$ 583,635	\$ 583,635	\$ -
Interest and other fiscal charges	368,709	377,971	377,971	-
Total debt service	<u>\$ 885,450</u>	<u>\$ 961,606</u>	<u>\$ 961,606</u>	<u>\$ -</u>
Total General Fund	<u>\$ 25,942,286</u>	<u>\$ 28,415,042</u>	<u>\$ 25,831,940</u>	<u>\$ 2,583,102</u>
Debt Service Fund:				
AT Johnson Debt Service Fund:				
Debt service:				
Principal retirement	\$ 170,121	\$ 170,121	\$ 170,120	\$ 1
Interest and other fiscal charges	23,553	26,909	26,809	100
Total AT Johnson Debt Service Fund	<u>\$ 193,674</u>	<u>\$ 197,030</u>	<u>\$ 196,929</u>	<u>\$ 101</u>
Capital Projects Fund:				
General Capital Projects Fund:				
Capital projects expenditures:				
Other capital projects	\$ 52,000	\$ 52,000	\$ 5,251	\$ 46,749
Debt service:				
Principal retirement	\$ 68,477	\$ 68,477	\$ 68,478	\$ (1)
Interest and other fiscal charges	10,671	10,671	10,670	1
Total debt service	<u>\$ 79,148</u>	<u>\$ 79,148</u>	<u>\$ 79,148</u>	<u>\$ -</u>
Total General Capital Projects Fund	<u>\$ 131,148</u>	<u>\$ 131,148</u>	<u>\$ 84,399</u>	<u>\$ 46,749</u>
Special Revenue Fund:				
Placid Bay Sanitation District Fund:				
Community development:				
Placid Bay sanitary district	\$ 115,434	\$ 166,777	\$ 10,126	\$ 156,651
Capital projects:				
Roads projects	\$ -	\$ 32,195	\$ 22,452	\$ 9,743
Debt service:				
Principal retirement	\$ 6,573	\$ 6,573	\$ 6,573	\$ -
Interest and other fiscal charges	47,530	54,102	54,102	-
Total debt service	<u>\$ 54,103</u>	<u>\$ 60,675</u>	<u>\$ 60,675</u>	<u>\$ -</u>
Total Placid Bay Sanitation District Fund	<u>\$ 169,537</u>	<u>\$ 259,647</u>	<u>\$ 93,253</u>	<u>\$ 166,394</u>
Total Primary Government	<u>\$ 26,436,645</u>	<u>\$ 29,002,867</u>	<u>\$ 26,206,521</u>	<u>\$ 2,796,346</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Instruction costs:				
Classroom instruction	\$ 10,977,076	\$ 11,098,006	\$ 10,697,745	\$ 400,261
Guidance services	519,947	540,759	530,055	10,704
Homebound instruction	18,592	36,329	35,545	784
Improvement of instruction	22,630	29,029	18,903	10,126
Media services	288,187	256,497	222,828	33,669
Office of the principal	1,016,274	1,042,785	1,010,317	32,468
Total instruction costs	<u>\$ 12,842,706</u>	<u>\$ 13,003,405</u>	<u>\$ 12,515,393</u>	<u>\$ 488,012</u>
Administration, attendance, and health:				
Board services	\$ 38,047	\$ 42,212	\$ 38,607	\$ 3,605
Executive administration	678,734	701,775	682,741	19,034
Fiscal services	199,830	207,810	199,331	8,479
Health services	166,408	171,425	163,174	8,251
Psychologist services	87,300	87,447	84,622	2,825
Attendance and health services	73,604	73,604	72,899	705
Total administration, attendance, and health	<u>\$ 1,243,923</u>	<u>\$ 1,284,273</u>	<u>\$ 1,241,374</u>	<u>\$ 42,899</u>
Operating costs:				
Pupil transportation	\$ 1,849,813	\$ 1,849,813	\$ 1,693,750	\$ 156,063
Operation and maintenance of school plant	1,555,835	1,583,289	1,536,015	47,274
Operation and maintenance - vehicle services	23,000	16,058	16,058	-
Facilities	53,079	107,079	63,974	43,105
Technology	1,136,656	1,144,802	996,565	148,237
Total operating costs	<u>\$ 4,618,383</u>	<u>\$ 4,701,041</u>	<u>\$ 4,306,362</u>	<u>\$ 394,679</u>
Total education	<u>\$ 18,705,012</u>	<u>\$ 18,988,719</u>	<u>\$ 18,063,129</u>	<u>\$ 925,590</u>
Capital projects:				
School capital projects	<u>\$ 62,000</u>	<u>\$ 75,826</u>	<u>\$ 27,571</u>	<u>\$ 48,255</u>
Debt service:				
Principal retirement	\$ 152,466	\$ 152,466	\$ 152,466	\$ -
Interest and other fiscal charges	58,255	58,255	58,255	-
Total debt service	<u>\$ 210,721</u>	<u>\$ 210,721</u>	<u>\$ 210,721</u>	<u>\$ -</u>
Total School Operating Fund	<u>\$ 18,977,733</u>	<u>\$ 19,275,266</u>	<u>\$ 18,301,421</u>	<u>\$ 973,845</u>
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
Food services	<u>\$ 1,014,299</u>	<u>\$ 1,014,299</u>	<u>\$ 1,012,828</u>	<u>\$ 1,471</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 19,992,032</u>	<u>\$ 20,289,565</u>	<u>\$ 19,314,249</u>	<u>\$ 975,316</u>

Other Supplementary Information

Statistical Information

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	Water and Sewer	Total
2007	\$ 1,937,188	\$ 923,423	\$ 3,813,269	\$ 2,517,368	\$ 3,405,187	\$ 5,711,808	\$ 463,444	\$ 947,765	\$ 533,361	\$ 711,813	\$ 20,964,626
2008	1,929,089	946,156	4,064,706	2,528,664	3,855,693	5,893,445	513,610	776,685	463,907	755,354	21,727,309
2009	2,127,728	920,085	4,070,888	2,935,668	3,677,723	7,096,142	531,349	477,332	409,540	1,457,659	23,704,114
2010	2,152,355	882,825	4,100,518	4,181,907	3,479,544	7,172,995	531,032	676,913	357,319	1,545,593	25,081,001
2011	2,047,166	907,476	4,095,860	2,392,400	3,267,173	7,866,868	666,480	557,743	194,661	1,641,291	23,637,118
2012	2,035,878	917,536	4,550,670	2,471,093	3,436,498	7,929,075	652,666	537,924	241,132	2,064,351	24,836,823
2013	2,152,852	867,013	4,492,161	2,749,704	3,679,109	8,043,146	656,184	620,719	223,313	1,955,002	25,439,203
2014	2,091,306	853,373	4,295,459	2,734,476	4,114,348	8,089,593	669,700	751,081	367,852	2,191,811	26,158,999
2015	2,579,220	870,734	4,564,172	1,986,869	3,767,706	7,785,510	670,301	627,158	422,919	2,123,793	25,398,382
2016	2,775,459	1,122,068	4,575,347	2,727,720	3,526,367	7,801,727	685,361	666,753	455,844	2,158,315	26,494,961

Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Gain (loss) on Disposal of Capital Assets	Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs			
2007	\$ 770,316	\$ 6,473,810	\$ 2,152,054	\$ 11,916,334	\$ 2,631,376	\$ 704,259	\$ 568,866	\$ 1,293,764	\$ (152,754)	\$ 26,358,025	
2008	936,490	5,773,145	4,770,162	12,225,448	2,649,385	839,422	563,516	1,240,601	-	28,998,169	
2009	1,241,440	4,896,246	-	14,058,354	2,457,899	676,723	600,033	1,294,332	-	25,225,027	
2010	1,369,318	4,490,855	1,271,784	13,996,800	1,756,532	397,181	2,642,087	1,938,603	-	27,863,160	
2011	1,318,725	4,181,265	1,131,915	14,032,052	1,691,688	389,539	62,060	1,927,017	-	24,734,261	
2012	1,686,782	4,263,818	1,033,337	14,110,456	1,750,911	311,256	165,387	1,914,849	209,852	25,446,648	
2013	2,510,447	4,384,988	767,324	14,656,404	1,754,768	261,606	146,605	1,912,759	-	26,394,901	
2014	1,985,759	4,714,513	134,387	15,063,143	1,763,138	303,552	112,612	1,917,397	-	25,994,501	
2015	2,555,417	4,673,753	897,712	16,117,911	1,803,473	325,181	117,511	1,894,172	-	28,385,130	
2016	2,230,519	4,483,909	-	16,551,690	1,834,980	316,823	160,320	1,954,848	-	27,533,089	

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permit Privilege Fees & Regulatory Licenses	Fines & Forfeitures	Use of Money & Property	Charges for Services	Miscellaneous	Recovered Costs	Intergovernmental (2)	Total
2007	\$ 11,982,237	\$ 2,631,376	\$ 260,445	\$ 60,325	\$ 651,529	\$ 409,437	\$ 802,693	\$ 496,571	\$ 17,841,962	\$ 35,136,575
2008	12,232,890	2,649,385	209,337	75,541	717,712	389,705	817,037	568,817	18,326,640	35,987,064
2009	13,909,366	2,457,899	217,488	136,695	533,265	378,683	1,026,982	812,592	16,850,180	36,323,150
2010	13,882,214	1,756,532	247,734	117,645	385,746	331,088	3,011,763	749,569	17,116,895	37,599,186
2011	14,005,502	1,691,688	232,944	97,568	410,906	336,127	296,101	656,046	15,922,121	33,649,003
2012	14,042,729	1,750,911	312,833	73,609	328,102	398,429	365,805	877,416	16,037,720	34,187,554
2013	14,743,259	1,754,768	202,424	115,070	290,994	394,327	448,060	882,009	17,194,575	36,025,486
2014	15,187,452	1,763,138	207,342	160,108	309,297	371,017	276,203	983,803	16,969,527	36,227,887
2015	16,244,065	1,803,473	203,244	166,637	309,425	368,049	382,562	1,038,376	18,461,019	38,976,850
2016	16,416,266	1,834,980	220,715	141,797	309,203	373,322	466,087	920,276	18,495,838	39,178,484

(1) Includes General, Special Revenue, and Debt Service Funds of the Primary Government and Component Unit School Board.

(2) Excludes contributions from the primary government to the Component Unit School Board.

General Government Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Recreation and Cultural	Community Development	Non-Departmental	Debt Service	Total
2007	\$ 1,734,585	\$ 943,246	\$ 4,140,783	\$ 2,397,311	\$ 3,331,790	\$ 17,214,087	\$ 447,404	\$ 587,469	\$ 101,102	\$ 1,584,208	\$ 32,481,985
2008	1,875,381	953,929	4,563,061	2,525,615	3,733,412	17,937,265	497,341	565,853	125,211	1,546,464	34,323,532
2009	2,038,948	907,316	4,571,090	2,833,071	3,596,622	18,330,747	515,689	467,666	94,121	1,730,065	35,085,335
2010	2,060,753	877,830	4,585,658	2,878,497	3,380,986	18,138,812	515,150	514,554	131,460	1,564,482	34,648,182
2011	1,987,329	895,219	4,602,138	2,459,360	3,124,656	17,209,298	506,999	532,286	159,931	1,038,791	32,516,007
2012	1,944,503	913,738	5,336,694	2,473,391	3,279,533	17,781,422	442,584	509,465	199,991	1,121,635	34,002,956
2013	2,079,138	872,047	5,140,387	2,565,625	3,555,288	19,164,087	444,199	634,520	195,045	1,114,232	35,764,568
2014	2,140,152	872,665	5,065,920	2,545,023	3,983,488	17,969,979	432,431	607,410	176,650	1,232,258	35,025,976
2015	2,504,023	847,974	5,292,467	2,815,618	3,686,314	18,975,603	447,269	580,603	176,701	1,336,521	36,663,093
2016	2,759,675	859,048	5,195,903	2,665,091	3,492,592	19,086,043	457,279	654,640	175,655	1,509,079	36,855,005

(1) Includes current expenditures of the General, Special Revenue and Debt Service Funds of the Primary Government, debt service expenditures of the Capital Projects Funds, and Component Unit School Board.

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

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	(2) Current Tax Collections	Percent of Levy Collected	(1) Delinquent Tax Collections	(2) Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2007	\$ 13,395,105	\$ 12,680,676	94.67%	\$ 168,848	\$ 12,849,524	95.93%	\$ 602,330	4.50%
2008	13,755,013	12,939,690	94.07%	146,639	13,086,329	95.14%	723,500	5.26%
2009	14,790,793	14,575,133	98.54%	211,639	14,786,772	99.97%	822,708	5.56%
2010	14,926,605	14,462,888	96.89%	259,884	14,722,772	98.63%	791,771	5.30%
2011	15,142,218	14,567,198	96.20%	280,387	14,847,585	98.05%	764,678	5.05%
2012	15,140,764	14,615,541	96.53%	282,740	14,898,281	98.40%	887,640	5.86%
2013	15,872,439	15,168,284	95.56%	366,525	15,534,809	97.87%	809,454	5.10%
2014	15,965,252	15,428,411	96.64%	413,899	15,842,310	99.23%	739,529	4.63%
2015	17,239,611	16,601,711	96.30%	392,522	16,994,233	98.58%	765,447	4.44%
2016	17,407,375	16,818,365	96.62%	354,757	17,173,122	98.65%	728,990	4.19%

(1) Exclusive of penalties and interest.

(2) Includes Personal Property Relief Act reimbursements to the County of:

\$1,142,742 in fiscal year 2007, \$1,139,679 in fiscal years 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015 and 2016.

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	(1) Personal Property	Machinery & Tools	Farm Machinery	Merchants Capital	Public Utility	Total
2007	\$ 2,061,766,020	\$ 140,435,940	\$ 5,390,610	\$ 6,250,300	\$ 11,366,300	\$ 44,414,760	\$ 2,269,623,930
2008	2,103,141,680	153,700,610	6,311,930	6,165,140	11,561,490	34,201,410	2,315,082,260
2009	2,172,215,080	157,928,510	6,785,990	6,038,600	13,009,980	34,946,314	2,390,924,474
2010	2,223,288,450	147,214,970	6,671,900	6,686,780	12,486,540	48,805,697	2,445,154,337
2011	2,458,924,760	150,426,540	7,934,310	6,425,400	12,715,950	54,042,006	2,690,468,966
2012	2,475,939,120	152,412,850	7,060,500	6,496,150	9,962,610	54,780,490	2,706,651,720
2013	2,494,278,280	155,807,020	6,901,620	7,259,190	9,391,850	55,376,280	2,729,014,240
2014	2,512,574,400	156,868,010	5,188,100	7,828,440	10,857,430	57,448,500	2,750,764,880
2015	2,530,561,850	158,944,510	4,900,250	8,087,890	10,559,880	58,762,670	2,771,817,050
2016	2,548,831,080	161,740,470	4,745,020	8,090,260	11,504,310	59,991,280	2,794,902,420

(1) Includes mobile homes.

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Real Estate (2)	Personal Property (2)	Machinery and Tools	Farm Machinery	Merchants' Capital
2007	\$ 0.44	\$ 3.00	\$ 1.50	\$ 1.25	0.50
2008	0.44	3.00	1.50	1.25	0.50
2009	0.50	3.00	1.50	1.25	0.50
2010	0.50	3.00	1.50	1.25	0.50
2011	0.46	3.00	1.50	1.25	0.46
2012	0.46	3.00	1.50	1.25	0.46
2013	0.48	3.00	1.50	1.25	0.46
2014	0.48	3.00	1.50	1.25	0.46
2015	0.52	3.00	1.50	1.25	0.46
2016	0.52	3.00	1.50	1.25	0.46

(1) Per \$100 of assessed value.

(2) Also applies to public utility property.

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)	Less		Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Payable from Enterprise Revenues (4)			
2007	17,188	\$ 2,269,623,930	\$ 14,395,466	\$ 769,838	\$ 5,167,717	\$ 8,457,911	0.37%	\$ 492
2008	17,188	2,315,082,260	14,463,398	788,055	6,111,061	7,564,282	0.33%	440
2009	17,462	2,390,924,474	13,498,455	833,640	6,035,963	6,628,852	0.28%	380
2010	17,515	2,445,154,337	10,324,554	561,771	6,111,110	3,651,673	0.15%	208
2011	17,454	2,690,468,966	16,009,864	237,082	10,379,375	5,393,407	0.20%	309
2012	17,460	2,706,651,720	15,329,116	203,990	10,270,219	4,854,907	0.18%	278
2013	17,703	2,729,014,240	15,508,350	278,548	10,122,006	5,107,796	0.19%	289
2014	17,885	2,750,764,880	21,352,078	172,109	9,968,133	11,211,836	0.41%	627
2015	17,725	2,771,817,050	21,647,747	113,999	9,808,373	11,725,375	0.42%	662
2016	17,477	2,794,902,420	20,954,085	117,754	9,769,336	11,066,995	0.40%	633

(1) Welden Cooper Center for Public Service.

(2) From Table 6.

(3) Includes all long-term general obligation bonded debt, Literary Fund Loans and IDA Lease Revenue Bonds.
Does not include VRS retirement incentive obligation loan, capital leases, and compensated absences.

(4) Includes General Obligation Debt payable from enterprise revenues.

Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
2007	\$ 991,674	\$ 513,597	\$ 1,505,271	\$ 32,481,985	4.63%
2008	1,021,065	446,978	1,468,043	34,323,532	4.28%
2009	1,046,022	395,615	1,441,637	35,085,335	4.11%
2010	930,089	345,142	1,275,231	34,648,182	3.68%
2011	681,689	357,102	1,038,791	32,516,007	3.19%
2012	795,154	326,481	1,121,635	34,002,956	3.30%
2013	814,666	299,566	1,114,232	35,764,568	3.12%
2014	866,844	365,414	1,232,258	35,025,976	3.52%
2015	808,197	528,324	1,336,521	36,663,093	3.65%
2016	981,272	527,807	1,509,079	36,855,005	4.09%

(1) Includes General, Capital Projects and Debt Service Funds of the Primary Government and Component Unit School Board.

(2) From Table 4.

Compliance

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 Westmoreland, 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 unit, each major fund, and the aggregate remaining fund information of County of Westmoreland, Virginia as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise County of Westmoreland, Virginia, Virginia's basic financial statements and have issued our report thereon dated January 31, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Westmoreland, 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 Westmoreland, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Westmoreland, 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 costs¹, 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 the County of Westmoreland, 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 Westmoreland, Virginia's Response to Findings

County of Westmoreland, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Westmoreland, 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.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
January 31, 2017

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 Westmoreland, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Westmoreland, 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 the County of Westmoreland, Virginia's major federal programs for the year ended June 30, 2016. County of Westmoreland, 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 the County of Westmoreland, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Westmoreland, 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 the County of Westmoreland, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Westmoreland, 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 the County of Westmoreland, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Westmoreland, 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 the County of Westmoreland, Virginia's internal control over compliance.

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

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

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
January 31, 2017

COUNTY OF WESTMORELAND, 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:			
Department of Social Services:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760116/0760115	\$ 30,527
Promoting Safe and Stable Families	93.556	0950116/0950115	12,719
Temporary Assistance for Needy Families (TANF)	93.558	0400116/0400115	184,462
Refugee and Entrant Assistance - State Administered Programs	93.566	0500116/0500115	182
Low-Income Home Energy Assistance	93.568	0600416/0600415	21,578
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116/0900115	1,186
Foster Care - Title IV-E	93.658	1100116/1100115	140,450
Adoption Assistance	93.659	1120116/1120115	30,600
Social Services Block Grant	93.667	1000116/1000115	129,656
Chafee Foster Care Independence Program	93.674	9150116/9150115	2,106
Children's Health Insurance Program	93.767	0540116/0540115	8,805
Medical Assistance Program	93.778	1200116/1200115	<u>272,518</u>
Total Department of Health and Human Services			<u>\$ 834,789</u>
Department of Agriculture:			
Direct Payments:			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	<u>126,838</u>
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
Food Distribution Service	10.555	201616N109941	\$ 53,845
National School Lunch Program	10.555	201616N109941/ 2015IN109941	502,653
Total 10.555			<u>\$ 556,498</u>
School Breakfast Program	10.553	201616N109941/ 2015IN109941	\$ 141,860
Summer Food Service Program for Children	10.559	201616N109941	<u>2,373</u>
Total Child Nutrition Cluster			<u>\$ 700,731</u>
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010116/0010115	<u>219,325</u>
Total Department of Agriculture			<u>\$ 1,046,894</u>
Department of Homeland Security:			
Direct Payments:			
Emergency Food and Shelter National Board Program	97.024	N/A	<u>\$ 3,557</u>
Total Department of Homeland Security			<u>\$ 3,557</u>

COUNTY OF WESTMORELAND, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
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 the Interior:			
Direct payments:			
Bureau of Land Management:			
National Wildlife Refuge Fund	15.659	N/A	\$ <u>1,691</u>
Total Department of the Interior			\$ <u>1,691</u>
Department of Housing and Urban Development:			
Pass Through Payments:			
Virginia Department of Housing and Community Development:			
Community development block grant	14.228	53305-50790	\$ _____
Department of Transportation:			
Pass Through Payments:			
Virginia Department of Transportation:			
Highway Planning and Construction	20.205	103582	\$ 22,238
Department of Motor Vehicles:			
Highway Safety Cluster:			
National Priority Safety Programs	20.616	60507-56134	433
State and Community Highway Safety	20.600	60507-55214/56137	<u>6,264</u>
Total Highway Safety Cluster			\$ 6,697
Alcohol Open Container Requirements	20.607	60507-55204/56208	<u>25,850</u>
Total Department of Transportation			\$ <u>54,785</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A150046/ S010A140046	\$ 604,402
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	H027A150107	363,400
Special Education - Preschool Grants	84.173	H173A150112	<u>18,422</u>
Total Special Education Cluster			\$ <u>381,822</u>
Migrant Education - State Grant Program	84.011	S011A150047/ S011A140047	97,203
Career and Technical Education - Basic Grants to States	84.048	V048A140046/ V048A150046	46,735
Migrant Education - Coordination Program	84.144	S144F140047	10,153
Advanced Placement Program	84.330	S330B140002	287
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	17117-2016	47,877
Rural Education	84.358	S358B150046 S358B130046 S358B140046	43,648
English Language Acquisition State Grants	84.365	S365A130046	406
Supporting Effective Instruction State Grant	84.367	S367A140044 S367A150044	103,499
Total Department of Education			\$ <u>1,336,032</u>
Total Expenditures of Federal Awards			\$ <u><u>3,277,748</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF WESTMORELAND, 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 Westmoreland, 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Westmoreland, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Westmoreland, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of commodities received and 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	\$ 1,115,684
Less: Payments in Lieu of Taxes	(1,537)
Proprietary Funds:	
Water and Sewer Fund - Rural Development Loan Proceeds	126,838
Total primary government	<u>\$ 1,240,985</u>

Component Unit School Board:

School Operating Fund	\$ 1,433,773
School Cafeteria Fund	700,731
Total Component Unit School Board	<u>\$ 2,134,504</u>

Total expenditures of federal awards per basic financial statements	<u>\$ 3,375,489</u>
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Less: Interest Subsidy	<u>\$ (97,741)</u>
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Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u><u>\$ 3,277,748</u></u>
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COUNTY OF WESTMORELAND, 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
Significant deficiency(ies) reported?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) reported?	No
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section .516 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster
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?	No

Section II - Financial Statement Findings

2016-001 - Bank Reconciliation (Material Weakness):

Criteria:

The reconciliation of material cash balances in the automated accounting system to a detailed bank statement is a critical internal control for the prevention of material misstatements in the financial statements.

Condition:

The primary checking account and school checking account statements for the month ended June 30, 2016 had unreconciled variances between the bank reconciliation and the balance reported in the automated accounting system.

Cause and Context of Condition:

Internal controls over the bank reconciliation process were not operating effectively.

Effect of Condition:

There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Recommendation:

The Treasurer's Office should make improvements to the bank reconciliation process to make the reconciliations as timely, efficient and accurate as possible. All reconciling items should be investigated and, if needed, communicate with the Finance Department any necessary adjustments to be posted in the automated accounting system. This entire process should be completed within 15 days of month end to ensure that all transactions are properly recorded in the automated accounting system and to prevent bank overdrafts.

Management's Response:

The County is taking steps to ensure that bank reconciliations are completed in a accurate and timely manner including obtaining additional training for staff in the Treasurer's Office.

Section II - Financial Statement Findings

2016-002 - Treasurer's Checks (Material Weakness):

Criteria:

The Code of Virginia Section 58.1-3162 allows County Treasurers and duly authorized deputies to issue single signature checks for certain purposes including transferring money from one approved depository to another. The proper recording of material Treasurer's checks in the automated accounting system is a critical internal control for the prevention of material misstatements in the financial statements.

Condition:

Revenue from the State in the amount of \$180,386.50 was received on May 17, 2016 on behalf of the Northern Neck Regional Jail. The monies were transferred to the Northern Neck Regional Jail bank account on May 17, 2016 via Treasurer's check. However, these Treasurer's checks were not entered into the automated accounting system.

Cause and Context of Condition:

Internal controls over the process of issuing Treasurer's checks were not operating effectively.

Effect of Condition:

There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Recommendation:

The Treasurer's Office should make improvements in internal controls related to Treasurer's checks to ensure that all transactions are properly recorded in the automated accounting system and to prevent bank overdrafts.

Management's Response:

The County is taking steps to address this item including obtaining additional training for staff in the Treasurer's Office.

Section III - Federal Award Findings and Questioned Costs

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

COUNTY OF WESTMORELAND, VIRGINIA

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016

There were no prior year audit findings.