

COUNTY OF NORTHAMPTON, VIRGINIA



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

About the Cover

The official seal/logo of Northampton County was developed to reflect the County's history, its traditional way of life, and its ties with the marine environment. It was adopted by the Board of Supervisors on July 13, 1987.

The gold rope which borders the logo represents the County's bond to the sea and, of course, its geographic location. The four panels represent its economy, its way of life, its unique life style and its relationship with the environment. The three dates represent: (1) the first recorded English landing in 1603 by Bartholomew Gilbert; (2) the first permanent settling of Northampton in 1620; and (3) in 1634, Northampton County, then known as Accomack County, became one of the original shires of the colony governed by England. The black stems separating the gold band holding the map of Northampton represent points of the compass normally associated with ties to the sea. The blue field, which surrounds the map, represents the pure hue of clear sky and sea. The gold band depicts the County as a "unique area" – very precious and rare. Northampton County, shown in white, represents sunlight – desiring to do good.

INTRODUCTORY SECTION

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COUNTY OF NORTHAMPTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

Prepared By:

Northampton Department of Finance

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COUNTY OF NORTHAMPTON, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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COUNTY OF NORTHAMPTON, VIRGINIA

Board of Supervisors

H. Spencer Murray, Chairperson
Oliver H. Bennett, Vice-Chairperson

Larry E. LeMond
Granville F. Hogg, Jr.

Robert G. Duer

County School Board

William J. Oakley, Chairperson

Randall D. Parks
Jo Ann Molera

Regina Elmandorf Taylor
Paul E. Bibbins, Jr.

Shannon J. Dunham
Nancy Proto

Board of Social Services

William E. Denny, Chairperson

Edith E. Johnson

John Williams

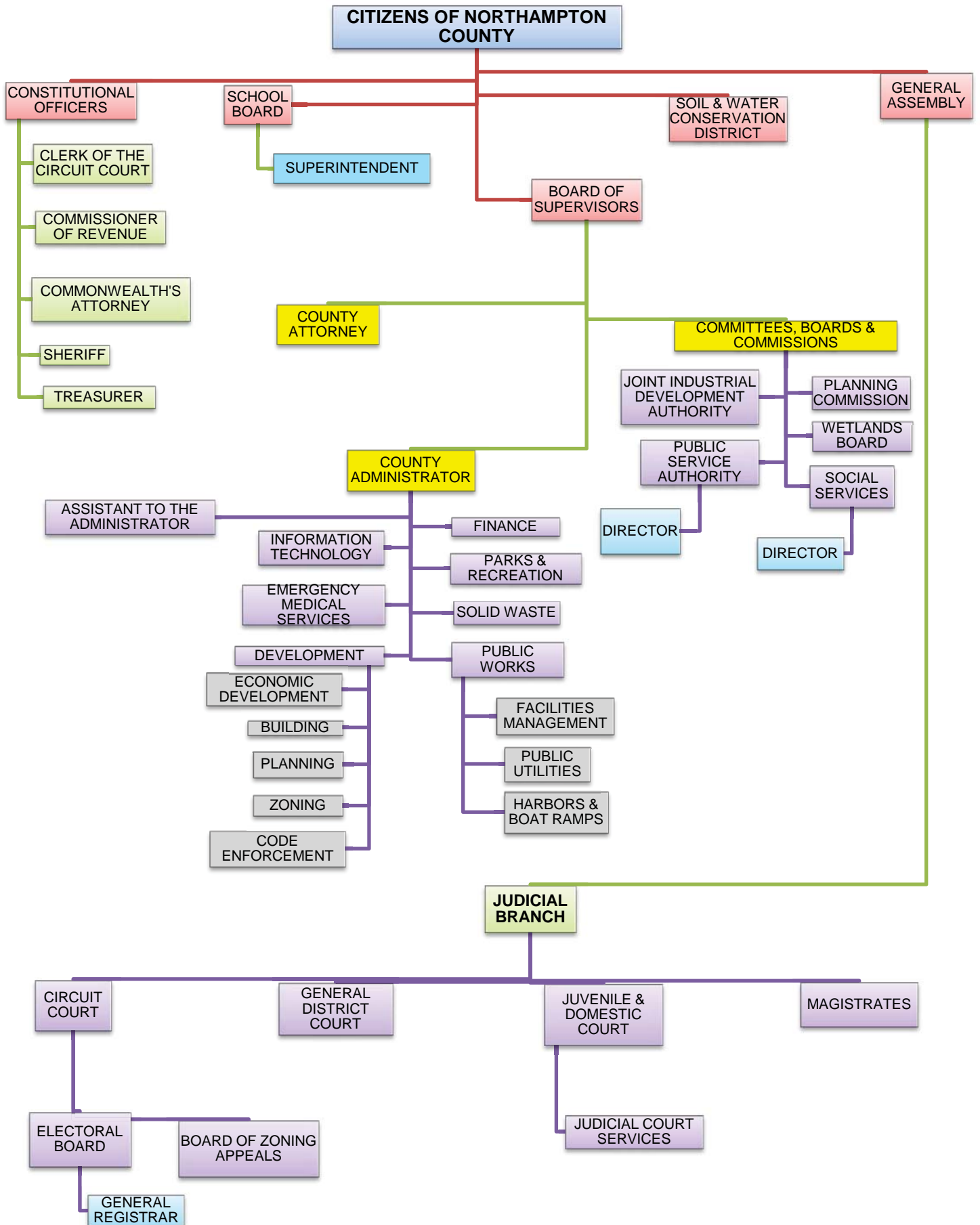
Other Officials

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

Charles Kolakowski
Traci W. Johnson
Bruce D. Jones, Jr.
Charlene Gray
Cynthia S. Bradford
David L. Doughty, Jr.
Charles E. Lawrence
Mozella Francis
John Andrzejewski
Terrence Flynn

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ORGANIZATIONAL CHART



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County of Northampton

P.O. Box 66
16404 Courthouse Rd.
Eastville, VA 23347
Phone: 757-678-0440 Fax: 757-678-0483

November 30, 2017

To the Board of Supervisors and the Citizens of Northampton County:

The Code of Virginia (§ 15.2-2511) requires that all localities publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2017.

Management assumes full responsibility for the completeness and reliability of the information presented in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not outweigh their benefits, Northampton County's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants, has audited and issued an unmodified "clean" opinion on the financial statements of Northampton County for the fiscal year ended June 30, 2017. The Independent Auditors' report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Northampton County's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Northampton County comprises the southernmost portion of the Eastern Shore of Virginia, bordered on the north by Accomack County, Virginia, on the west by the Chesapeake Bay, and on the east by the Atlantic Ocean. At the southern end of the County is the Chesapeake Bay Bridge-Tunnel, connecting the County to the Hampton Roads area of Virginia. The County encompasses a land area of approximately 355 square miles. The County's population was 12,389 according to the 2010 census. The County is a full-service County and provides a variety of services to its citizens as authorized by the laws of the Commonwealth of Virginia. The County is authorized to issue general obligation bonds, generally subject to voter referendum.



Northampton County was formed as an independent county in 1634 and is organized under the traditional county form of government. The Board of Supervisors, which establishes policies for the administration of the County, is the governing body of the County. The Board is composed of five members, one member elected from each of five election districts. A member must be a resident of the district in which he or she serves. Members are elected for four-year staggered terms, with either two or three members' terms expiring every two years. Each year the Board elects a Chairman and Vice Chairman from among its members. In addition to the County Board, other elected County officials include the Commonwealth's Attorney, Commissioner of the Revenue, Treasurer, Sheriff, and Clerk of the Circuit Court.



The Board appoints a County Administrator to serve as the chief executive officer of the County. The County Administrator serves at the pleasure of the Board, implements its policies, directs business and administrative procedures, and recommends officials to be appointed by the Board. The County Administrator is currently assisted by eight staff departments and offices including Finance; Information Technology; Office of Planning, Permitting and Enforcement, comprised of Planning & Zoning, Code Compliance, and Building Inspections; Facilities Management; Solid Waste Services; Public Utilities; Emergency Medical Services; and Parks and Recreation.

Northampton County is also financially accountable for a legally separate school system which is reported as a discretely presented component unit in the audited financial statements. The Northampton County public schools are governed by the Northampton County School Board, which is composed of seven members who are elected by the citizens of Northampton County. A Superintendent is appointed by the School Board to administer the operations of the County's public schools. The School Board functions independently of the County Board but is required to prepare and submit an annual budget to the County Board of Supervisors for its consideration. Because the School Board can neither levy taxes nor incur indebtedness under Virginia law, the local costs of the school system are in large part provided by appropriation from the County's General Fund. The costs of constructing school facilities are generally provided by capital appropriations from the County's General Fund, through State Literary Fund loans, Qualified Zone Academy Bonds (QZAB), and through the Virginia Public School Authority.

In Virginia, cities and counties are not overlapping units of government. However, there are no incorporated cities within the boundaries of the County. There are six incorporated towns all or partly located in Northampton County, the largest of which are the Town of Exmore with a population of 1,458 and the Town of Cape Charles with a population of 1,008, and the others of which are the Towns of Cheriton, Eastville, Nassawadox and Belle Haven. These towns are underlying units of government within the County, and the ordinances and regulations of the County are, with certain limitations prescribed by State law, generally effective in them. Property in these towns is subject to County taxation and the County provides certain services to their residents. These towns may also incur general obligation indebtedness without the prior approval of the County.



The County operates under an annual operating budget adopted in accordance with the provisions of the Code of Virginia. The budget is the legal basis of the budgetary accounting system and the standard by which proposed expenditures are measured. The balanced budget must be adopted prior to the beginning of the fiscal year. The budget is subject to public inspection and a public hearing prior to its adoption. The budget is considered balanced when net revenue equals appropriations.



The operating budget is adopted on a departmental basis and is prepared using the modified accrual basis of accounting for all funds. Departmental appropriations that have not been expended by the end of the fiscal year are returned to the County's fund balance. Funds that are subject to carryover include unspent grant revenue or awards which must be presented to the Board for "re-appropriation."

Department Heads and Constitutional Officers may approve transfers within their own operating budgets with the exception of transfers affecting salaries and related accounts. The County Administrator is authorized to transfer budgeted amounts between departments, but any revisions that alter total expenditures must be approved by the Board of Supervisors through legislative action. All supplemental appropriations must be reported in a public meeting of the Board of Supervisors and made a matter of record in the minutes.

Appropriations designated for capital projects do not lapse at the end of the fiscal year but remain appropriations until the completion of the project or until the Board of Supervisors, by appropriate resolution, amends or eliminates the appropriation. Upon completion of a capital project, staff is authorized to close out the project and transfer to the funding source any remaining balances.

Demographic Factors and Local Economy

From Colonial times to the present, agriculture has been the mainstay of the Eastern Shore economy. Early farmers grew tobacco and later turned to livestock, some of which freely grazed on the seaside barrier islands. Eventually these farms raised grain crops and produce. Agriculture is still estimated to represent approximately 18% of the local economy. During the 1880's, the arrival of the railroad stimulated the local economy and literally changed the face of the Eastern Shore. Built down the spine of the peninsula, towns and villages sprang up along the line.



Watermen have been active on the shore for generations. Once abundant, oysters were a mainstay of the seafood industry along with the famed blue crab, clams and scallops. Waterfront villages and

towns enjoyed a healthy economy as watermen brought in their catch and seafood packing, oyster shucking and crab picking houses stayed busy. Though oysters are not as abundant today due to over-harvesting and disease, blue crabs from the Eastern Shore are still a sought after commodity. Clam aquaculture or water farming is a multi-million dollar industry with operations in Willis Wharf, Chincoteague and Cherrystone Creek.



Unemployment

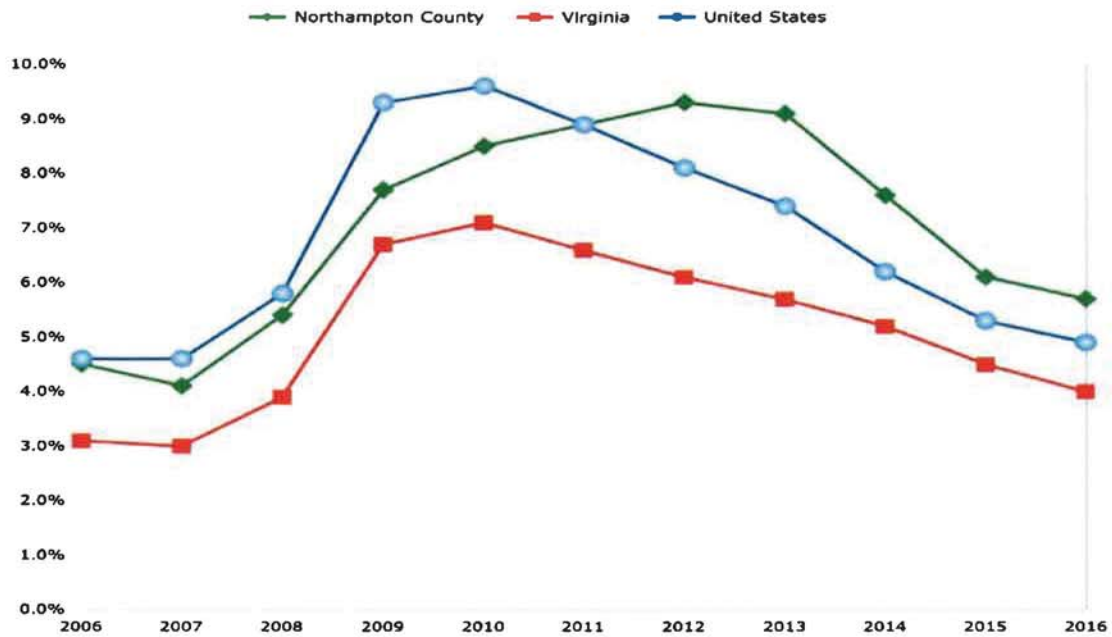
The following table presents the County's and other jurisdictions unemployment rates over the last ten years.

Average Annual Unemployment Rates

| Year | Northampton County | Virginia | United States |
|------|--------------------|----------|---------------|
| 2007 | 4.1% | 3.0% | 4.6% |
| 2008 | 5.4% | 3.9% | 5.8% |
| 2009 | 7.7% | 6.7% | 9.3% |
| 2010 | 8.5% | 7.1% | 9.6% |
| 2011 | 8.9% | 6.6% | 8.9% |
| 2012 | 9.2% | 6.0% | 8.1% |
| 2013 | 9.0% | 5.7% | 7.4% |
| 2014 | 7.4% | 5.2% | 6.2% |
| 2015 | 6.1% | 4.4% | 5.3% |
| 2016 | 5.7% | 4.0% | 4.9% |

Source: Virginia Employment Commission

Average Annual Unemployment Rates



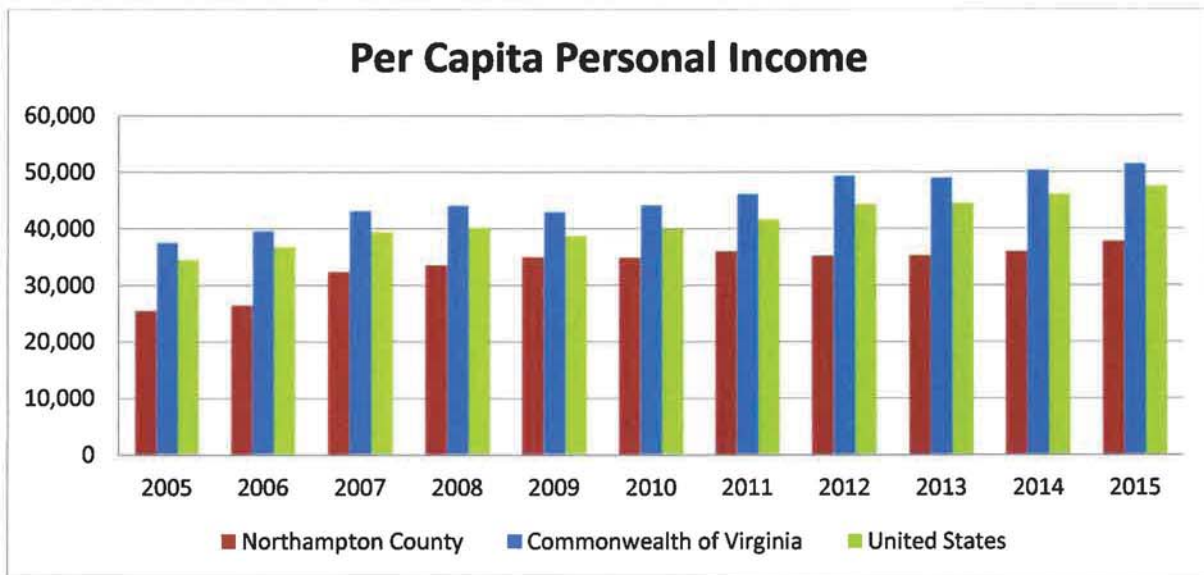
INCOME

Per capita personal income for Northampton County in 2015 was \$37,804, the latest year for which data was available. Selected per capita personal income data for Northampton County and other jurisdictions is as follows:

Per Capita Personal Income Selected Years

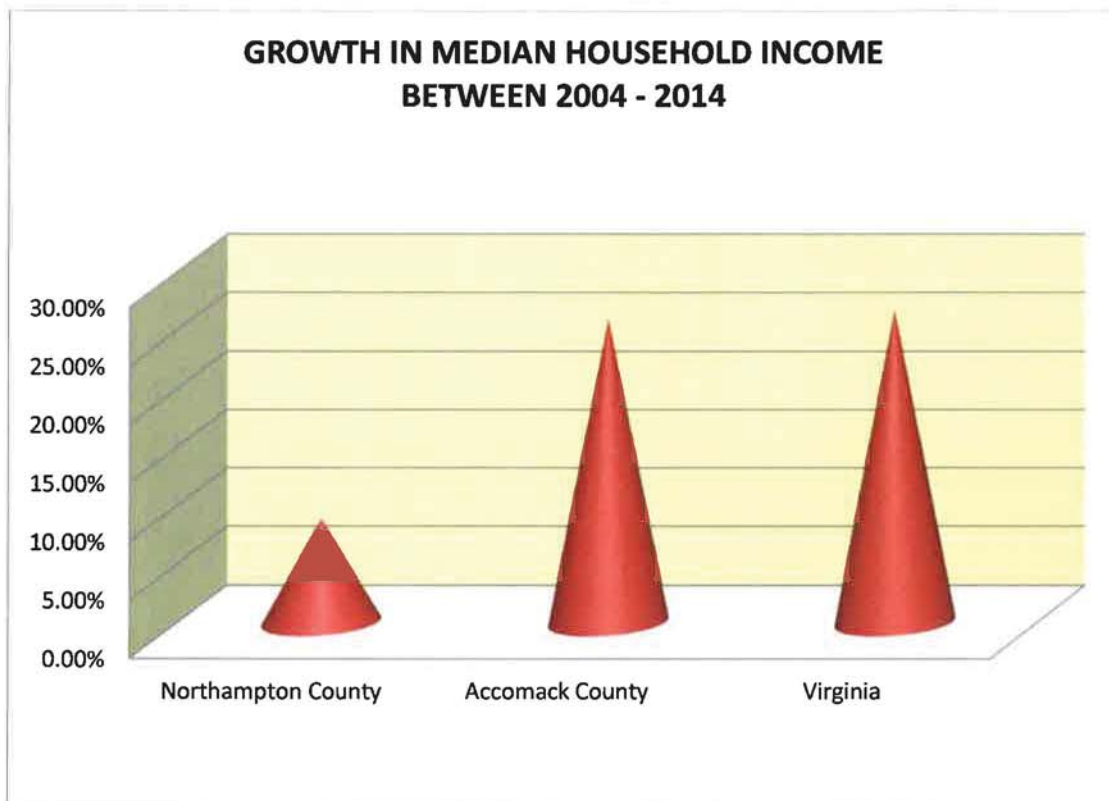
| <u>Year</u> | <u>Northampton County</u> | <u>Commonwealth of Virginia</u> | <u>United States</u> |
|-------------|-------------------------------|-------------------------------------|--------------------------|
| 2006 | \$26,481 | \$39,540 | \$36,714 |
| 2007 | 32,413 | 43,158 | 39,392 |
| 2008 | 33,514 | 44,075 | 40,166 |
| 2009 | 34,996 | 42,929 | 38,637 |
| 2010 | 34,898 | 44,134 | 39,791 |
| 2011 | 36,011 | 46,107 | 41,560 |
| 2012 | 35,205 | 49,320 | 44,266 |
| 2013 | 35,289 | 48,956 | 44,438 |
| 2014 | 35,987 | 50,345 | 46,049 |
| 2015 | 37,804 | 51,480 | 47,523 |

Source: U.S. Department of Commerce, Bureau of Economic Analysis



Since 2004, Northampton County's median household income had been growing at a slower rate than that of Accomack County or the State of Virginia as evidenced below. However, the most recent data for 2014 indicates that Northampton County has experienced a greater rate of growth in median household income than Accomack.

| Year | Northampton County | Accomack County | Virginia |
|-------------------------------------|--------------------|-----------------|----------|
| 2004 | 31,847 | 31,256 | 51,103 |
| 2006 | 32,804 | 37,265 | 56,297 |
| 2008 | 34,424 | 37,564 | 61,210 |
| 2010 | 35,760 | 41,372 | 61,406 |
| 2012 | 32,138 | 36,957 | 61,782 |
| 2014 | 34,656 | 39,389 | 64,792 |
| Percentage Change from 2012 to 2014 | 7.83% | 6.58% | 4.87% |



Source: U.S. Census, Small Area Income & Poverty Estimates

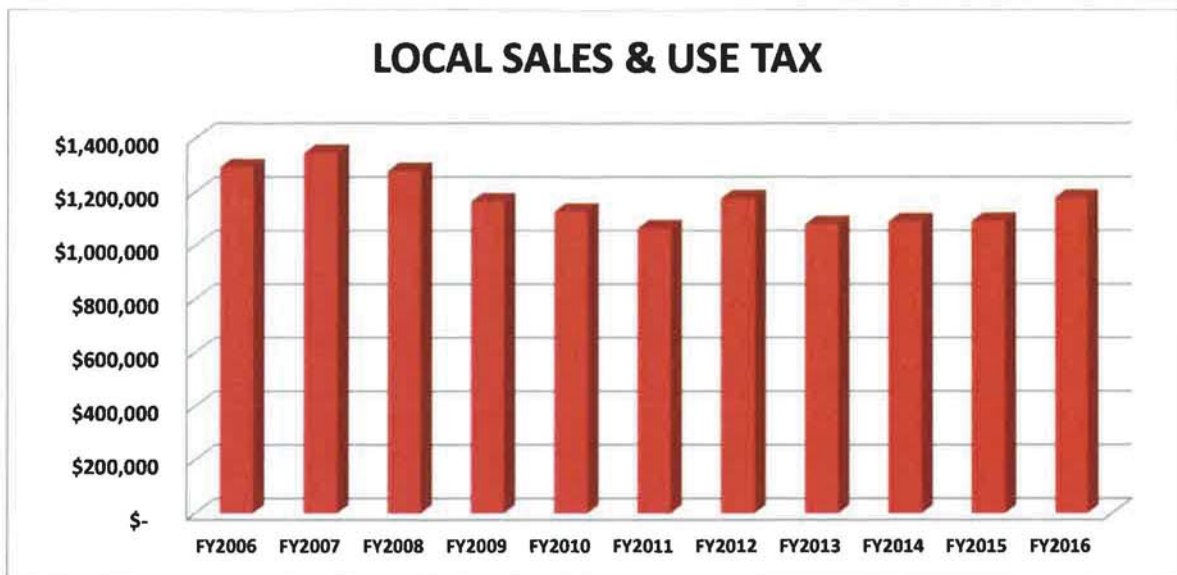
Employment

The following table reflects the breakdown of employment by industry in Northampton County for the quarter ending September 30, 2017. Source: Virginia Employment Commission – Community Profile.

| Industry | Employment | Percentage |
|--|-------------|------------|
| Health Care and Social Assistance | 950 | 18.12% |
| Government (Total) | 934 | 17.82% |
| Local Government | 838 | 15.99% |
| Agriculture, Forestry, Fishing and Hunting | 641 | 12.23% |
| Accommodation and Food Service | 482 | 9.19% |
| Manufacturing | 415 | 7.92% |
| Retail Trade | 410 | 7.82% |
| Other Services (except Public Administration) | 125 | 2.38% |
| Construction | 91 | 1.74% |
| Educational Services | 82 | 1.56% |
| Finance and Insurance | 75 | 1.43% |
| State Government | 66 | 1.26% |
| Administrative Support and Waste Management | 42 | 0.80% |
| Professional, Scientific and Technical Service | 41 | 0.78% |
| Federal Government | 30 | 0.57% |
| Real Estate and Rental & Leasing | 20 | 0.38% |
| | | |
| TOTAL | 5242 | |

Taxable Sales Revenue

Northampton County has experienced a fluctuation in taxable sales over the last ten years. In ten years, the County has had a decrease of the Local Sales & Use Tax by 2%. Between FY2014 and FY2015, sales increased 0.16%. A portion of the county's state sales is allocated to the local towns. The percentage of this allocation that each town receives is based on the school age population that resides in that township.



Housing

According to 2015 U.S. Census data, there were 7,350 total housing units (including rental apartments) located in the County of Northampton. Since 2010, Northampton County has seen a some growth in housing units as shown in the following table:

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------|-------|-------|-------|-------|-------|-------|
| # of Units | 7,301 | 7,304 | 7,325 | 7,320 | 7,322 | 7,350 |

Source: U.S. Department of Commerce, Census Bureau, 2015 Census



The County's dependence on property tax revenue continues to increase. For FY17, property tax revenue generated 66.9% of General Fund revenues compared to 66.8% in FY16.

Travel and Tourism

Tourism remains one of the County's primary industries due to its location between the Atlantic Ocean and the Chesapeake Bay. According to the Virginia Division of Tourism, preliminary figures indicate that travel expenditures in the County exceeded \$77,532,198 in 2016 and approximately 820 tourism-related jobs are located in the County. Since 2015, travel expenditures increased by 2.1% and the number of tourism related jobs increased by 1.5%. Major tourism spots on the Eastern Shore of Virginia include the Assateague Island National Seashore, the Chincoteague National Wildlife Refuge, Kiptopeke State Park, the Eastern Shore National Wildlife Refuge and the NASA/Wallops Island Visitor Center.



Northampton County's tourism program is directed by the Eastern Shore of Virginia Tourism Commission, a joint commission created by the Boards of Supervisors of Accomack and Northampton Counties in 1984. The Commission's mission is to advertise, promote, and market the two counties as a vacation destination and is funded jointly by each County. Additional funding is provided by local businesses in the form of tax-deductible patronships. Beginning in FY08, Northampton County raised the transient occupancy tax on lodging from 2% to 5% and dedicated the additional 3% to fund tourism programs within the County. A portion of the funding is ear-marked for capital projects related to tourism within the County. Since FY09, a portion of these funds have been released as part of a local competitive grant program. The Eastern Shore Tourism Commission adopted a

strategy for tourism on the Eastern Shore of Virginia. The stated vision includes transforming Virginia's Eastern Shore into a well-known brand used to market everything from the tourism experience to farm produce and shellfish. The vision would also promote the Eastern Shore of Virginia as an environmental beacon, where family farms and historic villages co-exist with a teeming fishery, rich oyster and clam beds, and a vast wilderness of marsh and barrier islands of global ecological significance. The Tourism Commission intends to promote the development of a high dollar-low impact tourism industry which plays to the natural strengths of the shore, including its uniqueness. The Tourism Commission would encourage a vibrant tourist industry including eco-tourism, agri-tourism, and historical tourism to generate economic opportunities that capitalize on the special qualities of the shore.

Long-Term Financial Planning and Major Initiatives

In January 2016, a new Board of Supervisors took office. The Board is in the process of adopting new strategic goals for the County through a Strategic Plan process. For the calendar year 2017, the Board adopted a list of priorities to govern the work plan for the County staff and the development of the Fiscal Year 2018 budget; the list is provided below.

1. Complete the FY2018 Budget
2. Complete construction on Emergency Medical Services (EMS)' garage addition
3. Review VA Department of Health Services Contract for FY17 and their building needs
4. Update the County's Capital Plan
5. Review County-owned properties and sell unused assets
6. Conduct Compensation and Classification Study
7. Review the needs of the E-911 System in terms of public safety communications and capital equipment in the southern end of the county.
8. Reach determination on the request from the Town of Cape Charles regarding the request for a Historic Overlay District
9. Review and update the County's personnel policies.
10. Review the County website content and maintain it.
11. Identify Stormwater Management Facilities (pond maintenance).

12. Re-draft Residential Rental Ordinance to deal with vacant properties only.
13. Consider/plan session for review of Strategic Plan.
14. Request assistance from the Commissioner of Revenue in review of the State Land Evaluation Advisory Committee (SLEAC) Land Use Values.
15. Develop plan to address abandoned buildings in the County.
16. Discuss the future management/ownership of the public docking facilities at Wise Point, currently owned and managed by US Fish & Wildlife.
17. Broadband Contract with Last Mile Vendor
18. Provide guidance to School Board on borrowing scenarios for new high/middle school complex
19. Willis Wharf Harbor Dredging

VISION AND MISSION STATEMENT

The mission of the Northampton County Government is to provide the necessary services to protect the health, safety, welfare, environment and quality of life of our citizens consistent with the communities' values and priorities. This mission is accomplished by encouraging citizen involvement, by preserving the County's fiscal stability, traditional values and unity of our people through the implementation of effective and efficient government programs; consensus building; managing the County's natural, cultural, and historic resources; planning for the future; and representing citizen needs and desires to other levels of government.

Relevant Financial Policies

The adopted fund balance policy states that unreserved fund balance should not fall below 10% of the combined operating expenditures of the General, Social Services, Eastern Shore Regional Jail and School Operating Funds (less interfund transfers). In addition, as a condition of its bond with the Virginia Resource Authority (VRA), the County pledges to maintain its General Fund unassigned fund balance equal to a minimum of \$4,200,000 for FY2013 and annually thereafter through the term of the Lease with VRA through 2033.

At June 30, 2017, the unassigned general fund balance was \$9,464,231 or 24.35%. If at any time the unassigned fund balance falls below the minimum acceptable amount, appropriate action will be taken by the Board to either increase revenues or reduce expenditures in the current fiscal year in order to bring the next year's fund balance amount to an acceptable level. The adopted Debt Service Policy established a limit of 4% for debt as a percentage of assessed value of real estate. The ratio of debt service expenditures as a percent of governmental fund expenditures is similarly limited to 12%.

This report reflects the results of the Board of Supervisors' strong financial policies. The Board's support and cooperation in planning and conducting the financial operations of the County is acknowledged and appreciated.

We also acknowledge and extend special recognition to the staffs of the Finance, Treasurer's and County Administration departments for their efficient and dedicated service to the County. Their efforts to maintain the accounting and financial reporting system of the County have led to the high quality of information being reported to the Board of Supervisors and citizens of the County, as well as present and potential investors.

Respectfully submitted,


Charles Kolakowski
County Administrator


Charles Kolakowski
Interim Director of Finance

FINANCIAL SECTION

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To The Honorable Members of the Board of Supervisors
County of Northampton
Northampton, 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 Northampton, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Northampton, Virginia, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension funding on pages 4-13, 90-91, and 92-97 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Northampton, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section 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, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2017, on our consideration of County of Northampton, 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 Northampton, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 10, 2017

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Management's Discussion and Analysis

As management of the County of Northampton (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages viii through xvii of this report.

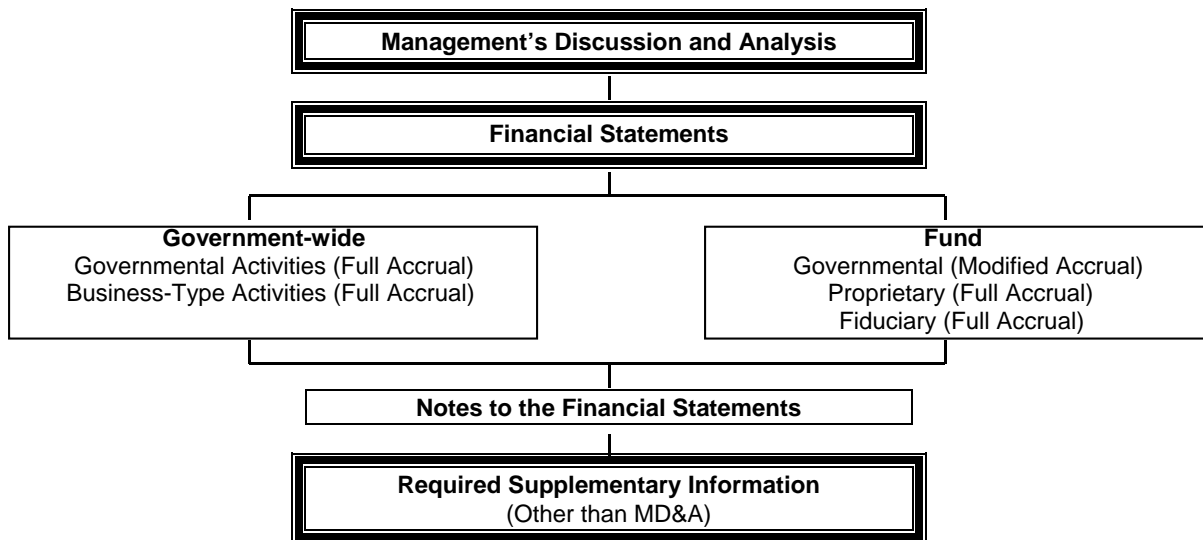
Financial Highlights

- The assets of the County of Northampton (primary government) exceeded its liabilities at the close of the most recent fiscal year by \$28,192,480 (*net assets*). The County's net investment in capital assets decreased from \$13,311,004 to \$13,075,221. Unrestricted net assets increased by \$2,852,686 from FY16.
- At June 30, 2017, the Unassigned General Fund balance was \$9,464,231 or 24.35% of actual operating expenditures as defined by the County's fund balance policy. Total general fund balance increased by \$1,773,809 from FY 16.
- On a government-wide basis for governmental activities the County had expenses net of program revenues of \$21,455,902 which were \$2,896,328 less than the general revenues of \$24,352,230.
- On a government-wide basis for business-type activities the County had expenses net of program revenue of \$(8,861).

Using the Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical, and compliance. As illustrated in the chart below, the financial section of this report has three components: management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

Components of the Financial Section



The County's financial statements present two different kinds of statements (government-wide and fund), with two different approaches and views of the County's finances. The government-wide statements provide information on the overall financial status of the County. This method is more comparable to the method used in private industry. The fund financial statements focus on the individual funds of the County government, reporting the operations in more detail than the government-wide statements. When presented in a single report, both perspectives allow the user to address relevant questions, broaden the basis for comparison, and enhance the County's accountability.

Government-wide Financial Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. These statements include all assets and liabilities using the accrual method of accounting. All of the year's revenue and expenses are taken into account regardless of when the cash is received or paid.

The two government-wide statements, the Statement of Net Assets and the Statement of Activities, report the County's net assets and changes in them. The County's net assets can be thought of as the difference between assets and liabilities, which is one way to measure the County's financial position. Over time, increases and decreases in net assets can be one indicator that the County's financial health is improving or deteriorating.

The Statement of Net Assets presents information on all the County's assets and liabilities. As discussed earlier, the difference between assets and liabilities is reported as net assets. Net assets are presented in three categories: net investment in capital assets, restricted, and unrestricted. To accurately use changes as an indicator of the County's financial health, the factors that contribute to the increases and decreases must be analyzed. Other factors such as the County's tax rate, changes in the property tax base, and the condition of capital assets must also be considered when using the Statement of Net Assets as a financial indicator.

The Statement of Activities provides information on how the net assets changed during the year. Since the government-wide financial statements use the accrual method of accounting, changes in net assets are recognized when an event occurs, regardless of the timing of cash. This will result in revenues and expenses being reported in this statement for some items that will not impact cash flow until a later time in another fiscal period.

The Statement of Net Assets and the Statement of Activities are divided into the following types of activities:

- **Governmental Activities:** These activities are supported primarily by property taxes and report the County's basic services such as general and judicial administration, public safety, parks and recreation, and community development.
- **Business-Type Activities:** These activities charge fees to customers to help cover the costs of the service. The County's Public Utilities Fund is its only business-type activity at the current time.
- **Component Units:** The Northampton County Public School Board is a component unit of the County. Component units are legally separate entities, but are reported in the County's financial statements because the County is financially accountable and provides operating and capital funding.

Fund Financial Statements

Fund financial statements are the traditional governmental financial statements. They focus on the most significant funds instead of the County as a whole. Northampton County operates three types of funds.

- Governmental Funds: The governmental funds report most of the County's basic services. The governmental funds serve essentially the same function as the governmental activities in the government-wide financial statements. The governmental fund financial statements focus on near-term cash flows and the amount of spendable resources available at the end of the fiscal year. It provides the reader a short-term view of the financial position. Since the information provides a narrow focus, the government-wide statements will provide additional information. Reconciliation from the fund statements is provided to facilitate this comparison.
- Proprietary Funds: There are two types of proprietary funds: Enterprise Funds and Internal Service Funds. Enterprise funds report the same functions as the business-type activities in the government-wide financial statements. Internal service funds account for the goods and services provided by one department or agency to other departments or agencies of the County. The County of Northampton currently has one Enterprise Fund and no Internal Service Funds.
- Fiduciary Funds: Fiduciary funds are used to report assets held in trustee or agency capacity for others and cannot be used to support the government's own programs. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. Assets for several scholarships, the Northampton 911 Commission, Tourism Commission, VA Broadband Authority, IDA, and Special Welfare are held in fiduciary funds. These fiduciary activities are excluded from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

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. The notes to the financial statements can be found on pages 26-89 of this report.

Other Information

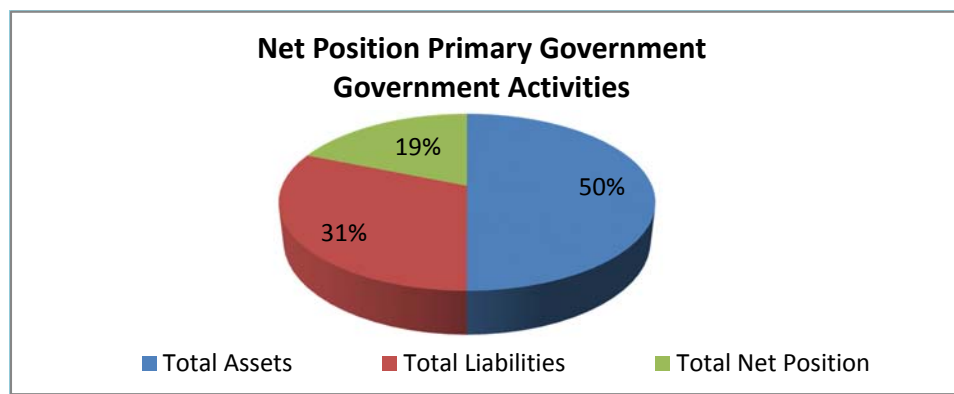
In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Northampton County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 90-97 of this report.

The combining statements in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 98-123 of this report.

Government-wide Financial Analysis

The following table presents the condensed Statement of Net Position:

| County of Northampton, Virginia's Net Position | | | | | | |
|--|-------------------------|---------------|--------------------------|-----------|-----------------|-----------------|
| | Primary Government | | | | Component Unit | |
| | Governmental Activities | | Business-type Activities | | School Board | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current and other assets | \$ 21,886,497 | \$ 19,032,265 | \$ 23,985 | \$ 30,650 | \$ 3,329,339 | \$ 2,916,454 |
| Capital assets | 42,653,536 | 44,962,892 | 16,149 | 18,036 | 4,181,726 | 4,293,171 |
| Total assets | \$ 64,540,033 | \$ 63,995,157 | \$ 40,134 | \$ 48,686 | \$ 7,511,065 | \$ 7,209,625 |
| Deferred outflow s of resources | \$ 1,425,911 | \$ 799,799 | \$ 22,102 | \$ 17,106 | \$ 2,451,691 | \$ 1,418,439 |
| Current liabilities | \$ 1,430,299 | \$ 1,626,912 | \$ 10,696 | \$ 16,733 | \$ 2,082,310 | \$ 1,887,997 |
| Long-term liabilities outstanding | 35,609,539 | 37,137,522 | 28,602 | 22,597 | 18,155,744 | 16,858,608 |
| Total liabilities | \$ 37,039,838 | \$ 38,764,434 | \$ 39,298 | \$ 39,330 | \$ 20,238,054 | \$ 18,746,605 |
| Deferred inflow s of resources | \$ 733,626 | \$ 734,370 | \$ 5,337 | \$ - | \$ 1,347,344 | \$ 1,763,427 |
| Net position: | | | | | | |
| Net investment in capital assets | \$ 13,075,221 | \$ 13,311,004 | \$ 16,149 | \$ 18,036 | \$ 3,656,839 | \$ 3,796,911 |
| Restricted | 3,195,132 | 2,915,707 | - | - | - | - |
| Unrestricted | 11,922,127 | 9,069,441 | 1,452 | 8,426 | (15,279,481) | (15,678,879) |
| Total net position | \$ 28,192,480 | \$ 25,296,152 | \$ 17,601 | \$ 26,462 | \$ (11,622,642) | \$ (11,881,968) |



The Primary Government's governmental combined net assets increased by \$2,896,328, from \$25,296,152 to \$28,192,480. The Primary Government's governmental unrestricted net assets increased from \$9,069,441 to \$11,922,127. This was largely due to collection of delinquent general property tax and a decrease in expenditures. Due to the implementation of the planned operations, the proprietary fund ended the year with assets and deferred outflows in excess of its liabilities by \$17,601.

The following table presents the condensed statement of changes in net position:

| County of Northampton, Virginia's Changes in Net Position | | | | | | |
|---|-------------------------|---------------|--------------------------|------------|-----------------|-----------------|
| | Primary Government | | | | Component Unit | |
| | Governmental Activities | | Business-type Activities | | School Board | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,866,358 | \$ 1,585,365 | \$ 187,630 | \$ 180,235 | \$ 334,195 | \$ 300,628 |
| Operating grants and contributions | 6,085,668 | 6,080,273 | - | - | 11,644,332 | 11,476,396 |
| Capital grants and contributions | 33,129 | 52,577 | - | - | - | - |
| General revenues: | | | | | | |
| General property taxes | 18,041,615 | 17,065,329 | - | - | - | - |
| Other local taxes | 2,776,606 | 2,709,469 | - | - | - | - |
| Grants and other contributions not restricted | 1,972,832 | 1,975,885 | - | - | - | - |
| Other general revenues | 483,677 | 411,746 | - | - | 204,406 | 205,490 |
| Transfers | 1,077,500 | 991,545 | (3,863) | 22,018 | 8,665,307 | 9,351,264 |
| Total revenues | \$ 32,337,385 | \$ 30,872,189 | \$ 183,767 | \$ 202,253 | \$ 20,848,240 | \$ 21,333,778 |
| Expenses: | | | | | | |
| General government administration | \$ 2,635,928 | \$ 2,413,847 | \$ - | \$ - | \$ - | \$ - |
| Judicial administration | 852,577 | 827,333 | - | - | - | - |
| Public safety | 9,215,297 | 8,739,709 | - | - | - | - |
| Public works | 2,483,413 | 2,545,525 | - | - | - | - |
| Health and welfare | 2,851,470 | 2,859,742 | - | - | - | - |
| Education | 9,341,711 | 10,018,401 | - | - | 20,588,914 | 19,569,479 |
| Parks, recreation, and cultural | 419,903 | 384,855 | - | - | - | - |
| Community development | 1,018,247 | 953,284 | - | - | - | - |
| Interest and other fiscal charges | 622,511 | 697,430 | - | - | - | - |
| Utilities | - | - | 192,628 | 185,352 | - | - |
| Total expenses | \$ 29,441,057 | \$ 29,440,126 | \$ 192,628 | \$ 185,352 | \$ 20,588,914 | \$ 19,569,479 |
| Change in net position | \$ 2,896,328 | \$ 1,432,063 | \$ (8,861) | \$ 16,901 | \$ 259,326 | \$ 1,764,299 |
| Net position, beginning of year | 25,296,152 | 23,864,089 | 26,462 | 9,561 | (11,881,968) | (13,646,267) |
| Net position, end of year | \$ 28,192,480 | \$ 25,296,152 | \$ 17,601 | \$ 26,462 | \$ (11,622,642) | \$ (11,881,968) |

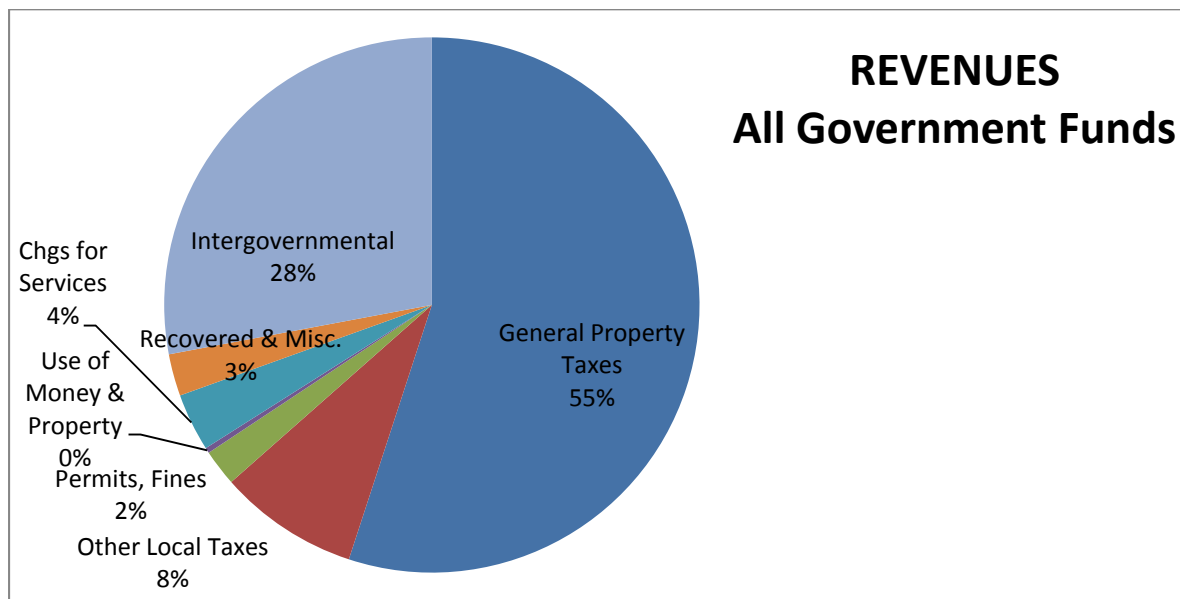
Revenues

For the fiscal year ended June 30, 2017, revenues generated by the Primary Government's governmental activities totaled \$32,337,385. General property taxes, the County's largest revenue source, were \$18,041,615. Included in this total are real and personal property levies, which are due on December 5th each year. The real estate tax rate for FY17 was \$0.83 per \$100 of assessed value. The FY17 tax rate increased from the FY16 rate of \$0.6805 per \$100 of assessed value.

FY17 continues to reflect the changes in the Personal Property Tax Relief Act (PPTRA) that were approved by the General Assembly in 2005. This legislation capped the amount localities receive from the state. The new legislation established a fixed amount to be provided to localities for funding tax relief for vehicles valued at less than \$20,000. The new PPTRA became effective with the 2006 tax year and is based on the amount collected for 2004 taxes through December 2005. The total amount Northampton County receives under the new program is \$1,421,967. This amount enabled the County to provide car tax relief of 54% up to the first \$20,000 in value for FY17.

The other local tax category includes sales tax, consumer utilities tax, motor vehicle licenses, occupancy tax, recordation tax, and food and beverage tax. This category of income reflects an overall increase of \$67,137 from the previous year amount of \$2,709,469. This increase was due to an increase in Sales Tax, Transient Occupancy Tax, and Food and Beverage Tax revenues.

Program revenues are derived from the program itself and reduce the cost of the function to the County. Total program revenues for governmental activities were \$7,985,155. Program revenues in the governmental funds include a "charges for services" category that totaled \$1,866,358 and includes charges for waste disposal, recreation programs, and building permits. This category increased by \$280,993 from the previous fiscal year.

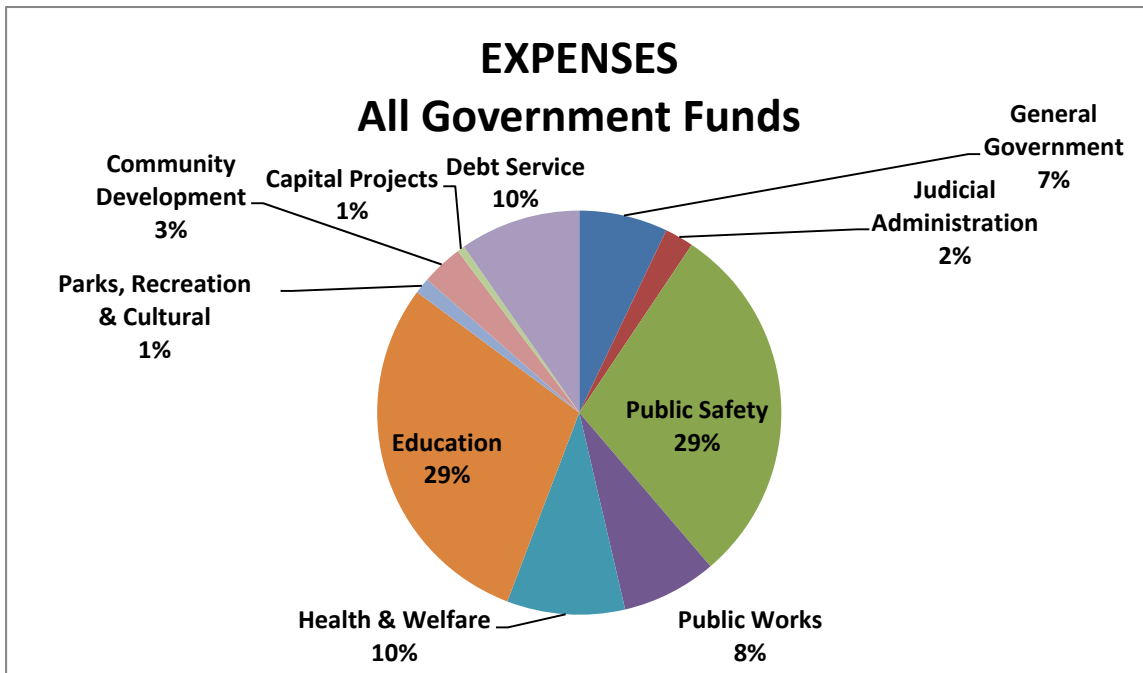


Expenses

For the fiscal year ended June 30, 2017, expenses for governmental activities totaled \$29,441,057, a decrease of \$931 from FY16. For FY17, interest expense on long-term debt was \$72,988 less than FY16.

Personnel expenses for FY17 included a Holiday Bonus for all employees (\$300 for full-time staff and \$150 for part-time staff). The county's health insurance plan continues to receive increased usage which resulted in an increase in the annual premium. However, the county contribution remained at \$7,003.68 per employee. The employer contribution into the Virginia Retirement System remained at 8.16% of the employee's salary.

The County's Proprietary Fund reflects a total of \$192,628 in expenses. The county received adequate revenue from charges for the related service to offset the related expenses.



Financial Analysis of the Government's Funds

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

For the fiscal year ended June 30, 2017, the County's governmental funds reflect a combined fund balance of \$19,433,630, most of which is restricted, committed or assigned for specific purposes such as capital outlay and debt service. This is an increase of \$2,981,694 from FY16. Fund balance in the General Fund increased by \$1,773,809.

When fund balance is used, it can be identified under two categories: one-time, capital items and operational budget funding. Historically, fund balance has not been utilized to support the operational departmental Budget; however the Board of Supervisors determined that the use of fund balance to assist in the budget development was in keeping with their financial policies and goals to maintain a reasonable tax structure while staying in guidelines of its adopted policy.

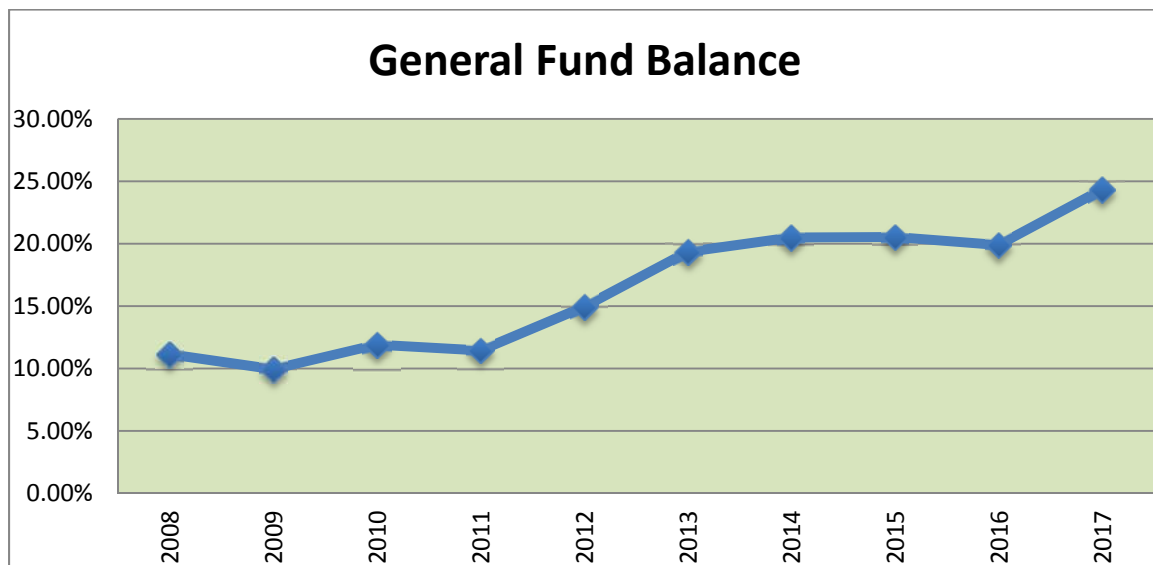
The Social Service and School Funds have not historically accumulated a separate fund balance (except for sick leave liability, a small amount designated for scholarships, etc.); therefore general fund balance must be sufficient to cover unexpected cash flow needs and lagging revenue collections in those funds when necessary. For Fiscal Year 2017, the Board took the following actions:

Any unspent appropriations in the School Operating Fund for FY16 will be recorded as reserved fund balance within that fund and shall be transferred to the School Capital Fund (Fund 395) and shall be utilized for funding projects in the adopted School's Capital Improvement Plan.

At the conclusion of FY 2016, in the event that there are funds in excess of \$530,000 in unspent appropriations as referenced in paragraph 5. above, the governing body shall consider the future use of said funds after consultation with the Northampton County School Board and prior to any appropriation of same.

Fund Balances in the capital project funds fluctuated with the issuance of new debt and the on-going project expenses of each fund.

In the General Fund, unassigned fund balance is \$9,464,231 compared to \$7,763,364 for FY16. The Board of Supervisors revised the fund balance policy which increased the minimum level of acceptable unassigned General Fund balance from 8% to 10% of the combined actual operating expenditures of the General Fund, Department of Social Service Fund, Eastern Shore Regional Jail Fund and School Operating Funds (net of interfund transfers). At June 30, 2017, the unassigned General Fund balance was 24.35% of actual operating expenditures as defined in the policy. If at any time the unassigned fund balance falls below the minimum acceptable amount, appropriate action will be taken by the Board to either increase revenues or reduce expenses in the current fiscal year in order to bring the next year's fund balance amount to an acceptable level.



General Fund Budgetary Highlights

Differences between the original operating budget and the final operating budget resulted in a net increase of \$873,032 in additional appropriations. Highlights of the budget amendments are as follows:

- * additional fine revenue
- * approval of Sheriff's Office secondary employment opportunities
- * grant funds for new ambulance and equipping of same.
- * unplanned separations and retirements
- * hiring of four additional EMT personnel as a result of the hospital move to Accomack County
- * remediation project to remove mold in the Courthouse

Capital Assets

The County of Northampton's investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$42,653,536 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and systems, improvements, machinery and equipment, harbor, and park facilities.

Northampton County, VA Primary Government Change in Capital Assets

| | Balance 30-Jun-16 | Net Increase/ (Decrease) | Balance 30-Jun-17 |
|-----------------------------------|----------------------|-----------------------------|----------------------|
| Governmental Activities: | | | |
| Non-Depreciable Assets: | | | |
| Land and Land Improvements | \$ 2,546,496 | \$ - | \$ 2,546,496 |
| Construction in Progress | 40,565 | (40,565) | - |
| Jointly Owned Land | 134,600 | - | 134,600 |
| Other Capital Assets | | | |
| Buildings | 48,521,425 | - | 48,521,425 |
| Furniture and Other Equipment | 4,172,513 | 332,736 | 4,505,249 |
| Improvements other than Buildings | 1,424,333 | 8,000 | 1,432,333 |
| Jointly Owned Buildings | 14,173,844 | - | 14,173,844 |
| Less: Accumulated Depreciation | (26,050,884) | (2,609,527) | (28,660,411) |
| Net Capital Assets | <u>\$ 44,962,892</u> | <u>\$ (2,309,356)</u> | <u>\$ 42,653,536</u> |

School Board capital assets are jointly owned by the County (Primary Government) and the Component Unit (School Board) for as long as the County owes general obligation debt on such assets. The County reports depreciation on these assets as an element of its share of the costs of the public school system. Readers desiring more detailed information on capital asset activity should refer to Note 5 on pages 40-43 in the notes to the financial statements.

Long-Term Debt

The County operates debt service funds for debt associated with the school system and other general debt including the County Complex, Regional Jail, Landfill Closure and Transfer Station. Funding for the repayment of school debt comes directly from the County's General Fund. For the remaining debt, debt service is funded in accordance with a plan developed by the County's financial advisors. The County is currently contributing to a debt service fund which is designed to cover all current and future debt service anticipated as part of the County's Capital Improvement Plan. For FY17, in accordance with the plan, eighteen cents of the property tax levy was transferred to this fund to adequately cover the required debt service. Revenues in the General Debt Service Fund are generated through a combination of the special tax levy, growth in the existing tax base; savings achieved through the bond program and rent payments from the department of Social Services for their new building.

The County and School occasionally uses short-term lease-purchase financing (capital leases) to acquire large equipment items as approved in the annual operating budget process. During fiscal year 2017, the School Board entered into a \$355,935 capital lease for the acquisition school buses and equipment.

The Constitution of Virginia, Article VII, Section 10, and the Public Finance Act provide the authority for a County to issue General Obligation (GO) Debt with no limit on the amount of GO Debt that a County may issue. The Northampton County Board of Supervisors adopted a local policy during FY05 which states that the ratio of debt service expenditures as a percentage of governmental fund expenditures should not exceed 12%. For FY17, this ratio was 6.97%. The policy also set a limit for total outstanding debt at no more than 4% of the assessed value of real estate. For FY17, this ratio was approximately 2.14%.

All debt secured by the general obligation of the County must be approved by the Board of Supervisors and a public referendum, with the exception of Virginia Public School Authority (VPSA) Bonds and State Literary Fund Loans which do not need approval by referendum.

The Primary Government's outstanding debt at July 1, 2017 is as follows:

General

| | |
|----------------------------|-------------------|
| Lease-Purchase Obligations | \$ - |
| 2012 Bond VRA Refinancing | <u>24,018,632</u> |

| | |
|-----------------|----------------------|
| Subtotal | \$ 24,018,632 |
|-----------------|----------------------|

Schools

| | |
|--|------------------|
| Lease-Purchase Obligations (School Operating Fund) | \$ 524,887 |
| 2003 & 2006 QZABs | 4,356,595 |
| Literary Loans | 60,652 |
| 2012 VPSA Gen. Obligation School Bond | <u>1,142,436</u> |

| | |
|-----------------|---------------------|
| Subtotal | \$ 6,084,570 |
|-----------------|---------------------|

| | |
|--------------------|-----------------------------|
| Grand Total | <u>\$ 30,103,202</u> |
|--------------------|-----------------------------|

Additional information on the County's long-term debt can be found in Note 7 on pages 45-52 of this report.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Charles Kolakowski, County Administrator. PO Box 66, Eastville, VA 23347, telephone 757-678-0440 (extension 515), e-mail ckolakowski@co.northampton.va.us or visit the County's web site at www.co.northampton.va.us.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Statement of Net Position
June 30, 2017

| | Primary Government | | | Component Unit |
|---|-------------------------|--------------------------|----------------------|------------------------|
| | Governmental Activities | Business-type Activities | Total | School Board |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 14,301,767 | \$ 18,492 | \$ 14,320,259 | \$ 2,663,908 |
| Investments | 2,080,705 | - | 2,080,705 | - |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes receivable | 1,212,577 | - | 1,212,577 | - |
| Accounts receivable | 232,333 | 5,493 | 237,826 | 19,455 |
| Due from other governmental units | 1,000,987 | - | 1,000,987 | 639,865 |
| Prepaid items | 782 | - | 782 | 6,111 |
| Restricted assets: | | | | |
| Cash and cash equivalents (in custody of others) | 3,057,346 | - | 3,057,346 | - |
| Capital assets (net of accumulated depreciation): | | | | |
| Land | 2,681,096 | - | 2,681,096 | 238,676 |
| Buildings and improvements | 37,949,221 | - | 37,949,221 | 664,175 |
| Improvements other than buildings | 958,483 | - | 958,483 | 1,013,924 |
| Machinery and equipment | 1,064,736 | 16,149 | 1,080,885 | 2,264,951 |
| Total assets | <u>\$ 64,540,033</u> | <u>\$ 40,134</u> | <u>\$ 64,580,167</u> | <u>\$ 7,511,065</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension contributions subsequent to measurement date | \$ 658,827 | \$ 5,068 | \$ 663,895 | \$ 1,397,858 |
| Items related to measurement of net pension liability | 767,084 | 17,034 | 784,118 | 1,053,833 |
| Total deferred outflows of resources | <u>\$ 1,425,911</u> | <u>\$ 22,102</u> | <u>\$ 1,448,013</u> | <u>\$ 2,451,691</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 712,328 | \$ 7,112 | \$ 719,440 | \$ 393,101 |
| Accrued liabilities | 456,560 | 3,584 | 460,144 | 1,689,209 |
| Accrued interest payable | 261,411 | - | 261,411 | - |
| Long-term liabilities: | | | | |
| Due within one year | 1,982,375 | 902 | 1,983,277 | 66,050 |
| Due in more than one year | 33,627,164 | 27,700 | 33,654,864 | 18,089,694 |
| Total liabilities | <u>\$ 37,039,838</u> | <u>\$ 39,298</u> | <u>\$ 37,079,136</u> | <u>\$ 20,238,054</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Items related to measurement of net pension liability | \$ 693,840 | \$ 5,337 | \$ 699,177 | \$ 1,347,344 |
| Deferred revenue - property taxes | 39,786 | - | 39,786 | - |
| Total deferred inflows of resources | <u>\$ 733,626</u> | <u>\$ 5,337</u> | <u>\$ 738,963</u> | <u>\$ 1,347,344</u> |
| NET POSITION | | | | |
| Net investment in capital assets | \$ 13,075,221 | \$ 16,149 | \$ 13,091,370 | \$ 3,656,839 |
| Restricted: | | | | |
| Forfeited assets | 78,747 | - | 78,747 | - |
| HMGP home elevation projects | 4,615 | - | 4,615 | - |
| CDBG projects | 42,978 | - | 42,978 | - |
| Purchase of development rights | 11,446 | - | 11,446 | - |
| Debt service and bond covenants | 3,057,346 | - | 3,057,346 | - |
| Unrestricted (deficit) | 11,922,127 | 1,452 | 11,923,579 | (15,279,481) |
| Total net position | <u>\$ 28,192,480</u> | <u>\$ 17,601</u> | <u>\$ 28,210,081</u> | <u>\$ (11,622,642)</u> |

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

COUNTY OF NORTHAMPTON, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2017

| Functions/Programs | Expenses | Program Revenues | | |
|--|---------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT: | | | | |
| Governmental activities: | | | | |
| General government administration | \$ 2,635,928 | \$ - | \$ 203,100 | \$ 33,129 |
| Judicial administration | 852,577 | 768,860 | 482,362 | - |
| Public safety | 9,215,297 | 469,439 | 3,373,373 | - |
| Public works | 2,483,413 | 574,315 | - | - |
| Health and welfare | 2,851,470 | - | 1,986,850 | - |
| Education | 9,341,711 | - | - | - |
| Parks, recreation, and cultural | 419,903 | 53,744 | 29,599 | - |
| Community development | 1,018,247 | - | 10,384 | - |
| Interest on long-term debt | 622,511 | - | - | - |
| Total governmental activities | \$ 29,441,057 | \$ 1,866,358 | \$ 6,085,668 | \$ 33,129 |
| Business-type activities: | | | | |
| Public utilities | \$ 192,628 | \$ 187,630 | \$ - | \$ - |
| Total business-type activities | \$ 192,628 | \$ 187,630 | \$ - | \$ - |
| Total primary government | \$ 29,633,685 | \$ 2,053,988 | \$ 6,085,668 | \$ 33,129 |
| COMPONENT UNITS: | | | | |
| School Board | \$ 20,588,914 | \$ 334,195 | \$ 11,644,332 | \$ - |
| Total component units | \$ 20,588,914 | \$ 334,195 | \$ 11,644,332 | \$ - |
| General revenues: | | | | |
| General property taxes | | | | |
| Local sales and use tax | | | | |
| Consumer utility tax | | | | |
| Motor vehicle licenses | | | | |
| Restaurant food taxes | | | | |
| Other local taxes | | | | |
| Unrestricted revenues from use of money and property | | | | |
| Miscellaneous | | | | |
| Grants and contributions not restricted to specific programs | | | | |
| Payment from Northampton County | | | | |
| Payment from Northampton County School Board | | | | |
| Transfers | | | | |
| Total general revenues and transfers | | | | |
| Change in net position | | | | |
| Net position - beginning | | | | |
| Net position - ending | | | | |

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

Exhibit 2

| Net (Expense) Revenue and Changes in Net Position | | | |
|--|-----------------------------|------------------------|------------------------|
| Primary Government | | | Component Unit |
| Governmental Activities | Business-type Activities | Total | School Board |
| \$ (2,399,699) | \$ - | \$ (2,399,699) | \$ - |
| 398,645 | - | 398,645 | - |
| (5,372,485) | - | (5,372,485) | - |
| (1,909,098) | - | (1,909,098) | - |
| (864,620) | - | (864,620) | - |
| (9,341,711) | - | (9,341,711) | - |
| (336,560) | - | (336,560) | - |
| (1,007,863) | - | (1,007,863) | - |
| (622,511) | - | (622,511) | - |
| <u>\$ (21,455,902)</u> | <u>\$ -</u> | <u>\$ (21,455,902)</u> | <u>\$ -</u> |
| | | | |
| \$ - | \$ (4,998) | \$ (4,998) | \$ - |
| \$ - | \$ (4,998) | \$ (4,998) | \$ - |
| <u>\$ (21,455,902)</u> | <u>\$ (4,998)</u> | <u>\$ (21,460,900)</u> | <u>\$ -</u> |
| | | | |
| \$ - | \$ - | \$ - | \$ (8,610,387) |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (8,610,387)</u> |
| | | | |
| \$ 18,041,615 | \$ - | \$ 18,041,615 | \$ - |
| 1,206,730 | - | 1,206,730 | - |
| 323,498 | - | 323,498 | - |
| 328,926 | - | 328,926 | - |
| 335,188 | - | 335,188 | - |
| 582,264 | - | 582,264 | - |
| 107,437 | - | 107,437 | - |
| 376,240 | - | 376,240 | 204,406 |
| 1,972,832 | - | 1,972,832 | - |
| - | - | - | 8,665,307 |
| 1,073,637 | - | 1,073,637 | - |
| 3,863 | (3,863) | - | - |
| <u>\$ 24,352,230</u> | <u>\$ (3,863)</u> | <u>\$ 24,348,367</u> | <u>\$ 8,869,713</u> |
| \$ 2,896,328 | \$ (8,861) | \$ 2,887,467 | \$ 259,326 |
| 25,296,152 | 26,462 | 25,322,614 | (11,881,968) |
| <u>\$ 28,192,480</u> | <u>\$ 17,601</u> | <u>\$ 28,210,081</u> | <u>\$ (11,622,642)</u> |

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FUND FINANCIAL STATEMENTS

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Balance Sheet
Governmental Funds
June 30, 2017

| | General | Eastern Shore Regional Jail | Debt Service | Capital Projects | Other Governmental Funds | Total |
|---|----------------------|--------------------------------------|---------------------|---------------------|--------------------------------|----------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 8,562,993 | \$ 187,316 | \$ 461,475 | \$ 5,132,568 | \$ 292,088 | \$ 14,636,440 |
| Investments | 969,470 | - | - | 1,111,235 | - | 2,080,705 |
| Receivables (net of allowance for uncollectibles): | | | | | | |
| Taxes receivable | 1,212,577 | - | - | - | - | 1,212,577 |
| Accounts receivable | 231,885 | 448 | - | - | - | 232,333 |
| Due from other governmental units | 538,059 | 222,808 | - | - | 240,120 | 1,000,987 |
| Prepaid items | 782 | - | - | - | - | 782 |
| Restricted assets: | | | | | | |
| Cash and cash equivalents | - | - | 3,057,346 | - | - | 3,057,346 |
| Total assets | <u>\$ 11,515,766</u> | <u>\$ 410,572</u> | <u>\$ 3,518,821</u> | <u>\$ 6,243,803</u> | <u>\$ 532,208</u> | <u>\$ 22,221,170</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 518,883 | \$ 123,540 | \$ - | \$ 21,115 | \$ 48,790 | \$ 712,328 |
| Accrued liabilities | 295,649 | 99,366 | - | - | 61,545 | 456,560 |
| Reconciled overdraft | - | - | - | - | 334,673 | 334,673 |
| Unearned revenue | - | 187,666 | - | - | - | 187,666 |
| Total liabilities | <u>\$ 814,532</u> | <u>\$ 410,572</u> | <u>\$ -</u> | <u>\$ 21,115</u> | <u>\$ 445,008</u> | <u>\$ 1,691,227</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue - property taxes | \$ 1,096,313 | \$ - | \$ - | \$ - | \$ - | \$ 1,096,313 |
| Total deferred inflows of resources | <u>\$ 1,096,313</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,096,313</u> |
| Fund balances: | | | | | | |
| Nonspendable | \$ 782 | \$ - | \$ - | \$ - | \$ - | \$ 782 |
| Restricted | - | - | 3,057,346 | - | 137,786 | 3,195,132 |
| Committed | - | - | 461,475 | 6,222,688 | - | 6,684,163 |
| Assigned | 139,908 | - | - | - | 142,280 | 282,188 |
| Unassigned | 9,464,231 | - | - | - | (192,866) | 9,271,365 |
| Total fund balances | <u>\$ 9,604,921</u> | <u>\$ -</u> | <u>\$ 3,518,821</u> | <u>\$ 6,222,688</u> | <u>\$ 87,200</u> | <u>\$ 19,433,630</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 11,515,766</u> | <u>\$ 410,572</u> | <u>\$ 3,518,821</u> | <u>\$ 6,243,803</u> | <u>\$ 532,208</u> | <u>\$ 22,221,170</u> |

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

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Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2017

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

| | |
|--|---------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | \$ 19,433,630 |
|--|---------------|

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

| | | |
|--------------------------|---------------------|------------|
| Capital assets, cost | \$ 71,313,947 | |
| Accumulated depreciation | <u>(28,660,411)</u> | 42,653,536 |

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

| | | |
|---|------------------|---------|
| Unavailable revenue - property taxes | \$ 1,056,527 | |
| Unavailable revenue - jail telephone commissions | 187,666 | |
| Items related to measurement of net pension liability | <u>(693,840)</u> | 550,353 |

| | |
|---|---------|
| Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and therefore, are not reported in the funds. | 658,827 |
|---|---------|

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

| | | |
|---|------------------|---------------------|
| Bonds and loans payable | \$ (29,578,315) | |
| Accrued interest payable | (261,411) | |
| Net OPEB obligation | (469,300) | |
| Net pension liability | (2,065,143) | |
| Items related to measurement of net pension liability | 767,084 | |
| Landfill post-closure liability | (2,794,331) | |
| Compensated absences | <u>(702,450)</u> | <u>(35,103,866)</u> |

| | |
|---|-----------------------------|
| Net position of governmental activities | \$ <u><u>28,192,480</u></u> |
|---|-----------------------------|

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

COUNTY OF NORTHAMPTON, VIRGINIA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

| | General | Eastern Shore Regional Jail | Debt Service |
|--|-----------------------|-----------------------------------|-----------------------|
| REVENUES | | | |
| General property taxes | \$ 18,039,197 | \$ - | \$ - |
| Other local taxes | 2,776,606 | - | - |
| Permits, privilege fees, and regulatory licenses | 167,599 | - | - |
| Fines and forfeitures | 553,690 | - | - |
| Revenue from the use of money and property | 25,032 | - | 82,405 |
| Charges for services | 1,131,057 | 10,112 | - |
| Miscellaneous | 334,855 | - | - |
| Recovered costs | 320,237 | 2,080 | 161,139 |
| Intergovernmental: | | | |
| Local government | - | - | - |
| Commonwealth | 3,828,403 | 2,138,121 | - |
| Federal | 94,040 | - | - |
| Total revenues | \$ <u>27,270,716</u> | \$ <u>2,150,313</u> | \$ <u>243,544</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government administration | \$ 2,109,381 | \$ - | \$ - |
| Judicial administration | 689,380 | - | - |
| Public safety | 5,101,648 | 3,634,201 | - |
| Public works | 2,262,325 | - | - |
| Health and welfare | 561,040 | - | - |
| Education | 8,739,800 | - | - |
| Parks, recreation, and cultural | 376,247 | - | - |
| Community development | 988,099 | - | - |
| Capital projects | - | - | - |
| Debt service: | | | |
| Principal retirement | - | - | 1,822,131 |
| Interest and other fiscal charges | - | - | 1,054,591 |
| Total expenditures | \$ <u>20,827,920</u> | \$ <u>3,634,201</u> | \$ <u>2,876,722</u> |
| Excess (deficiency) of revenues over (under) expenditures | \$ <u>6,442,796</u> | \$ <u>(1,483,888)</u> | \$ <u>(2,633,178)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | \$ 292,823 | \$ 1,515,925 | \$ 2,620,328 |
| Transfers out | (4,961,810) | (32,037) | - |
| Total other financing sources (uses) | \$ <u>(4,668,987)</u> | \$ <u>1,483,888</u> | \$ <u>2,620,328</u> |
| Net change in fund balances | \$ 1,773,809 | \$ - | \$ (12,850) |
| Fund balances - beginning | 7,831,112 | - | 3,531,671 |
| Fund balances - ending | \$ <u>9,604,921</u> | \$ <u>-</u> | \$ <u>3,518,821</u> |

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

Exhibit 5

| | Capital Projects | Other Governmental Funds | Total |
|----|---------------------|--------------------------------|----------------------|
| \$ | - | \$ - | \$ 18,039,197 |
| | - | - | 2,776,606 |
| | - | - | 167,599 |
| | - | - | 553,690 |
| | - | - | 107,437 |
| | - | 3,900 | 1,145,069 |
| | 2,144 | 10,710 | 347,709 |
| | - | - | 483,456 |
| | 1,073,637 | - | 1,073,637 |
| | - | 592,853 | 6,559,377 |
| | 22,010 | 1,416,202 | 1,532,252 |
| \$ | <u>1,097,791</u> | <u>\$ 2,023,665</u> | <u>\$ 32,786,029</u> |
| | | | |
| \$ | - | \$ - | \$ 2,109,381 |
| | - | - | 689,380 |
| | - | - | 8,735,849 |
| | - | - | 2,262,325 |
| | - | 2,252,783 | 2,813,823 |
| | - | - | 8,739,800 |
| | - | - | 376,247 |
| | - | - | 988,099 |
| | 131,464 | 44,608 | 176,072 |
| | - | - | 1,822,131 |
| | - | - | 1,054,591 |
| \$ | <u>131,464</u> | <u>\$ 2,297,391</u> | <u>\$ 29,767,698</u> |
| | | | |
| \$ | <u>966,327</u> | <u>\$ (273,726)</u> | <u>\$ 3,018,331</u> |
| | | | |
| \$ | 300,000 | \$ 485,057 | \$ 5,214,133 |
| | - | (256,923) | (5,250,770) |
| \$ | <u>300,000</u> | <u>\$ 228,134</u> | <u>\$ (36,637)</u> |
| \$ | 1,266,327 | \$ (45,592) | \$ 2,981,694 |
| | 4,956,361 | 132,792 | 16,451,936 |
| \$ | <u>6,222,688</u> | <u>\$ 87,200</u> | <u>\$ 19,433,630</u> |

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, 2017

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

| | | |
|--|----|-----------|
| Net change in fund balances - total governmental funds | \$ | 2,981,694 |
|--|----|-----------|

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

| | | | |
|-------------------------|----|--------------------|-------------|
| Capital asset additions | \$ | 411,330 | |
| Depreciation expense | | <u>(2,720,686)</u> | (2,309,356) |

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

The following is a summary of items supporting this adjustment:

| | | | |
|---|----|---------------|--------|
| (Increase) decrease in unavailable property taxes | \$ | 2,418 | |
| (Increase) decrease in unearned telephone commissions revenue | | 28,531 | |
| (Increase) decrease in deferred inflows related to the measurement of the net pension liability | | <u>19,447</u> | 50,396 |

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 payments | \$ | 1,822,131 | |
| Increase in landfill post-closure liability | | <u>(23,028)</u> | 1,799,103 |

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.

| | | | |
|---|----|---------------|----------------|
| (Increase) decrease in compensated absences | \$ | (42,329) | |
| (Increase) decrease in net OPEB obligation | | (54,581) | |
| (Increase) decrease in net pension liability | | (425,652) | |
| Amortization of bond issuance premiums | | 251,442 | |
| Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date | | (107,899) | |
| Increase (decrease) in deferred outflows related to measurement of net pension liability | | 734,011 | |
| (Increase) decrease in accrued interest payable | | <u>19,499</u> | <u>374,491</u> |

| | | |
|---|----|-------------------------|
| Change in net position of governmental activities | \$ | <u><u>2,896,328</u></u> |
|---|----|-------------------------|

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

Statement of Net Position
 Proprietary Fund
 June 30, 2017

| | Enterprise Fund Public Utilities Fund |
|---|---|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 18,492 |
| Accounts receivable, net of allowance for uncollectibles | 5,493 |
| Total current assets | <u>\$ 23,985</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Machinery and equipment | \$ 18,875 |
| Less accumulated depreciation | (2,726) |
| Total capital assets | <u>\$ 16,149</u> |
| Total noncurrent assets | <u>\$ 16,149</u> |
| Total assets | <u>\$ 40,134</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Items related to measurement of net pension liability | \$ 17,034 |
| Pension contributions subsequent to measurement date | 5,068 |
| Total deferred outflows of resources | <u>\$ 22,102</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 7,112 |
| Accrued liabilities | 3,584 |
| Compensated absences - current portion | 902 |
| Total current liabilities | <u>\$ 11,598</u> |
| Noncurrent liabilities: | |
| Net OPEB obligation | \$ 3,700 |
| Net pension liability | 15,884 |
| Compensated absences - net of current portion | 8,116 |
| Total noncurrent liabilities | <u>\$ 27,700</u> |
| Total liabilities | <u>\$ 39,298</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Items related to the measurement of net pension liability | <u>\$ 5,337</u> |
| NET POSITION | |
| Investment in capital assets | \$ 16,149 |
| Unrestricted | 1,452 |
| Total net position | <u><u>\$ 17,601</u></u> |

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

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Fund

For the Year Ended June 30, 2017

| | Enterprise Fund Public Utilities Fund |
|--------------------------------|---|
| OPERATING REVENUES | |
| Charges for services: | |
| Water revenues | \$ 63,641 |
| Wastewater revenues | 123,752 |
| Miscellaneous | 237 |
| Total operating revenues | <u>\$ 187,630</u> |
| OPERATING EXPENSES | |
| Personnel | \$ 69,933 |
| Fringe benefits | 26,641 |
| Contractual services | 57,031 |
| Depreciation | 1,887 |
| Other charges | 37,136 |
| Total operating expenses | <u>\$ 192,628</u> |
| Income before transfers | \$ (4,998) |
| Transfers: | |
| Transfers out | (3,863) |
| Change in net position | <u>\$ (8,861)</u> |
| Total net position - beginning | 26,462 |
| Total net position - ending | <u><u>\$ 17,601</u></u> |

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

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2017

| | Enterprise Fund Public Utilities Fund |
|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers and users | \$ 188,104 |
| Payments to suppliers | (100,204) |
| Payments to and for employees | (90,228) |
| Net cash provided by (used for) operating activities | <u>\$ (2,328)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers to other funds | <u>\$ (3,863)</u> |
| Net increase (decrease) in cash and cash equivalents | \$ (6,191) |
| Cash and cash equivalents - beginning | 24,683 |
| Cash and cash equivalents - ending | <u><u>\$ 18,492</u></u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | |
| Operating income (loss) | <u>\$ (4,998)</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | |
| Depreciation expense | \$ 1,887 |
| (Increase) decrease in accounts receivable | 474 |
| (Increase) decrease in deferred outflows of resources | (4,996) |
| Increase (decrease) in accounts payable | (6,223) |
| Increase (decrease) in accrued liabilities | 186 |
| Increase (decrease) in net OPEB obligation | 419 |
| Increase (decrease) in deferred inflows of resources | 5,337 |
| Increase (decrease) in net pension liability | 3,014 |
| Increase (decrease) in compensated absences | 2,572 |
| Total adjustments | <u>\$ 2,670</u> |
| Net cash provided by (used for) operating activities | <u><u>\$ (2,328)</u></u> |

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2017

| | <u>Agency Funds</u> |
|--|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 498,162 |
| Cash in custody of others | 1,571 |
| Accounts receivable | 99,693 |
| Total assets | \$ <u>599,426</u> |
| LIABILITIES | |
| Accounts payable | \$ 28,406 |
| Accrued liabilities | 38,425 |
| Amounts held for social services clients | 235,251 |
| Amounts held for others | 297,344 |
| Total liabilities | \$ <u>599,426</u> |

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

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

Financial Statement Presentation

The County's financial report is prepared in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

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

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. The exception to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

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

Discretely Presented Component Units. The Seven School Board members are elected by the voters of Northampton County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2017.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Other Related Organizations Included in the County's Financial Report

None

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County's fiduciary funds are presented in the fund financial statements by type and have no measurement focus but use the accrual basis of accounting for asset and liability recognition. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

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

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

1. Governmental Funds - are those through which most governmental functions typically are financed. The County reports the General Fund, Eastern Shore Regional Jail Fund, Debt Service Fund and Capital Projects Fund as major governmental funds.

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

Special Revenue Funds - account for and report the proceeds of special revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects requiring separate accounting because of legal or regulatory provisions or administrative action. The County reports the Eastern Shore Regional Jail Fund as a Special Revenue Fund. Revenues are derived primarily from the Commonwealth of Virginia and charges for services.

Debt Service Fund - accounts for and reports financial resources that are restricted, committed or assigned to expenditure for principal and interest. Payment of principal and interest on the County and School System's general long-term debt is provided by appropriations from the General Fund.

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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

The County reports the following nonmajor governmental funds:

Special Revenue Funds - The County reports the following nonmajor Special Revenue Funds: Forfeited Asset Sharing, Purchase of Development Rights, CDBG Projects, HMGP Home Elevation Project, Virginia Public Assistance and Parks and Recreation Project.

2. Fiduciary Funds - (Trust and Agency Funds) - account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private Purpose Trust and Agency Funds. Private Purpose Trust and Agency Funds utilize the accrual basis of accounting. Agency funds do not have a measurement focus. Fiduciary funds are not included in the government-wide financial statements. The County's Agency Funds include amounts held for others in a fiduciary capacity, which include social services clients, tourism commission, E-911 programs and IDA funds. The County reports the following Agency Funds: IDA Operating, Virginia Broadband Authority, Special Welfare, NC Tourism Commission, 911 Capital, 911 Operating, and Building Inspection Fees.

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

Enterprise Funds - Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The County's major Enterprise Fund consists of the Public Utilities Fund, which accounts for the operations of sewage pumping stations and collection systems, and the water distribution system.

E. Cash and Cash Equivalents

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

F. Investments

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

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$356,723 at June 30, 2017 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed. There was no capitalized interest in the current year.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)H. Capital Assets (Continued)

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

| <u>Assets</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings | 50 |
| Improvements other than buildings | 20 |
| Machinery and equipment | 5-15 |

I. Compensated Absences

Vested or accumulated vacation leave is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

J. Use of Estimates

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

K. Net Position

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

L. Net Position Flow Assumption

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

M. Pensions

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

N. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

O. Prepaid Items

Certain payments to vendors reflect costs applied to future accounting periods and are recorded as prepaid items in both the government-wide and the fund financial statements. Prepaid items are accounted for using the consumption method and are valued at cost. Prepaid expenditures in governmental funds are reported as nonspendable fund balance.

P. Restricted Assets

Restricted assets of \$3,057,346 represent amounts set aside in a sinking fund for debt service at June 30, 2017.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by the County Administrator to which the governing body has delegated 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). The County does this through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service or for other purposes). Assigned fund balance is established by the County Administrator, who has been given the delegated authority to assign amounts for a specific purpose (such as the purchase of capital assets, construction, or other purposes).

In the general fund, the County strives to maintain an unassigned fund balance to be used for unforeseen emergencies of an amount equal to 10% of the combined budgeted expenditures of the General Fund, VPA Fund, Eastern Shore Regional Jail Fund and the School Operating Fund (net of interfund transfers).

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Q. Fund Equity (Continued)

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

| | General Fund | Debt Service Fund | Capital Projects Fund | Other Governmental Funds | Total |
|--------------------------------|-----------------|-------------------------|-----------------------------|--------------------------------|---------------|
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | \$ 782 | \$ - | \$ - | \$ - | \$ 782 |
| Restricted: | | | | | |
| Debt sinking fund | \$ - | \$ 3,057,346 | \$ - | \$ - | \$ 3,057,346 |
| Forfeited asset sharing | - | - | - | 78,747 | 78,747 |
| HMGP home elevation project | - | - | - | 4,615 | 4,615 |
| CDBG projects | - | - | - | 42,978 | 42,978 |
| Purchase of development rights | - | - | - | 11,446 | 11,446 |
| Total Restricted | \$ - | \$ 3,057,346 | \$ - | \$ 137,786 | \$ 3,195,132 |
| Committed: | | | | | |
| Capital projects | \$ - | \$ - | \$ 6,222,688 | \$ - | \$ 6,222,688 |
| Debt service | - | 461,475 | - | - | 461,475 |
| Total Committed | \$ - | \$ 461,475 | \$ 6,222,688 | \$ - | \$ 6,684,163 |
| Assigned: | | | | | |
| Broadband | \$ 66,000 | \$ - | \$ - | \$ - | \$ 66,000 |
| E-summons | 73,908 | - | - | - | 73,908 |
| Harbor improvements | - | - | - | 142,280 | 142,280 |
| Total Assigned | \$ 139,908 | \$ - | \$ - | \$ 142,280 | \$ 282,188 |
| Unassigned | \$ 9,464,231 | \$ - | \$ - | \$ (192,866) | \$ 9,271,365 |
| Total Fund Balances | \$ 9,604,921 | \$ 3,518,821 | \$ 6,222,688 | \$ 87,200 | \$ 19,433,630 |

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

R. Deferred Outflow/Inflows of Resources

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

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 future tax levies, 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 future tax levies 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, the net difference between projected and actual earnings on pension plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTING:

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

1. During the month of April, the County Administrator submits to the Board of Supervisors a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are required to be conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation totals for each fund can only be revised by the Board of Supervisors.

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTING: (CONTINUED)

5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Special Revenue Funds and Debt Service Fund of the Primary Government. The Discretely Presented Component Unit is integrated only at the level of legal adoption.
6. All budgets of the County are adopted on a modified accrual basis. Annual budgets are adopted for all governmental funds. The budgets of the Discretely Presented Component Unit are adopted on a cash basis but differences between cash and accrual/modified accrual basis budgets are not considered to be material.
7. Appropriations lapse on June 30, for all County units.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2017.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

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). The County and its discretely presented component unit have no investment policies that would further limit their investment choices.

Custodial Credit Risk (Investments)

The County’s investment policy requires that all securities purchased for the County be held by the County or by the County’s designated custodian. The County’s investments at June 30, 2017 were held by the County or in the County’s name by the County’s custodial banks.

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2017 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

| <u>County's Rated Debt Investments' Values</u> | |
|--|-----------------------------|
| <u>Rated Debt Investments</u> | <u>Fair Quality Ratings</u> |
| | <u>AAAm</u> |
| Local Government Investment Pool | \$ 997,298 |
| Virginia State Non-Arbitrage Pool | <u>1,111,235</u> |
| Total | <u>\$ 2,108,533</u> |

Interest Rate Risk

According to the County's investment policy, no more than 50% of the portfolio may be invested in securities maturing in greater than one year.

| <u>Investment Maturities (in years)</u> | | |
|---|---------------------|-------------------------|
| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less Than 1 Year</u> |
| Local Government Investment Pool | \$ 997,298 | \$ 997,298 |
| Virginia State Non-Arbitrage Pool | <u>1,111,235</u> | <u>1,111,235</u> |
| Total | <u>\$ 2,108,533</u> | <u>\$ 2,108,533</u> |

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

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

External Investment Pool

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

NOTE 4—DUE FROM OTHER GOVERNMENTS:

At June 30, 2017, the County has amounts due from other governments as follows:

| | | Component Unit |
|--|-----------------------|-------------------|
| | Primary Government | School Board |
| Commonwealth of Virginia: | | |
| Local sales tax | \$ 245,088 | \$ - |
| Local communication sales tax | 78,809 | - |
| Victim witness | 6,371 | - |
| Mobile home titling tax | 315 | - |
| Recordation tax | 18,200 | - |
| VPA funds | 54,641 | - |
| State sales tax | - | 316,544 |
| Constitutional officer reimbursements | 128,951 | - |
| Four for Life | 10,339 | - |
| Auto rental tax | 855 | - |
| Motor vehicle license fee | 5,267 | - |
| Jail funds | 222,808 | - |
| Other state funds | 3,360 | - |
| Federal Government: | | |
| School fund grants | - | 323,321 |
| Department of the Interior - PILT | 33,004 | - |
| Housing and Urban Development grant | 59,725 | - |
| Department of Emergency Management grant | 7,500 | - |
| VPA funds | 125,754 | - |
| Total due from other governments | \$ 1,000,987 | \$ 639,865 |

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COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 5—CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

Primary Government:

| | Balance July 1, 2016 | Increases | Decreases | Balance June 30, 2017 |
|--|----------------------------|----------------|--------------|-----------------------------|
| Governmental activities: | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land | \$ 2,546,496 | \$ - | \$ - | \$ 2,546,496 |
| Construction in progress | 40,565 | - | 40,565 | - |
| Jointly owned land | 134,600 | - | - | 134,600 |
| Total capital assets not subject to depreciation | \$ 2,721,661 | \$ - | \$ 40,565 | \$ 2,681,096 |
| Capital assets subject to depreciation: | | | | |
| Buildings and improvements | \$ 48,521,425 | \$ - | \$ - | \$ 48,521,425 |
| Improvements other than buildings | 1,424,333 | 8,000 | - | 1,432,333 |
| Machinery and equipment | 4,172,513 | 443,895 | 111,159 | 4,505,249 |
| Jointly owned assets | 14,173,844 | - | - | 14,173,844 |
| Total capital assets subject to depreciation | \$ 68,292,115 | \$ 451,895 | \$ 111,159 | \$ 68,632,851 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ (15,102,359) | \$ (1,886,615) | \$ - | \$ (16,988,974) |
| Improvements other than buildings | (395,165) | (78,685) | - | (473,850) |
| Machinery and equipment | (3,229,776) | (321,896) | (111,159) | (3,440,513) |
| Jointly owned assets | (7,323,584) | (433,490) | - | (7,757,074) |
| Total accumulated depreciation | \$ (26,050,884) | \$ (2,720,686) | \$ (111,159) | \$ (28,660,411) |
| Total capital assets being depreciated, net | \$ 42,241,231 | \$ (2,268,791) | \$ - | \$ 39,972,440 |
| Governmental activities capital assets, net | \$ 44,962,892 | \$ (2,268,791) | \$ 40,565 | \$ 42,653,536 |

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COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 5—CAPITAL ASSETS: (Continued)

A summary of proprietary fund changes in capital assets for the fiscal year ending June 30, 2017 follows:

| | Balance July 1, 2016 | Increases | Decreases | Balance June 30, 2017 |
|--|----------------------------|------------|-----------|-----------------------------|
| Business-type activities: | | | | |
| Capital assets subject to depreciation: | | | | |
| Improvements other than buildings | \$ 18,875 | \$ - | \$ - | \$ 18,875 |
| Total capital assets subject to depreciation | \$ 18,875 | \$ - | \$ - | \$ 18,875 |
| Accumulated depreciation: | | | | |
| Improvements other than buildings | \$ (839) | \$ (1,887) | \$ - | \$ (2,726) |
| Total accumulated depreciation | \$ (839) | \$ (1,887) | \$ - | \$ (2,726) |
| Total capital assets being depreciated, net | \$ 18,036 | \$ (1,887) | \$ - | \$ 16,149 |
| Business-type activities capital assets, net | \$ 18,036 | \$ (1,887) | \$ - | \$ 16,149 |

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COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 5—CAPITAL ASSETS: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

Component Unit - School Board

| | Balance July 1, 2016 | Increases | Decreases | Balance June 30, 2017 |
|--|----------------------------|--------------|--------------|-----------------------------|
| Governmental activities: | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land | \$ 238,676 | \$ - | \$ - | \$ 238,676 |
| Total capital assets not subject to depreciation | \$ 238,676 | \$ - | \$ - | \$ 238,676 |
| Capital assets subject to depreciation: | | | | |
| Buildings and improvements | \$ 2,824,662 | \$ 16,422 | \$ - | \$ 2,841,084 |
| Improvements other than buildings | 1,547,901 | 76,698 | - | 1,624,599 |
| Machinery and equipment | 6,377,778 | 486,993 | 460,488 | 6,404,283 |
| Total capital assets subject to depreciation | \$ 10,750,341 | \$ 580,113 | \$ 460,488 | \$ 10,869,966 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ (2,133,316) | \$ (43,593) | \$ - | \$ (2,176,909) |
| Improvements other than buildings | (518,542) | (92,133) | - | (610,675) |
| Machinery and equipment | (4,043,988) | (555,832) | (460,488) | (4,139,332) |
| Total accumulated depreciation | \$ (6,695,846) | \$ (691,558) | \$ (460,488) | \$ (6,926,916) |
| Total capital assets being depreciated, net | \$ 4,054,495 | \$ (111,445) | \$ - | \$ 3,943,050 |
| Governmental activities capital assets, net | \$ 4,293,171 | \$ (111,445) | \$ - | \$ 4,181,726 |

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COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 5—CAPITAL ASSETS: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

| | | |
|-----------------------------------|----|-------------------------|
| General government administration | \$ | 823,250 |
| Judicial administration | | 178,614 |
| Public safety | | 893,287 |
| Public works | | 250,217 |
| Health and welfare | | 47,247 |
| Education | | 503,367 |
| Parks, recreation and cultural | | 24,060 |
| Community development | | <u>644</u> |
| Total Governmental activities | \$ | <u><u>2,720,686</u></u> |

Enterprise activities:

| | | |
|-----------------------------|----|-----------------------|
| Public utilities | \$ | <u><u>1,887</u></u> |
| Component Unit School Board | \$ | <u><u>691,558</u></u> |

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has 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 new 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 County of Northampton, Virginia for the year ended June 30, 2017, is that school financed assets in the amount of \$6,416,770 are reported in the Primary Government for financial reporting purposes.

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COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 6—INTERFUND TRANSFERS:

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

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------------|----------------------------|----------------------------|
| Primary Government: | | |
| Governmental Funds: | | |
| General Fund | \$ 292,823 | \$ 4,961,810 |
| Eastern Shore Regional Jail | 1,515,925 | 32,037 |
| Debt Service | 2,620,328 | - |
| Capital Projects | 300,000 | - |
| Other Governmental Funds | <u>485,057</u> | <u>256,923</u> |
| Total Governmental Funds | \$ <u>5,214,133</u> | \$ <u>5,250,770</u> |
| Enterprise Fund: | | |
| Public Utilities | \$ <u>-</u> | \$ <u>3,863</u> |
| Fiduciary Funds: | | |
| NC Tourism Commission | \$ <u>40,500</u> | \$ <u>-</u> |
| Total-All Funds | \$ <u><u>5,254,633</u></u> | \$ <u><u>5,254,633</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 Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

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COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS:

Primary Government:

A summary of long-term obligation transactions for the year ended June 30, 2017 is as follows:

| | Balance at July 1, 2016 | Issuances/ Increases | Retirements/ Decreases | Balance at June 30, 2017 | Amounts Due Within One Year |
|---------------------------------|-------------------------------|-------------------------|---------------------------|--------------------------------|--------------------------------------|
| Governmental Activities: | | | | | |
| Incurred by County: | | | | | |
| Lease revenue bonds | \$ 21,875,000 | \$ - | \$ 1,745,000 | \$ 20,130,000 | \$ 1,830,000 |
| Add deferred amounts: | | | | | |
| For issuance premium | 4,131,671 | - | 243,039 | 3,888,632 | - |
| Landfill post-closure liability | 2,771,303 | 23,028 | - | 2,794,331 | - |
| Compensated absences | 660,121 | 108,341 | 66,012 | 702,450 | 70,245 |
| Net pension liability | 1,639,491 | 2,986,369 | 2,560,717 | 2,065,143 | - |
| Net OPEB obligation | 414,719 | 66,489 | 11,908 | 469,300 | - |
| Total incurred by County | \$ 31,492,305 | \$ 3,184,227 | \$ 4,626,676 | \$ 30,049,856 | \$ 1,900,245 |
| Incurred by School Board: | | | | | |
| State literary fund loans | \$ 72,783 | \$ - | \$ 12,131 | \$ 60,652 | \$ 12,130 |
| General obligation bonds | 5,471,595 | - | 65,000 | 5,406,595 | 70,000 |
| Add deferred amounts: | | | | | |
| For issuance premium | 100,839 | - | 8,403 | 92,436 | - |
| Total incurred by School Board | \$ 5,645,217 | \$ - | \$ 85,534 | \$ 5,559,683 | \$ 82,130 |
| Total Governmental Activities | \$ 37,137,522 | \$ 3,184,227 | \$ 4,712,210 | \$ 35,609,539 | \$ 1,982,375 |
| Business-type Activities: | | | | | |
| Compensated absences | \$ 6,446 | \$ 3,217 | \$ 645 | \$ 9,018 | \$ 902 |
| Net pension liability | 12,870 | 22,968 | 19,954 | 15,884 | - |
| Net OPEB obligation | 3,281 | 511 | 92 | 3,700 | - |
| Total Business-type Activities | \$ 22,597 | \$ 26,696 | \$ 20,691 | \$ 28,602 | \$ 902 |

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COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

| Year Ending June 30, | Governmental Activities | |
|----------------------------|-------------------------|---------------------|
| | Lease Revenue Bonds | |
| | Principal | Interest |
| 2018 | \$ 1,830,000 | \$ 932,332 |
| 2019 | 1,920,000 | 838,938 |
| 2020 | 2,020,000 | 737,975 |
| 2021 | 2,125,000 | 631,759 |
| 2022 | 1,890,000 | 528,875 |
| 2023 | 1,985,000 | 429,578 |
| 2024 | 1,970,000 | 328,231 |
| 2025 | 2,065,000 | 227,934 |
| 2026 | 930,000 | 155,662 |
| 2027 | 980,000 | 111,281 |
| 2028 | 365,000 | 81,703 |
| 2029 | 380,000 | 66,087 |
| 2030 | 395,000 | 49,854 |
| 2031 | 410,000 | 35,019 |
| 2032 | 425,000 | 21,653 |
| 2033 | 440,000 | 7,425 |
| Total | \$ <u>20,130,000</u> | \$ <u>5,184,306</u> |

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COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

| Year Ending June 30, | Governmental Activities | | | |
|----------------------------|------------------------------|-----------------|-----------------------------|-------------------|
| | State Literary Fund Loans | | General Obligation Bonds | |
| | Principal | Interest | Principal | Interest |
| 2018 | \$ 12,130 | \$ 1,820 | \$ 70,000 | \$ 35,933 |
| 2019 | 12,130 | 1,456 | 2,217,167 | 32,647 |
| 2020 | 12,130 | 1,092 | 75,000 | 29,609 |
| 2021 | 12,131 | 728 | 80,000 | 26,070 |
| 2022 | 12,131 | 364 | 85,000 | 21,904 |
| 2023 | - | - | 2,299,428 | 18,037 |
| 2024 | - | - | 90,000 | 14,943 |
| 2025 | - | - | 95,000 | 12,596 |
| 2026 | - | - | 95,000 | 10,530 |
| 2027 | - | - | 95,000 | 8,345 |
| 2028 | - | - | 100,000 | 5,227 |
| 2029 | - | - | 105,000 | 1,601 |
| Total | \$ <u>60,652</u> | \$ <u>5,460</u> | \$ <u>5,406,595</u> | \$ <u>217,442</u> |

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COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

| | <u>Amount Outstanding</u> |
|---|-------------------------------|
| Governmental Activities Long-Term Obligations: | |
| <u>Lease Revenue Bonds:</u> | |
| \$28,430,000 2012 Series VRA Lease Revenue Refunding Bonds issued August 2, 2012, maturing annually October 1, 2012-2032, in varying amounts. Interest payable annually at various interest rates from 2.273% to 5.125%. Face amount of bonds outstanding, \$20,130,000 plus unamortized issuance premium of \$3,888,632. | \$ <u>24,018,632</u> |
| Total Lease Revenue bonds | \$ <u>24,018,632</u> |
| Landfill post-closure liability | \$ 2,794,331 |
| Compensated absences (payable from the General Fund) | 702,450 |
| Net pension liability (payable from the General Fund) | 2,065,143 |
| Net OPEB obligation (payable from the General Fund) | <u>469,300</u> |
| Total Long-Term Obligations Incurred by County | \$ <u><u>30,049,856</u></u> |

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

| | <u>Amount Outstanding</u> |
|--|-------------------------------|
| <u>School Bonds:</u> | |
| General Obligation Bonds | |
| \$1,290,000 School Bonds issued November 15, 2012, maturing annually July 15, 2013-2028, in varying amounts. Interest payable semi-annually at various interest rates from 2.050% through 5.050%. Face amount of bonds outstanding, \$1,050,000 plus unamortized issuance premium of \$92,436. | \$ 1,142,436 |
| \$2,142,167 2003 Series Qualified Zone Academy Bonds issued December 29, 2003, with entire principal maturing on December 29, 2018. | 2,142,167 |
| \$2,214,428 2006 Series Qualified Zone Academy Bonds issued December 28, 2006, with entire principal maturing on December 29, 2022. | <u>2,214,428</u> |
| Total general obligation bonds | \$ <u>5,499,031</u> |
| <u>State Literary Fund Loans:</u> | |
| \$242,615, issued January 25, 2002 due in annual installments of \$12,131 each January 25, through 2022, interest payable annually at 3% | \$ <u>60,652</u> |
| Total State Literary Fund Loans | \$ <u>60,652</u> |
| Total School Board Long-Term Debt Issued, payable from the General Fund | \$ <u>5,559,683</u> |
| Total Governmental Activities Obligations | \$ <u><u>35,609,539</u></u> |
| <u>Business-type Activities:</u> | |
| Compensated absences (payable from the Enterprise Fund) | \$ 9,018 |
| Net pension liability (payable from the Enterprise Fund) | 15,884 |
| Net OPEB obligation (payable from the Enterprise Fund) | <u>3,700</u> |
| Total Business-type Activities Obligations | \$ <u><u>28,602</u></u> |

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Capital Leases

The Component Unit School Board has entered into various lease agreements as lessee for financing the acquisition of school buses, Promethean boards and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

| | <u>Component Unit- School Board</u> |
|--------------------------------|---|
| Asset: | |
| 5 School buses | \$ 476,519 |
| 17 Promethean boards | 106,151 |
| 3 School buses | 292,770 |
| 3 School buses | 299,376 |
| Classroom technology equipment | 56,550 |
| Less: Accumulated depreciation | <u>(447,009)</u> |
| | <u>\$ 784,357</u> |

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COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Capital Leases: (Continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2017, were as follows:

| Year Ending June 30, | Component Unit- School Board |
|---|---------------------------------|
| 2018 | \$ 256,416 |
| 2019 | 135,809 |
| 2020 | 74,549 |
| 2021 | <u>74,549</u> |
| Total minimum lease payments | \$ 541,323 |
| Less: amount representing interest | <u>(16,436)</u> |
| Present value of minimum lease payments | <u>\$ 524,887</u> |

Component Unit—School Board:

The following is a summary of long-term obligation transactions of the Component Unit—School Board for the year ended June 30, 2017:

| | Balance at July 1, 2016 | Issuances/ Increases | Retirements/ Decreases | Balance at June 30, 2017 | Amounts Due Within OneYear |
|---|-------------------------------|-------------------------|---------------------------|--------------------------------|----------------------------------|
| Compensated absences (payable from the School Fund) | \$ 647,727 | \$ 66,465 | \$ 136,416 | \$ 577,776 | \$ 57,778 |
| Capital leases | 496,260 | 355,935 | 327,308 | 524,887 | 8,272 |
| Net pension liability | 15,602,621 | 4,200,799 | 2,863,339 | 16,940,081 | - |
| Net OPEB obligation | 112,000 | 119,000 | 118,000 | 113,000 | - |
| Total | <u>\$ 16,858,608</u> | <u>\$ 4,742,199</u> | <u>\$ 3,445,063</u> | <u>\$ 18,155,744</u> | <u>\$ 66,050</u> |

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Component Unit—School Board: (Continued)

| | <u>Amount Outstanding</u> |
|--|-------------------------------|
| <u>Details of Long-term Indebtedness:</u> | |
| <u>Capital Leases:</u> | |
| \$355,926 school equipment lease purchase agreement (payable from the School Fund) issued October 3, 2016, due in semi-annual installments of \$37,275 through 2021. Interest payable semi-annually at a rate of 1.94%. | \$ 285,590 |
| \$588,838 school equipment lease purchase agreement (payable from the School Fund) issued September 17, 2013, due in bi-annual installments of \$60,998 through 2018. Interest payable semi-annually at a rate of 1.45%. | 119,307 |
| \$294,150 school equipment lease purchase agreement (payable from the School Fund) issued September 24, 2014, due in bi-annual installments of \$30,630 through 2019. Interest payable annually at a rate of 1.68%. | 119,990 |
| Total Capital Leases | \$ 524,887 |
| Compensated absences (payable from the School Fund) | 577,776 |
| Net pension liability (payable from the School Fund) | 16,940,081 |
| Net OPEB obligation (payable from the School Fund) | 113,000 |
| Total Long-Term Obligations Incurred by School Board | \$ 18,155,744 |

| | <u>Component Unit Obligation</u> | |
|---------------------------|----------------------------------|-----------------|
| Year Ending June 30 | <u>Capital Leases</u> | |
| | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$ 248,144 | \$ 8,272 |
| 2019 | 131,192 | 4,617 |
| 2020 | 72,073 | 2,476 |
| 2021 | 73,478 | 1,071 |
| Total | \$ 524,887 | \$ 16,436 |

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 8—LANDFILL POST CLOSURE COSTS:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Under the modified accrual basis of accounting, general fund expenditures and liabilities are to be recognized only to the extent that such costs are expected to be paid from available, expendable resources. Since the County does not expect to pay any portion of the postclosure care or corrective action costs from available, expendable resources as of June 30, 2017, the fund financial statements do not include any fund expenditure or liability relating to postclosure care or corrective action costs of its landfill site. The \$2,794,331 reported as a long-term liability at June 30, 2017, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill.

The amount of \$1,794,331 is based on what it would cost to perform all postclosure care in fiscal year 2017 and the amount of \$1,000,000 represents corrective action costs. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County closed the current landfill site in fiscal year 2011.

The applicable laws and regulations require the County to select and meet one of several approved financial assurance mechanisms to demonstrate financial responsibility for closure care costs described above. The County has selected the Financial Ratio Test method for this purpose, and has made the requisite filings with the Virginia Department of Environmental Quality.

The County demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

NOTE 9—DEFERRED AND UNAVAILABLE REVENUE:

At June 30, 2017, deferred and unavailable revenue are reported as follows:

| | Government- wide Statements | Balance Sheet |
|--|------------------------------------|-------------------------------|
| | <u>Governmental Activities</u> | <u>Governmental Funds</u> |
| Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures | \$ - | \$ 1,056,527 |
| Unearned revenue representing unspent jail telephone commission funds not available for funding of current expenditures. | - | 187,666 |
| Prepaid property taxes due in December 2017 but paid in advance by taxpayers | <u>39,786</u> | <u>39,786</u> |
| Total | \$ <u><u>39,786</u></u> | \$ <u><u>1,283,979</u></u> |

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 10—COMMITMENTS AND CONTINGENCIES:

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

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

NOTE 11—LITIGATION:

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

NOTE 12—RISK MANAGEMENT:

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has joined together with other cities and counties in the Virginia Local Government Risk Management Plan (VARISK2), a public entity risk pool currently operating as a common risk management and insurance program for several member cities and counties in Virginia. The County pays an annual premium to VARISK2 for its public officials general liability and public officials law enforcement liability insurance coverage. The agreement for formation of the VARISK2 provides that VARISK2 will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1 million for each insured event.

Through the Virginia Municipal League, the County has joined together with other cities and counties in the Virginia Municipal Group Self Insurance Association (VMGSIA) and the Virginia Association of Counties Group Self Insurance Risk Pool (VACORP), public entity risk pools currently operating as common risk management and insurance programs for several member cities and counties in Virginia. The County pays an annual premium to VMGSIA for its workers' compensation and employer's liability insurance coverage, and to VACORP for its general liability, commercial automotive, property, and crime coverage. The agreements for formation of the VMGSIA and VACORP provide that they will be self-sustaining through member premiums. Workers' compensation coverage provides the benefits as set forth in the Virginia Workers' Compensation Act. VACORP will reinsure through commercial insurance companies for claims in excess of \$250,000 for general liability, \$250,000 for automotive liability, and \$100,000 for property coverage.

The County carries commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 13—PENSION PLAN:

Plan Description

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

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

| RETIREMENT PLAN PROVISIONS | | |
|---|---|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>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. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. |

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—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"> • 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>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</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>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</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. <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. |

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|--|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p> | <p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p> | <p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</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 are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p> | <p>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 are paying the full 5% as of 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> |

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—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> |

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|---|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <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. 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 Same as Plan 1.</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. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <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. |

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—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 three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <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 NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—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>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</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>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions 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><u>Defined Contribution Component:</u> Not applicable.</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> |

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—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><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—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 The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><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. | <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><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 <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p> |

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—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 retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. | <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <p>Same as Plan 1.</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <p>Same as Plan 1 and Plan 2.</p> |
| <p>Disability Coverage</p> <p>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>Disability Coverage</p> <p>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>Disability Coverage</p> <p>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> |

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|--|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| Disability Coverage (Cont.) VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. | Disability Coverage (Cont.) VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. | Disability Coverage (Cont.) Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. |
| Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay. | Purchase of Prior Service Same as Plan 1. | Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <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. <u>Defined Contribution Component:</u> Not applicable. |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (Continued)

NOTE 13—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Primary Government</u> | <u>Component Unit School Board Nonprofessional</u> |
|--|-------------------------------|--|
| Inactive members or their beneficiaries currently receiving benefits | 73 | 25 |
| Inactive members: | | |
| Vested inactive members | 14 | 5 |
| Non-vested inactive members | 46 | 15 |
| Inactive members active elsewhere in VRS | 62 | 8 |
| Total inactive members | 122 | 28 |
| Active members | 195 | 50 |
| Total covered employees | 390 | 103 |

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2017 was 8.16% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$663,895 and \$772,792 for the years ended June 30, 2017 and June 30, 2016, respectively.

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (Continued)

NOTE 13—PENSION PLAN: (CONTINUED)

Contributions (Continued)

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 6.58% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$64,386 and \$106,016 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

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

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-LEOS:

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

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

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

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (Continued)

NOTE 13—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees

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

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees (Continued)

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

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COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—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 | 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%.

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—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, 2015 | \$ 29,921,222 | \$ 28,281,731 | \$ 1,639,491 |
| Changes for the year: | | | |
| Service cost | \$ 943,326 | \$ - | \$ 943,326 |
| Interest | 2,047,945 | - | 2,047,945 |
| Difference between expected and actual experience | (925,448) | - | (925,448) |
| Contributions - employer | - | 760,120 | (760,120) |
| Contributions - employee | - | 392,011 | (392,011) |
| Net investment income | - | 489,866 | (489,866) |
| Benefit payments, including refunds of employee contributions | (1,329,725) | (1,329,725) | - |
| Administrative expenses | - | (17,501) | 17,501 |
| Other changes | - | (209) | 209 |
| Net changes | \$ 736,098 | \$ 294,562 | \$ 441,536 |
| Balances at June 30, 2016 | \$ 30,657,320 | \$ 28,576,293 | \$ 2,081,027 |

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability

| | Component School Board (nonprofessional) | | |
|--|--|--|--|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2015 | \$ 3,624,556 | \$ 3,286,935 | \$ 337,621 |
| Changes for the year: | | | |
| Service cost | \$ 103,098 | \$ - | \$ 103,098 |
| Interest | 245,622 | - | 245,622 |
| Difference between expected and actual experience | (145,175) | - | (145,175) |
| Contributions - employer | - | 105,053 | (105,053) |
| Contributions - employee | - | 49,007 | (49,007) |
| Net investment income | - | 56,104 | (56,104) |
| Benefit payments, including refunds of employee contributions | (231,328) | (231,328) | - |
| Administrative expenses | - | (2,055) | 2,055 |
| Other changes | - | (24) | 24 |
| Net changes | \$ (27,783) | \$ (23,243) | \$ (4,540) |
| Balances at June 30, 2016 | \$ 3,596,773 | \$ 3,263,692 | \$ 333,081 |

Sensitivity of the Net Pension Liability (Asset) 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 (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

| | Rate | | |
|---|------------------------|-----------------------------|------------------------|
| | 1% Decrease (6.00%) | Current Discount (7.00%) | 1% Increase (8.00%) |
| County | | | |
| Net Pension Liability (Asset) | \$ 6,115,759 | \$ 2,081,027 | \$ (1,272,356) |
| Component Unit School Board (nonprofessional) | | | |
| Net Pension Liability (Asset) | 720,347 | 333,081 | 5,149 |

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2017, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$447,541 and \$47,080 respectively. At June 30, 2017, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Primary Government | | Component Unit School Board (nonprofessional) | |
|--|--------------------------------|-------------------------------|---|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 22,852 | \$ 699,177 | \$ 18,927 | \$ 98,344 |
| Net difference between projected and actual earnings on plan investments | 761,266 | - | 85,906 | - |
| Employer contributions subsequent to the measurement date | 663,895 | - | 64,386 | - |
| Total | \$ 1,448,013 | \$ 699,177 | \$ 169,219 | \$ 98,344 |

\$663,895 and \$64,386 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 year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30 | Primary Government | Component Unit School Board (nonprofessional) |
|--------------------|--------------------|---|
| 2018 | \$ (196,544) | \$ (27,404) |
| 2019 | (196,545) | (45,590) |
| 2020 | 201,791 | 45,243 |
| 2021 | 276,239 | 34,240 |
| 2022 | - | - |
| Thereafter | - | - |

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (Continued)

NOTE 13—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 school divisions 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, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 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, 2017. Contributions to the pension plan from the School Board were \$1,333,472 and \$1,274,940 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$16,607,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was .11850% as compared to .12128% at June 30, 2015.

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2017, the school division recognized pension expense of \$1,222,000. 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, 2017, 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 | \$ - | \$ 539,000 |
| Net difference between projected and actual earnings on pension investments | 949,000 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 710,000 |
| Employer contributions subsequent to the measurement date | <u>1,333,472</u> | <u>-</u> |
| Total | <u>\$ 2,282,472</u> | <u>\$ 1,249,000</u> |

\$1,333,472 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year ended June 30</u> | |
|---------------------------|--------------|
| 2018 | \$ (318,000) |
| 2019 | (318,000) |
| 2020 | 241,000 |
| 2021 | 162,000 |
| 2022 | (67,000) |
| Thereafter | - |

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (Continued)

NOTE 13—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, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

| | | <u>Teacher Employee Retirement Plan</u> |
|---|----|--|
| Total Pension Liability | \$ | 44,182,326 |
| Plan Fiduciary Net Position | | <u>30,168,211</u> |
| Employers' Net Pension Liability (Asset) | \$ | <u><u>14,014,115</u></u> |
| | | |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | | 68.28% |

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

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COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—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%.

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (Continued)

NOTE 13—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Discount Rate

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

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

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

| | Rate | | |
|---|---------------|------------------|-------------|
| | 1% Decrease | Current Discount | 1% Increase |
| | (6.00%) | (7.00%) | (8.00%) |
| School division's proportionate share of the VRS Teacher Employee Retirement Plan | | | |
| Net Pension Liability (Asset) \$ | 23,673,000 \$ | 16,607,000 \$ | 10,786,000 |

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 14—SURETY BONDS:

| | <u>Amount</u> |
|--|---------------|
| <u>Commonwealth of Virginia - Division of Risk Management - Surety</u> | |
| Travelers Casualty and Surety Company of America | |
| Traci W. Johnson, Clerk of the Circuit Court | \$ 500,000 |
| Cynthia S. Bradford, Treasurer | 400,000 |
| Charlene Gray, Commissioner of the Revenue | 3,000 |
| David L. Doughty, Jr., Sheriff | 30,000 |
| The above constitutional officers employees blanket bond | 50,000 |
| <u>Va CORP</u> | |
| Board of Supervisors | 1,000,000 |
| All County Employees | 250,000 |
| <u>Virginia Municipal League</u> | |
| All School Board Employees | 50,000 |
| <u>Northampton Insurance Agency</u> | |
| All Social Service Employees | 100,000 |

NOTE 15—OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:

Post-retirement Medical Plan for Employee

PRIMARY GOVERNMENT

A. Plan Description:

The County administers a single-employer defined benefit healthcare plan. The plan provides healthcare insurance for eligible retirees and coverage ceases at age 65. Retirees can continue the same medical coverage they had (including dependent coverage) as active employees. The plan was established under the authority of the Northampton County Board of Supervisors. There is no separate, audited, GAAP-basis postemployment benefit report available.

B. Funding Policy:

The County has elected to make an annual contribution equal to the Benefit Payments. This requires the use of an interest rate based on long term expected return on short term investments.

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 15-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (Continued)

Post-retirement Medical Plan for Employee (Continued)

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits was \$67,000 for fiscal year 2017. The annual estimated employer contributions for fiscal year 2017 were \$12,000.

The County has elected not to pre-fund OPEB liabilities. The funding policy of the County is to contribute to the plan the net claims paid during the year. The County is required to contribute 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 actually contributed to the plan, and the changes in the County's net OPEB obligation for the healthcare benefits:

| | | <u>Primary Government</u> |
|--|----|-------------------------------|
| Annual required contribution | \$ | 67,000 |
| Interest on net OPEB obligation | | 17,000 |
| Adjustment to annual required contribution | | (17,000) |
| Annual OPEB cost (expense) | \$ | 67,000 |
| Contributions made | | (12,000) |
| Increase in net OPEB obligation | | 55,000 |
| Net OPEB obligation-beginning of year | | 418,000 |
| Net OPEB obligation-end of year | \$ | <u>473,000</u> |

NOTE 15-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (Continued)Post-retirement Medical Plan for Employee (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 2017 and the two preceding years were as follows:

Three Year Trend Information for County

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|----------------------------------|-----------------------------|---|------------------------------------|
| County: | | | |
| 6/30/2015 | \$ 78,000 | 42.31% | \$ 369,000 |
| 6/30/2016 | 81,000 | 39.51% | 418,000 |
| 6/30/2017 | 67,000 | 17.91% | 473,000 |

D. Funded Status and Funding Progress:

As of July 1, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$742,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$742,000. The covered payroll (annual payroll of active employees covered by the plan) was \$7,101,000, and the ratio of the UAAL to the covered payroll was 10.45%.

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 trend information that shows 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 benefits costs between the employer and the 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 actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 15-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (Continued)

Post-retirement Medical Plan for Employee (Continued)

E. Actuarial Methods and Assumptions: (Continued)

In the July 1, 2016, most recent actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The open amortization method and a 30 year amortization period are being used. The remaining amortization period at July 1, 2016 was 30 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis.

The following additional simplifying assumptions were made:

Coverage Status and Age of Spouse - Actual coverage status is used; females assumed 3 years younger than male spouse.

45% of actives currently enrolled in the County's health care plan, will continue in the plan upon retiring. 25% of the spouses are assumed to continue their coverage into retirement. 100% of actives who become disabled are assumed to continue their coverage.

Demographic Assumptions - Demographic assumptions mirror those used for the pension plan, with adjustments made for actual experience of County employees. All employees are assumed to participate in the State of Virginia Retirement System.

Economic Assumptions - Medical Per Capita costs, Average Costs and premiums are assumed to increase 7.00% for Pre-Medicare coverage. This rate decreases 1% per year until an ultimate rate of 5.0% is reached. The general inflation rate is assumed to be 2.50%.

COMPONENT UNIT SCHOOL BOARD

A. Plan Description:

The School Board administers a single-employer defined benefit healthcare plan. The plan provides healthcare insurance for eligible retirees and coverage ceases at age 65. Retirees can continue the same medical coverage they had (including dependent coverage) as active employees. The plan was established under the authority of the Northampton County School Board. There is no separate audited GAAP-basis post-employment benefit plan report available.

B. Funding Policy:

The School Board has elected to make an annual contribution equal to the Benefit Payments. This requires the use of an interest rate based on long term expected return on short term investments.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)NOTE 15-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (Continued)Post-retirement Medical Plan for Employee (Continued)C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits was \$119,000 for fiscal year 2017. The annual employer contributions for fiscal year 2017 were \$118,000.

The School Board has elected not to pre-fund OPEB liabilities. The funding policy of the School Board is to contribute to the plan the net claims paid during the year. The School Board is required to contribute 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 actually contributed to the plan, and the changes in the School Board's net OPEB obligation for the healthcare benefits:

| | Component Unit School Board |
|--|-----------------------------------|
| Annual required contribution | \$ 120,000 |
| Interest on net OPEB obligation | 4,000 |
| Adjustment to annual required contribution | (5,000) |
| Annual OPEB cost (expense) | \$ 119,000 |
| Contributions made | (118,000) |
| Increase in net OPEB obligation | 1,000 |
| Net OPEB obligation-beginning of year | 112,000 |
| Net OPEB obligation-end of year | \$ 113,000 |

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

| <u>Three Year Trend Information for School Board</u> | | | |
|--|-----------------------------|---|------------------------------------|
| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
| Schools: | | | |
| 6/30/2015 | \$ 155,000 | 114.84% | \$ 107,000 |
| 6/30/2016 | 119,000 | 95.80% | 112,000 |
| 6/30/2017 | 119,000 | 99.16% | 113,000 |

NOTE 15-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (Continued)

Post-retirement Medical Plan for Employee (Continued)

D. Funded Status and Funding Progress:

As of July 1, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$1,448,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,448,000. The covered payroll (annual payroll of active employees covered by the plan) was \$8,731,000, and the ratio of the UAAL to the covered payroll was 16.58%.

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 trend information that shows 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 the benefits cost between the employer and the 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.

In the July 1, 2015, most recent actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The open amortization method and a 30 year amortization period are being used. The remaining amortization period at July 1, 2015 was 30 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis.

The following additional simplifying assumptions were made:

Coverage Status and Age of Spouse - Actual coverage status is used; females assumed 3 years younger than male spouse.

57% of actives currently enrolled in the County's health care plan, are assumed to elect coverage at retirement. 17.50% of the spouses are assumed to continue their coverage into retirement. 100% of actives who become disabled are assumed to continue their coverage, and 15% of the active participants' spouses are assumed to elect coverage until they are eligible for Medicare.

Demographic Assumptions - Demographic assumptions mirror those used for the pension plan, with adjustments made for actual experience of County employees. All employees are assumed to participate in the State of Virginia Retirement System.

NOTE 15-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (Continued)

Post-retirement Medical Plan for Employee (Continued)

E. Actuarial Methods and Assumptions: (Continued)

Economic Assumptions - Medical Per Capita costs, Average Costs and premiums are assumed to increase 8.00% for Pre-Medicare coverage in 2016. This rate decreases 1% per year until an ultimate rate of 5.0% is reached. The general inflation rate is assumed to be 2.50%.

Health Insurance Credit Program Through Virginia Retirement System

Professional Employees - Discretely Presented Component Unit School Board

A. Plan Description:

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. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

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.

B. Funding Policy

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 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2017, June 30, 2016, and June 30, 2015 were \$100,912, \$95,753, and \$95,840, respectively, and equaled the required contributions for the year.

The Retiree Health Insurance Credit benefit is based on a member's eligibility and his or her years of service. The monthly maximum credit amount cannot exceed the member's actual health insurance premium costs. The actuarially valuation for this plan assumes the maximum credit is payable for each eligible member. Since this benefit is a flat dollar amount multiplied by years of service and the maximum benefit is assumed, no assumption relating to healthcare cost trend rates is needed or applied.

NOTE 16-UPCOMING PRONOUNCEMENTS:

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

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

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

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

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

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

COUNTY OF NORTHAMPTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 16-UPCOMING PRONOUNCEMENTS: (CONTINUED)

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

REQUIRED SUPPLEMENTARY INFORMATION

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General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|---|-----------------------|-----------------------|-----------------------|---|
| | Original | Final | Amounts | |
| REVENUES | | | | |
| General property taxes | \$ 17,532,194 | \$ 17,532,194 | \$ 18,039,197 | \$ 507,003 |
| Other local taxes | 2,637,740 | 2,637,740 | 2,776,606 | 138,866 |
| Permits, privilege fees, and regulatory licenses | 120,400 | 120,400 | 167,599 | 47,199 |
| Fines and forfeitures | 510,000 | 587,671 | 553,690 | (33,981) |
| Revenue from the use of money and property | 12,050 | 12,050 | 25,032 | 12,982 |
| Charges for services | 900,385 | 1,030,402 | 1,131,057 | 100,655 |
| Miscellaneous | 3,000 | 115,679 | 334,855 | 219,176 |
| Recovered costs | 182,497 | 206,310 | 320,237 | 113,927 |
| Intergovernmental: | | | | |
| Commonwealth | 3,754,407 | 3,953,876 | 3,828,403 | (125,473) |
| Federal | 33,500 | 34,945 | 94,040 | 59,095 |
| Total revenues | <u>\$ 25,686,173</u> | <u>\$ 26,231,267</u> | <u>\$ 27,270,716</u> | <u>\$ 1,039,449</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 2,364,579 | \$ 2,372,617 | \$ 2,109,381 | \$ 263,236 |
| Judicial administration | 695,367 | 701,865 | 689,380 | 12,485 |
| Public safety | 4,612,309 | 5,320,624 | 5,101,648 | 218,976 |
| Public works | 2,222,102 | 2,326,461 | 2,262,325 | 64,136 |
| Health and welfare | 597,340 | 597,340 | 561,040 | 36,300 |
| Education | 8,738,800 | 8,739,800 | 8,739,800 | - |
| Parks, recreation, and cultural | 410,692 | 409,676 | 376,247 | 33,429 |
| Community development | 1,171,710 | 1,217,538 | 988,099 | 229,439 |
| Total expenditures | <u>\$ 20,812,899</u> | <u>\$ 21,685,921</u> | <u>\$ 20,827,920</u> | <u>\$ 858,001</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 4,873,274</u> | <u>\$ 4,545,346</u> | <u>\$ 6,442,796</u> | <u>\$ 1,897,450</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 77,421 | \$ 141,874 | \$ 292,823 | \$ 150,949 |
| Transfers out | (4,950,695) | (4,950,704) | (4,961,810) | (11,106) |
| Total other financing sources (uses) | <u>\$ (4,873,274)</u> | <u>\$ (4,808,830)</u> | <u>\$ (4,668,987)</u> | <u>\$ 139,843</u> |
| Net change in fund balances | \$ - | \$ (263,484) | \$ 1,773,809 | \$ 2,037,293 |
| Fund balances - beginning | - | 383,088 | 7,831,112 | 7,448,024 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 119,604</u> | <u>\$ 9,604,921</u> | <u>\$ 9,485,317</u> |

Eastern Shore Regional Jail Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2017

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-------------------------|-----------------------|-----------------------|-----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget -</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| REVENUES | | | | |
| Charges for services | \$ 14,500 | \$ 14,500 | \$ 10,112 | \$ (4,388) |
| Recovered costs | 1,500 | 1,500 | 2,080 | 580 |
| Intergovernmental: | | | | |
| Commonwealth | 2,185,556 | 2,185,556 | 2,138,121 | (47,435) |
| Total revenues | <u>\$ 2,201,556</u> | <u>\$ 2,201,556</u> | <u>\$ 2,150,313</u> | <u>\$ (51,243)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | \$ 3,706,375 | \$ 3,672,301 | \$ 3,634,201 | \$ 38,100 |
| Total expenditures | <u>\$ 3,706,375</u> | <u>\$ 3,672,301</u> | <u>\$ 3,634,201</u> | <u>\$ 38,100</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (1,504,819)</u> | <u>\$ (1,470,745)</u> | <u>\$ (1,483,888)</u> | <u>\$ (13,143)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 1,504,819 | \$ 1,504,819 | \$ 1,515,925 | \$ 11,106 |
| Transfers out | - | (32,037) | (32,037) | - |
| Total other financing sources (uses) | <u>1,504,819</u> | <u>1,472,782</u> | <u>1,483,888</u> | <u>11,106</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ 2,037</u> | <u>\$ -</u> | <u>\$ (2,037)</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 2,037</u> | <u>\$ -</u> | <u>\$ (2,037)</u> |

Schedule of OPEB Funding Progress
For the Year Ended June 30, 2017

Primary Government:

County Retiree Health Plan:

| Actuarial Valuation Date | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability | Funded Ratio | Covered Payroll | UAAL as Percentage of Covered Payroll |
|--------------------------------|--|--|--|-----------------|--------------------|--|
| 7/1/2008 | \$ - | \$ 524,000 | \$ 524,000 | 0.00% | \$ 5,795,000 | 9.04% |
| 6/1/2011 | - | 630,000 | 630,000 | 0.00% | 6,492,000 | 9.70% |
| 7/1/2013 | - | 789,000 | 789,000 | 0.00% | 7,379,000 | 10.69% |
| 7/1/2016 | - | 742,000 | 742,000 | 0.00% | 7,101,000 | 10.45% |

Discretely Presented Component Unit:

School Board Retiree Health Plan:

| Actuarial Valuation Date | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability | Funded Ratio | Covered Payroll | UAAL as Percentage of Covered Payroll |
|--------------------------------|--|--|--|-----------------|--------------------|--|
| 7/1/2008 | \$ - | \$ 1,820,000 | \$ 1,820,000 | 0.00% | \$ 9,592,000 | 18.97% |
| 6/1/2011 | - | 2,126,000 | 2,126,000 | 0.00% | 10,091,000 | 21.07% |
| 7/1/2013 | - | 2,016,000 | 2,016,000 | 0.00% | 8,704,000 | 23.16% |
| 7/1/2015 | - | 1,448,000 | 1,448,000 | 0.00% | 8,731,000 | 16.58% |

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

| | 2016 | 2015 | 2014 |
|--|----------------------|----------------------|----------------------|
| Total pension liability | | | |
| Service cost | \$ 943,326 | \$ 926,204 | \$ 925,228 |
| Interest | 2,047,945 | 1,926,687 | 1,805,167 |
| Difference between expected and actual experience | (925,448) | 43,818 | - |
| Benefit payments, including refunds of employee contributions | (1,329,725) | (999,177) | (989,616) |
| Net change in total pension liability | \$ 736,098 | \$ 1,897,532 | \$ 1,740,779 |
| Total pension liability - beginning | 29,921,222 | 28,023,690 | 26,282,911 |
| Total pension liability - ending (a) | <u>\$ 30,657,320</u> | <u>\$ 29,921,222</u> | <u>\$ 28,023,690</u> |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 760,120 | \$ 773,751 | \$ 811,390 |
| Contributions - employee | 392,011 | 400,292 | 397,922 |
| Net investment income | 489,866 | 1,239,556 | 3,653,770 |
| Benefit payments, including refunds of employee contributions | (1,329,725) | (999,177) | (989,616) |
| Administrative expense | (17,501) | (16,542) | (19,324) |
| Other | (209) | (261) | 192 |
| Net change in plan fiduciary net position | \$ 294,562 | \$ 1,397,619 | \$ 3,854,334 |
| Plan fiduciary net position - beginning | 28,281,731 | 26,884,112 | 23,029,778 |
| Plan fiduciary net position - ending (b) | <u>\$ 28,576,293</u> | <u>\$ 28,281,731</u> | <u>\$ 26,884,112</u> |
| County's net pension liability - ending (a) - (b) | \$ 2,081,027 | \$ 1,639,491 | \$ 1,139,578 |
| Plan fiduciary net position as a percentage of the total pension liability | 93.21% | 94.52% | 95.93% |
| Covered payroll | \$ 8,016,513 | \$ 8,079,121 | \$ 7,965,906 |
| County's net pension liability as a percentage of covered payroll | 25.96% | 20.29% | 14.31% |

Schedule is intended to show information for 10 years. Since 2014 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

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

| | 2016 | 2015 | 2014 |
|--|---------------------|---------------------|---------------------|
| Total pension liability | | | |
| Service cost | \$ 103,098 | \$ 103,369 | \$ 61,828 |
| Interest | 245,622 | 234,428 | 231,160 |
| Difference between expected and actual experience | (145,175) | 56,039 | - |
| Benefit payments, including refunds of employee contributions | (231,328) | (236,505) | (256,107) |
| Net change in total pension liability | \$ (27,783) | \$ 157,331 | \$ 36,881 |
| Total pension liability - beginning | 3,624,556 | 3,467,225 | 3,430,344 |
| Total pension liability - ending (a) | <u>\$ 3,596,773</u> | <u>\$ 3,624,556</u> | <u>\$ 3,467,225</u> |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 105,053 | \$ 105,888 | \$ 115,410 |
| Contributions - employee | 49,007 | 49,513 | 52,929 |
| Net investment income | 56,104 | 144,460 | 443,203 |
| Benefit payments, including refunds of employee contributions | (231,328) | (236,505) | (256,107) |
| Administrative expense | (2,055) | (2,034) | (2,446) |
| Other | (24) | (32) | 23 |
| Net change in plan fiduciary net position | \$ (23,243) | \$ 61,290 | \$ 353,012 |
| Plan fiduciary net position - beginning | 3,286,935 | 3,225,645 | 2,872,633 |
| Plan fiduciary net position - ending (b) | <u>\$ 3,263,692</u> | <u>\$ 3,286,935</u> | <u>\$ 3,225,645</u> |
| School Division's net pension liability - ending (a) - (b) | \$ 333,081 | \$ 337,621 | \$ 241,580 |
| Plan fiduciary net position as a percentage of the total pension liability | 90.74% | 90.69% | 93.03% |
| Covered payroll | \$ 980,718 | \$ 986,149 | \$ 946,087 |
| School Division's net pension liability as a percentage of covered payroll | 33.96% | 34.24% | 25.53% |

Schedule is intended to show information for 10 years. Since 2014 is the first year for this presentation, no other data is 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 Years Ended June 30, 2015 through June 30, 2017

| | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|
| Employer's Proportion of the Net Pension Liability (Asset) | 0.11850% | 0.12128% | 0.12418% |
| Employer's Proportionate Share of the Net Pension Liability (Asset) | \$ 16,607,000 | \$ 15,265,000 | \$ 15,007,000 |
| Employer's Covered Payroll | 9,067,859 | 8,777,441 | 9,085,111 |
| Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 183.14% | 173.91% | 165.18% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 68.28% | 70.68% | 70.88% |

Schedule is intended to show information for 10 years. Since 2014 is the first year for this presentation, no other data is 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 Years Ended June 3, 2008 through June 30, 2017

| 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 | | | | | |
| 2017 | \$ 663,895 | \$ 663,895 | \$ - | \$ 8,135,972 | 8.16% |
| 2016 | 772,792 | 772,792 | - | 8,016,513 | 9.64% |
| 2015 | 778,827 | 778,827 | - | 8,079,121 | 9.64% |
| 2014 | 810,929 | 810,929 | - | 7,965,906 | 10.18% |
| 2013 | 754,313 | 754,313 | - | 7,409,752 | 10.18% |
| 2012 | 529,121 | 529,121 | - | 6,731,824 | 7.86% |
| 2011 | 511,997 | 511,997 | - | 6,513,952 | 7.86% |
| 2010 | 498,328 | 498,328 | - | 6,697,955 | 7.44% |
| 2009 | 507,920 | 507,920 | - | 6,826,880 | 7.44% |
| 2008 | 341,216 | 341,216 | - | 6,677,418 | 5.11% |
| Component Unit School Board (nonprofessional) | | | | | |
| 2017 | \$ 64,386 | \$ 64,386 | \$ - | \$ 978,504 | 6.58% |
| 2016 | 106,016 | 106,016 | - | 980,718 | 10.81% |
| 2015 | 106,603 | 106,603 | - | 986,149 | 10.81% |
| 2014 | 115,044 | 115,044 | - | 946,087 | 12.16% |
| 2013 | 72,860 | 72,860 | - | 599,176 | 12.16% |
| 2012 | 42,758 | 42,758 | - | 606,497 | 7.05% |
| 2011 | 43,276 | 43,276 | - | 613,847 | 7.05% |
| 2010 | 42,079 | 42,079 | - | 627,109 | 6.71% |
| 2009 | 41,422 | 41,422 | - | 617,323 | 6.71% |
| 2008 | 70,979 | 70,979 | - | 1,015,438 | 6.99% |
| Component Unit School Board (professional) | | | | | |
| 2017 | \$ 1,333,472 | \$ 1,333,472 | \$ - | \$ 9,282,121 | 14.66% |
| 2016 | 1,274,941 | 1,274,941 | - | 9,067,859 | 14.06% |
| 2015 | 1,272,729 | 1,272,729 | - | 8,777,441 | 14.50% |
| 2014 | 1,059,324 | 1,059,324 | - | 9,085,111 | 11.66% |
| 2013 | 1,057,393 | 1,057,393 | - | 9,068,551 | 11.66% |
| 2012 | 579,023 | 579,023 | - | 9,147,283 | 6.33% |
| 2011 | 380,946 | 380,946 | - | 9,693,282 | 3.93% |
| 2010 (1) | 630,049 | 630,049 | - | 9,535,361 | 8.81% |
| 2009 | 917,574 | 917,574 | - | 10,415,142 | 8.81% |
| 2008 | 1,117,268 | 1,117,268 | - | 10,847,262 | 10.30% |

Notes:

(1) In Fiscal year 2010, the School Board (professional) contributed 8.81% for July 2009 through March 2010 and 0.00% for April through June 2010.

Current year contributions are from County records and prior year contributions are from the VRS actuarial valuation performed each year.

Notes to Required Supplementary Information
For the Year Ended June 30, 2017

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

OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL STATEMENTS
AND SCHEDULES*

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Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2017

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|-----------------------|-----------------------|-----------------------|---|
| | Original | Final | Actual Amounts | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ - | \$ - | \$ 82,405 | \$ 82,405 |
| Recovered costs | 161,139 | 161,139 | 161,139 | - |
| Total revenues | <u>\$ 161,139</u> | <u>\$ 161,139</u> | <u>\$ 243,544</u> | <u>\$ 82,405</u> |
| EXPENDITURES | | | | |
| Debt service: | | | | |
| Principal retirement | \$ 2,045,025 | \$ 2,045,025 | \$ 1,822,131 | \$ 222,894 |
| Interest and other fiscal charges | 1,055,396 | 1,055,405 | 1,054,591 | 814 |
| Total expenditures | <u>\$ 3,100,421</u> | <u>\$ 3,100,430</u> | <u>\$ 2,876,722</u> | <u>\$ 223,708</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (2,939,282)</u> | <u>\$ (2,939,291)</u> | <u>\$ (2,633,178)</u> | <u>\$ 306,113</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>\$ 2,620,319</u> | <u>\$ 2,620,328</u> | <u>\$ 2,620,328</u> | <u>\$ -</u> |
| Total other financing sources (uses) | <u>\$ 2,620,319</u> | <u>\$ 2,620,328</u> | <u>\$ 2,620,328</u> | <u>\$ -</u> |
| Net change in fund balances | \$ (318,963) | \$ (318,963) | \$ (12,850) | \$ 306,113 |
| Fund balances - beginning | 318,963 | 318,963 | 3,531,671 | 3,212,708 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,518,821</u> | <u>\$ 3,518,821</u> |

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Capital Projects Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2017

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|------------------|--------------|-------------------|---|
| | Original | Final | Actual Amounts | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ - | \$ 718,638 | \$ - | \$ (718,638) |
| Miscellaneous | - | 7,942 | 2,144 | (5,798) |
| Intergovernmental: | | | | |
| Local government | - | - | 1,073,637 | 1,073,637 |
| Federal | - | 92,064 | 22,010 | (70,054) |
| Total revenues | \$ - | \$ 818,644 | \$ 1,097,791 | \$ 279,147 |
| EXPENDITURES | | | | |
| Capital projects | \$ 300,000 | \$ 1,133,387 | \$ 131,464 | \$ 1,001,923 |
| Debt service: | | | | |
| Interest and other fiscal charges | - | 2 | - | 2 |
| Total expenditures | \$ 300,000 | \$ 1,133,389 | \$ 131,464 | \$ 1,001,925 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (300,000) | \$ (314,745) | \$ 966,327 | \$ 1,281,072 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 300,000 | \$ 300,000 | 300,000 | \$ - |
| Total other financing sources (uses) | \$ 300,000 | \$ 300,000 | \$ 300,000 | \$ - |
| Net change in fund balances | \$ - | \$ (14,745) | \$ 1,266,327 | \$ 1,281,072 |
| Fund balances - beginning | - | 2,311,965 | 4,956,361 | 2,644,396 |
| Fund balances - ending | \$ - | \$ 2,297,220 | \$ 6,222,688 | \$ 3,925,468 |

COUNTY OF NORTHAMPTON, VIRGINIA

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

| | Virginia Public Assistance Fund | Forfeited Asset Sharing Fund | Purchase of Development Rights Fund |
|---|--|---------------------------------------|--|
| | | | |
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ 78,747 | \$ 11,446 |
| Receivables (net of allowance for uncollectibles): | | | |
| Due from other governmental units | 180,395 | - | - |
| Total assets | <u>\$ 180,395</u> | <u>\$ 78,747</u> | <u>\$ 11,446</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 36,768 | \$ - | \$ - |
| Accrued liabilities | 61,545 | - | - |
| Reconciled overdraft payable | 82,082 | - | - |
| Total liabilities | <u>\$ 180,395</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balances: | | | |
| Restricted | \$ - | \$ 78,747 | \$ 11,446 |
| Assigned | - | - | - |
| Unassigned | - | - | - |
| Total fund balances | <u>\$ -</u> | <u>\$ 78,747</u> | <u>\$ 11,446</u> |
| Total liabilities and fund balances | <u>\$ 180,395</u> | <u>\$ 78,747</u> | <u>\$ 11,446</u> |

| CDBG Projects Fund | HMGP Home Elevation Project Fund | Parks and Recreation Project Fund | Harbor Improvement Fund | ES 911 Grant Fund | Total |
|--------------------------|---|--|-------------------------------|-------------------------|-------------------|
| \$ 46,317 | \$ 4,615 | \$ - | \$ 150,963 | \$ - | \$ 292,088 |
| - | - | 59,725 | - | - | 240,120 |
| \$ <u>46,317</u> | \$ <u>4,615</u> | \$ <u>59,725</u> | \$ <u>150,963</u> | \$ <u>-</u> | \$ <u>532,208</u> |
| \$ 3,339 | \$ - | \$ - | \$ 8,683 | \$ - | \$ 48,790 |
| - | - | - | - | - | 61,545 |
| - | - | 230,581 | - | 22,010 | 334,673 |
| \$ <u>3,339</u> | \$ <u>-</u> | \$ <u>230,581</u> | \$ <u>8,683</u> | \$ <u>22,010</u> | \$ <u>445,008</u> |
| \$ 42,978 | \$ 4,615 | \$ - | \$ - | \$ - | \$ 137,786 |
| - | - | - | 142,280 | - | 142,280 |
| - | - | (170,856) | - | (22,010) | (192,866) |
| \$ <u>42,978</u> | \$ <u>4,615</u> | \$ <u>(170,856)</u> | \$ <u>142,280</u> | \$ <u>(22,010)</u> | \$ <u>87,200</u> |
| \$ <u>46,317</u> | \$ <u>4,615</u> | \$ <u>59,725</u> | \$ <u>150,963</u> | \$ <u>-</u> | \$ <u>532,208</u> |

COUNTY OF NORTHAMPTON, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

| | Virginia Public Assistance Fund | Forfeited Asset Sharing Fund | Purchase of Development Rights Fund |
|--|---------------------------------------|------------------------------------|--|
| REVENUES | | | |
| Charges for services | \$ - | \$ - | \$ - |
| Miscellaneous | 5,383 | - | - |
| Intergovernmental: | | | |
| Commonwealth | 591,638 | 1,215 | - |
| Federal | 1,395,212 | - | - |
| Total revenues | <u>\$ 1,992,233</u> | <u>\$ 1,215</u> | <u>\$ -</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Health and welfare | \$ 2,252,783 | \$ - | \$ - |
| Capital projects | - | - | - |
| Total expenditures | <u>\$ 2,252,783</u> | <u>\$ -</u> | <u>\$ -</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (260,550)</u> | <u>\$ 1,215</u> | <u>\$ -</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | \$ 485,057 | \$ - | \$ - |
| Transfers out | (224,507) | (32,416) | - |
| Total other financing sources (uses) | <u>\$ 260,550</u> | <u>\$ (32,416)</u> | <u>\$ -</u> |
| Net change in fund balances | \$ - | \$ (31,201) | \$ - |
| Fund balances - beginning | - | 109,948 | 11,446 |
| Fund balances - ending | <u><u>\$ -</u></u> | <u><u>\$ 78,747</u></u> | <u><u>\$ 11,446</u></u> |

| CDBG Projects Fund | HMGP Home Elevation Project Fund | Parks and Recreation Project Fund | Harbor Improvement Fund | ES 911 Grant Fund | Total |
|--------------------------|---|--|-------------------------------|-------------------------|--------------|
| \$ - | \$ - | \$ - | \$ 3,900 | \$ - | \$ 3,900 |
| 5,327 | - | - | - | - | 10,710 |
| - | - | - | - | - | 592,853 |
| - | - | - | - | 20,990 | 1,416,202 |
| \$ 5,327 | \$ - | \$ - | \$ 3,900 | \$ 20,990 | \$ 2,023,665 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,252,783 |
| - | - | - | 22,598 | 22,010 | 44,608 |
| \$ - | \$ - | \$ - | \$ 22,598 | \$ 22,010 | \$ 2,297,391 |
| \$ 5,327 | \$ - | \$ - | \$ (18,698) | \$ (1,020) | \$ (273,726) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 485,057 |
| - | - | - | - | - | (256,923) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 228,134 |
| \$ 5,327 | \$ - | \$ - | \$ (18,698) | \$ (1,020) | \$ (45,592) |
| 37,651 | 4,615 | (170,856) | 160,978 | (20,990) | 132,792 |
| \$ 42,978 | \$ 4,615 | \$ (170,856) | \$ 142,280 | \$ (22,010) | \$ 87,200 |

COUNTY OF NORTHAMPTON, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

| | Virginia Public Assistance Fund | | | |
|--|---------------------------------|---------------------|---------------------|---|
| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - |
| Miscellaneous | - | - | 5,383 | 5,383 |
| Intergovernmental: | | | | |
| Commonwealth | 805,264 | 805,264 | 591,638 | (213,626) |
| Federal | 1,210,364 | 1,210,364 | 1,395,212 | 184,848 |
| Total revenues | <u>\$ 2,015,628</u> | <u>\$ 2,015,628</u> | <u>\$ 1,992,233</u> | <u>\$ (23,395)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Health and welfare | \$ 2,431,021 | \$ 2,431,021 | \$ 2,252,783 | \$ 178,238 |
| Community development | - | - | - | - |
| Capital projects | - | - | - | - |
| Total expenditures | <u>\$ 2,431,021</u> | <u>\$ 2,431,021</u> | <u>\$ 2,252,783</u> | <u>\$ 178,238</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (415,393)</u> | <u>\$ (415,393)</u> | <u>\$ (260,550)</u> | <u>\$ 154,843</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 485,057 | \$ 485,057 | \$ 485,057 | \$ - |
| Transfers out | (69,664) | (69,664) | (224,507) | (154,843) |
| Total other financing sources (uses) | <u>\$ 415,393</u> | <u>\$ 415,393</u> | <u>\$ 260,550</u> | <u>\$ (154,843)</u> |
| Net change in fund balances | \$ - | \$ - | \$ - | \$ - |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

| Forfeited Asset Sharing Fund | | | | Purchase of Development Rights Fund | | | |
|------------------------------|-------------|-------------|---|-------------------------------------|-------|-----------|---|
| Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
| Original | Final | | | Original | Final | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| - | 345 | 1,215 | 870 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| \$ - | \$ 345 | \$ 1,215 | \$ 870 | \$ - | \$ - | \$ - | \$ - |
| | | | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | | | | | | |
| \$ - | \$ 345 | \$ 1,215 | \$ 870 | \$ - | \$ - | \$ - | \$ - |
| | | | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | (32,416) | (32,416) | - | - | - | - | - |
| \$ - | \$ (32,416) | \$ (32,416) | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | | | | | | |
| \$ - | \$ (32,071) | \$ (31,201) | \$ 870 | \$ - | \$ - | \$ - | \$ - |
| - | 32,416 | 109,948 | 77,532 | - | - | 11,446 | 11,446 |
| \$ - | \$ 345 | \$ 78,747 | \$ 78,402 | \$ - | \$ - | \$ 11,446 | \$ 11,446 |

COUNTY OF NORTHAMPTON, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

| CDBG Projects Fund | | | | |
|--|------------------|--------------|-----------|---|
| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - |
| Miscellaneous | - | 35,800 | 5,327 | (30,473) |
| Intergovernmental: | | | | |
| Commonwealth | - | - | - | - |
| Federal | - | 249,030 | - | (249,030) |
| Total revenues | \$ - | \$ 284,830 | \$ 5,327 | \$ (279,503) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Health and welfare | \$ - | \$ - | \$ - | \$ - |
| Community development | - | 418,854 | - | 418,854 |
| Capital projects | - | - | - | - |
| Total expenditures | \$ - | \$ 418,854 | \$ - | \$ 418,854 |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ (134,024) | \$ 5,327 | \$ 139,351 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ - | \$ - | \$ - | \$ - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | \$ - | \$ - | \$ - | \$ - |
| Net change in fund balances | \$ - | \$ (134,024) | \$ 5,327 | \$ 139,351 |
| Fund balances - beginning | - | 134,024 | 37,651 | (96,373) |
| Fund balances - ending | \$ - | \$ - | \$ 42,978 | \$ 42,978 |

| HMGP Home Elevation Project Fund | | | | Parks and Recreation Project Fund | | | |
|----------------------------------|--------------------|-------------|---|-----------------------------------|-------------------|---------------------|---|
| Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
| Original | Final | | | Original | Final | | |
| \$ - | \$ 38,223 | \$ - | \$ (38,223) | \$ - | \$ - | \$ - | \$ - |
| - | 44,356 | - | (44,356) | - | - | - | - |
| - | 364,609 | - | (364,609) | - | 187,777 | - | (187,777) |
| <u>\$ -</u> | <u>\$ 447,188</u> | <u>\$ -</u> | <u>\$ (447,188)</u> | <u>\$ -</u> | <u>\$ 187,777</u> | <u>\$ -</u> | <u>\$ (187,777)</u> |
| | | | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | 471,576 | - | 471,576 | - | - | - | - |
| - | - | - | - | - | 35,053 | - | 35,053 |
| <u>\$ -</u> | <u>\$ 471,576</u> | <u>\$ -</u> | <u>\$ 471,576</u> | <u>\$ -</u> | <u>\$ 35,053</u> | <u>\$ -</u> | <u>\$ 35,053</u> |
| | | | | | | | |
| <u>\$ -</u> | <u>\$ (24,388)</u> | <u>\$ -</u> | <u>\$ 24,388</u> | <u>\$ -</u> | <u>\$ 152,724</u> | <u>\$ -</u> | <u>\$ (152,724)</u> |
| | | | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | | | | |
| \$ - | \$ (24,388) | \$ - | \$ 24,388 | \$ - | \$ 152,724 | \$ - | \$ (152,724) |
| - | - | - | - | - | - | (170,856) | (170,856) |
| <u>\$ -</u> | <u>\$ (24,388)</u> | <u>\$ -</u> | <u>\$ 24,388</u> | <u>\$ -</u> | <u>\$ 152,724</u> | <u>\$ (170,856)</u> | <u>\$ (323,580)</u> |

COUNTY OF NORTHAMPTON, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2017

| Harbor Improvement Fund | | | | |
|---|-------------------|--------------------|--------------------|---|
| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ 15,150 | \$ 15,150 | \$ 3,900 | \$ (11,250) |
| Miscellaneous | - | - | - | - |
| Intergovernmental: | | | | |
| Commonwealth | - | - | - | - |
| Federal | - | - | - | - |
| Total revenues | <u>\$ 15,150</u> | <u>\$ 15,150</u> | <u>\$ 3,900</u> | <u>\$ (11,250)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Health and welfare | \$ - | \$ - | \$ - | \$ - |
| Community development | - | - | - | - |
| Capital projects | 20,000 | 62,295 | 22,598 | 39,697 |
| Total expenditures | <u>\$ 20,000</u> | <u>\$ 62,295</u> | <u>\$ 22,598</u> | <u>\$ 39,697</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (4,850)</u> | <u>\$ (47,145)</u> | <u>\$ (18,698)</u> | <u>\$ 28,447</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ - | \$ - | \$ - | \$ - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net change in fund balances | \$ (4,850) | \$ (47,145) | \$ (18,698) | \$ 28,447 |
| Fund balances - beginning | 4,850 | 47,145 | 160,978 | 113,833 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 142,280</u> | <u>\$ 142,280</u> |

| ES 911 Grant Fund | | | | |
|-------------------|-------------|-------------|---|---|
| Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) | |
| Original | Final | | | |
| \$ - | \$ - | \$ - | \$ - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | 20,990 | 20,990 | - |
| \$ - | \$ - | \$ 20,990 | \$ 20,990 | - |
| | | | | |
| \$ - | \$ - | \$ - | \$ - | - |
| - | - | - | - | - |
| - | 22,011 | 22,010 | 1 | - |
| \$ - | \$ 22,011 | \$ 22,010 | \$ 1 | - |
| | | | | |
| \$ - | \$ (22,011) | \$ (1,020) | \$ 20,991 | - |
| | | | | |
| \$ - | \$ 105,000 | \$ - | \$ (105,000) | - |
| - | - | - | - | - |
| \$ - | \$ 105,000 | \$ - | \$ (105,000) | - |
| | | | | |
| \$ - | \$ 82,989 | \$ (1,020) | \$ (84,009) | - |
| - | - | (20,990) | (20,990) | - |
| \$ - | \$ 82,989 | \$ (22,010) | \$ (104,999) | - |

COUNTY OF NORTHAMPTON, VIRGINIA

Combining Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

| | IDA Operating Fund | Virginia Broadband Authority Fund | Special Welfare Fund |
|--|-----------------------------|--|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 127,607 | \$ - | \$ 235,251 |
| Investments | - | - | - |
| Accounts receivable | - | 57,008 | - |
| Total assets | <u>\$ 127,607</u> | <u>\$ 57,008</u> | <u>\$ 235,251</u> |
| LIABILITIES | | | |
| Accounts payable | \$ - | 7,451 | \$ - |
| Accrued liabilities | - | 11,829 | - |
| Reconciled overdraft payable | - | 87,309 | - |
| Amounts held for social services clients | - | - | 235,251 |
| Amounts held for others | 127,607 | (49,581) | - |
| Total liabilities | <u>\$ 127,607</u> | <u>\$ 57,008</u> | <u>\$ 235,251</u> |

| NC Tourism Commission Fund | 911 Capital Fund | 911 Operating Fund | Building Inspection Fees Fund | Total |
|----------------------------------|------------------------|--------------------------|--|-------------------|
| \$ 89,832 | \$ 38,155 | \$ 92,290 | \$ 2,336 | \$ 585,471 |
| - | 1,571 | - | - | 1,571 |
| - | - | 42,685 | - | 99,693 |
| <u>\$ 89,832</u> | <u>\$ 39,726</u> | <u>\$ 134,975</u> | <u>\$ 2,336</u> | <u>\$ 686,735</u> |
| \$ - | \$ 158 | \$ 20,797 | \$ - | \$ 28,406 |
| - | - | 24,350 | 2,246 | 38,425 |
| - | - | - | - | 87,309 |
| - | - | - | - | 235,251 |
| 89,832 | 39,568 | 89,828 | 90 | 297,344 |
| <u>\$ 89,832</u> | <u>\$ 39,726</u> | <u>\$ 134,975</u> | <u>\$ 2,336</u> | <u>\$ 686,735</u> |

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

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|---|---------------------------------|-------------------|-------------------|---------------------------|
| IDA Operating Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 87,961 | \$ 40,146 | \$ 500 | \$ 127,607 |
| Total assets | <u>\$ 87,961</u> | <u>\$ 40,146</u> | <u>\$ 500</u> | <u>\$ 127,607</u> |
| Liabilities: | | | | |
| Amounts held for others | <u>\$ 87,961</u> | <u>\$ 40,146</u> | <u>\$ 500</u> | <u>\$ 127,607</u> |
| Virginia Broadband Authority Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ - | \$ 430,962 | \$ 430,962 | \$ - |
| Accounts receivable | 46,416 | 57,008 | 46,416 | 57,008 |
| Total assets | <u>\$ 46,416</u> | <u>\$ 487,970</u> | <u>\$ 477,378</u> | <u>\$ 57,008</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 10,649 | \$ 7,451 | \$ 10,649 | \$ 7,451 |
| Accrued liabilities | 16,548 | 11,829 | 16,548 | 11,829 |
| Amounts held for others | (37,664) | 381,381 | 393,298 | (49,581) |
| Reconciled overdraft payable | 56,883 | 87,309 | 56,883 | 87,309 |
| Total liabilities | <u>\$ 46,416</u> | <u>\$ 487,970</u> | <u>\$ 477,378</u> | <u>\$ 57,008</u> |
| Special Welfare Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 173,155 | \$ 198,789 | \$ 136,693 | \$ 235,251 |
| Total assets | <u>\$ 173,155</u> | <u>\$ 198,789</u> | <u>\$ 136,693</u> | <u>\$ 235,251</u> |
| Liabilities: | | | | |
| Amounts held for social services clients | \$ 173,155 | \$ 198,789 | \$ 136,693 | \$ 235,251 |
| Total liabilities | <u>\$ 173,155</u> | <u>\$ 198,789</u> | <u>\$ 136,693</u> | <u>\$ 235,251</u> |
| NC Tourism Commission Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 69,032 | \$ 40,500 | \$ 19,700 | \$ 89,832 |
| Liabilities: | | | | |
| Amounts held for others | <u>\$ 69,032</u> | <u>\$ 40,500</u> | <u>\$ 19,700</u> | <u>\$ 89,832</u> |
| 911 Capital Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 123,835 | \$ 161,673 | \$ 247,353 | \$ 38,155 |
| Investments | 1,559 | 12 | - | 1,571 |
| Accounts receivable | 9,145 | - | 9,145 | - |
| Total assets | <u>\$ 134,539</u> | <u>\$ 161,685</u> | <u>\$ 256,498</u> | <u>\$ 39,726</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 1,235 | \$ 158 | \$ 1,235 | \$ 158 |
| Amounts held for others | 133,304 | 161,527 | 255,263 | 39,568 |
| Total liabilities | <u>\$ 134,539</u> | <u>\$ 161,685</u> | <u>\$ 256,498</u> | <u>\$ 39,726</u> |

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

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|--|---------------------------------|---------------------|---------------------|---------------------------|
| 911 Operating Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 37,582 | \$ 978,393 | \$ 923,685 | \$ 92,290 |
| Accounts receivable | 103,560 | 42,685 | 103,560 | 42,685 |
| Total assets | <u>\$ 141,142</u> | <u>\$ 1,021,078</u> | <u>\$ 1,027,245</u> | <u>\$ 134,975</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 28,838 | \$ 20,797 | \$ 28,838 | \$ 20,797 |
| Accrued liabilities | 27,390 | 24,350 | 27,390 | 24,350 |
| Amounts held for others | 84,914 | 975,931 | 971,017 | 89,828 |
| Total liabilities | <u>\$ 141,142</u> | <u>\$ 1,021,078</u> | <u>\$ 1,027,245</u> | <u>\$ 134,975</u> |
| Building Inspection Fees Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | <u>\$ 1,832</u> | <u>2,246</u> | <u>1,742</u> | <u>\$ 2,336</u> |
| Liabilities: | | | | |
| Accrued liabilities | \$ 1,742 | \$ 2,246 | \$ 1,742 | \$ 2,246 |
| Amounts held for others | 90 | - | - | 90 |
| Total liabilities | <u>\$ 1,832</u> | <u>\$ 2,246</u> | <u>\$ 1,742</u> | <u>\$ 2,336</u> |
| Totals -- All Agency Funds | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 493,397 | \$ 1,852,709 | \$ 1,760,635 | \$ 585,471 |
| Investments | 1,559 | 12 | - | 1,571 |
| Accounts receivable | 159,121 | 99,693 | 159,121 | 99,693 |
| Total assets | <u>\$ 654,077</u> | <u>\$ 1,952,414</u> | <u>\$ 1,919,756</u> | <u>\$ 686,735</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 40,722 | \$ 28,406 | \$ 40,722 | \$ 28,406 |
| Accrued liabilities | 45,680 | 38,425 | 45,680 | 38,425 |
| Reconciled overdraft payable | 56,883 | 87,309 | 56,883 | 87,309 |
| Amounts held for others | 337,637 | 1,599,485 | 1,639,778 | 297,344 |
| Amounts held for social services clients | 173,155 | 198,789 | 136,693 | 235,251 |
| Total liabilities | <u>\$ 654,077</u> | <u>\$ 1,952,414</u> | <u>\$ 1,919,756</u> | <u>\$ 686,735</u> |

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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Combining Balance Sheet

Discretely Presented Component Unit - School Board

June 30, 2017

| | School Operating Fund | School Grants Fund | Total Nonmajor Governmental Funds | Total Governmental Funds |
|---|-----------------------------|--------------------------|--|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2,098,741 | \$ - | \$ 572,149 | \$ 2,670,890 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Accounts receivable | 17,152 | - | 2,303 | 19,455 |
| Due from other governmental units | 316,545 | 279,835 | 43,485 | 639,865 |
| Prepaid items | 5,585 | 526 | - | 6,111 |
| Total assets | <u>\$ 2,438,023</u> | <u>\$ 280,361</u> | <u>\$ 617,937</u> | <u>\$ 3,336,321</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 382,207 | \$ 10,153 | \$ 741 | \$ 393,101 |
| Accrued liabilities | 1,494,763 | 137,221 | 57,225 | 1,689,209 |
| Reconciled overdraft payable | - | 6,982 | - | 6,982 |
| Total liabilities | <u>\$ 1,876,970</u> | <u>\$ 154,356</u> | <u>\$ 57,966</u> | <u>\$ 2,089,292</u> |
| Fund balances: | | | | |
| Nonspendable | \$ 5,585 | \$ 526 | \$ - | \$ 6,111 |
| Committed | 555,468 | 125,479 | 559,971 | 1,240,918 |
| Total fund balances | <u>\$ 561,053</u> | <u>\$ 126,005</u> | <u>\$ 559,971</u> | <u>\$ 1,247,029</u> |
| Total liabilities and fund balances | <u>\$ 2,438,023</u> | <u>\$ 280,361</u> | <u>\$ 617,937</u> | <u>\$ 3,336,321</u> |

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

Total fund balances per above \$ 1,247,029

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

| | | |
|--------------------------|--------------------|-----------|
| Capital assets, cost | \$ 11,108,642 | |
| Accumulated depreciation | <u>(6,926,916)</u> | 4,181,726 |

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

Items related to measurement of net pension liability (1,347,344)

Pension contributions subsequent to the measurement date will be a reduction

to/increase in the net pension liability/asset in the next fiscal year and therefore, are not reported in the funds.

1,397,858

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

(17,101,911)

Net position of governmental activities

\$ (11,622,642)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2017

| | School Operating Fund | School Grants Fund | Total Nonmajor Governmental Funds | Total Governmental Funds |
|---|-----------------------------|--------------------------|--|--------------------------------|
| REVENUES | | | | |
| Charges for services | \$ - | \$ - | \$ 334,195 | \$ 334,195 |
| Miscellaneous | 204,406 | - | - | 204,406 |
| Intergovernmental: | | | | |
| Local government | 8,607,077 | - | - | 8,607,077 |
| Commonwealth | 9,279,101 | - | 12,744 | 9,291,845 |
| Federal | - | 1,557,831 | 794,656 | 2,352,487 |
| Total revenues | \$ 18,090,584 | \$ 1,557,831 | \$ 1,141,595 | \$ 20,790,010 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | \$ 17,937,744 | \$ 1,557,831 | \$ 1,093,322 | \$ 20,588,897 |
| Debt service: | | | | |
| Principal retirement | 327,308 | - | - | 327,308 |
| Interest and other fiscal charges | 11,168 | - | - | 11,168 |
| Total expenditures | \$ 18,276,220 | \$ 1,557,831 | \$ 1,093,322 | \$ 20,927,373 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (185,636) | \$ - | \$ 48,273 | \$ (137,363) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of capital lease | \$ 355,935 | \$ - | \$ - | \$ 355,935 |
| Total other financing sources (uses) | \$ 355,935 | \$ - | \$ - | \$ 355,935 |
| Net change in fund balances | \$ 170,299 | \$ - | \$ 48,273 | \$ 218,572 |
| Fund balances - beginning | 390,754 | 126,005 | 511,698 | 1,028,457 |
| Fund balances - ending | \$ 561,053 | \$ 126,005 | \$ 559,971 | \$ 1,247,029 |

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 \$ 218,572

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 | \$ 580,113 | |
| Depreciation expense | (691,558) | (111,445) |

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 416,083

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 assets. Also, governmental funds report the effect of issuance costs, 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.

Issuance of capital lease (355,935)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2017

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

The following is a summary of items supporting this adjustment:

| | | | |
|--|----|-------------|----------------|
| (Increase) decrease in compensated absences | \$ | 69,951 | |
| Principal payments | | 327,308 | |
| (Increase) decrease in net pension liability | | (1,337,460) | |
| Increase (decrease) in deferred outflows related to measurement of net pension liability | | 1,033,252 | |
| (Increase) decrease in Net OPEB obligation | | (1,000) | 92,051 |
| Change in net position of governmental activities | \$ | | <u>259,326</u> |

COUNTY OF NORTHAMPTON, 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, 2017

| | School Operating Fund | | | Variance with Final Budget Positive (Negative) |
|---|-----------------------|---------------|---------------|---|
| | Budgeted Amounts | | | |
| | Original | Final | Actual | |
| REVENUES | | | | |
| Miscellaneous | \$ 159,840 | \$ 317,690 | \$ 204,406 | \$ (113,284) |
| Intergovernmental: | | | | |
| Local government | 8,607,077 | 8,607,077 | 8,607,077 | - |
| Commonwealth | 8,833,969 | 9,239,669 | 9,279,101 | 39,432 |
| Federal | - | - | - | - |
| Total revenues | \$ 17,600,886 | \$ 18,164,436 | \$ 18,090,584 | \$ (73,852) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | \$ 17,635,745 | \$ 18,199,295 | \$ 17,937,744 | \$ 261,551 |
| Debt service: | | | | |
| Principal retirement | 327,299 | 327,299 | 327,308 | (9) |
| Interest and other fiscal charges | 11,168 | 11,168 | 11,168 | - |
| Total expenditures | \$ 17,974,212 | \$ 18,537,762 | \$ 18,276,220 | \$ 261,542 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (373,326) | \$ (373,326) | \$ (185,636) | \$ 187,690 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of capital lease | \$ 373,326 | \$ 373,326 | \$ 355,935 | \$ (17,391) |
| Total other financing sources (uses) | \$ 373,326 | \$ 373,326 | \$ 355,935 | \$ (17,391) |
| Net change in fund balances | \$ - | \$ - | \$ 170,299 | \$ 170,299 |
| Fund balances - beginning | - | - | 390,754 | 390,754 |
| Fund balances - ending | \$ - | \$ - | \$ 561,053 | \$ 561,053 |

| School Grants Fund | | | | |
|--------------------|--------------|--------------|---------------|----------|
| Budgeted Amounts | | | Variance with | |
| Original | Final | Actual | Final Budget | Positive |
| | | | (Negative) | |
| \$ - | \$ - | \$ - | \$ - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| 1,490,191 | 2,165,300 | 1,557,831 | (607,469) | |
| \$ 1,490,191 | \$ 2,165,300 | \$ 1,557,831 | \$ (607,469) | |
| | | | | |
| \$ 1,490,191 | \$ 2,165,300 | \$ 1,557,831 | \$ 607,469 | |
| - | - | - | - | - |
| - | - | - | - | - |
| \$ 1,490,191 | \$ 2,165,300 | \$ 1,557,831 | \$ 607,469 | |
| | | | | |
| \$ - | \$ - | \$ - | \$ - | - |
| | | | | |
| \$ - | \$ - | \$ - | \$ - | - |
| \$ - | \$ - | \$ - | \$ - | - |
| | | | | |
| \$ - | \$ - | \$ - | \$ - | - |
| - | - | 126,005 | 126,005 | |
| \$ - | \$ - | \$ 126,005 | \$ 126,005 | |

Combining Balance Sheet - Nonmajor Special Revenue Funds
Discretely Presented Component Unit - School Board
June 30, 2017

| | School Cafeteria Fund | School Retiree Health Insurance Fund | Total Governmental Funds |
|---|-----------------------------|--|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 529,044 | \$ 43,105 | \$ 572,149 |
| Receivables (net of allowance for uncollectibles): | | | |
| Accounts receivable | 2,063 | 240 | 2,303 |
| Due from other governmental units | 43,485 | - | 43,485 |
| Total assets | <u>\$ 574,592</u> | <u>\$ 43,345</u> | <u>\$ 617,937</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 741 | \$ - | \$ 741 |
| Accrued liabilities | 57,225 | - | 57,225 |
| Total liabilities | <u>\$ 57,966</u> | <u>\$ -</u> | <u>\$ 57,966</u> |
| Fund balances: | | | |
| Committed | \$ 516,626 | \$ 43,345 | \$ 559,971 |
| Total fund balances | <u>\$ 516,626</u> | <u>\$ 43,345</u> | <u>\$ 559,971</u> |
| Total liabilities and fund balances | <u>\$ 574,592</u> | <u>\$ 43,345</u> | <u>\$ 617,937</u> |

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COUNTY OF NORTHAMPTON, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2017

| | School Cafeteria Fund | | | Variance with Final Budget Positive (Negative) |
|--|-----------------------|--------------------|-------------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ 159,685 | \$ 159,685 | \$ 176,916 | \$ 17,231 |
| Intergovernmental: | | | | |
| Commonwealth | 9,850 | 10,396 | 12,744 | 2,348 |
| Federal | 733,877 | 733,877 | 794,656 | 60,779 |
| Total revenues | <u>\$ 906,749</u> | <u>\$ 907,295</u> | <u>\$ 984,316</u> | <u>\$ 77,021</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | <u>\$ 906,749</u> | <u>\$ 927,295</u> | <u>\$ 942,127</u> | <u>\$ (14,832)</u> |
| Total expenditures | <u>\$ 906,749</u> | <u>\$ 927,295</u> | <u>\$ 942,127</u> | <u>\$ (14,832)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u> | <u>\$ (20,000)</u> | <u>\$ 42,189</u> | <u>\$ 62,189</u> |
| Net change in fund balances | \$ - | \$ (20,000) | \$ 42,189 | \$ 62,189 |
| Fund balances - beginning | - | 20,000 | 474,437 | 454,437 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 516,626</u> | <u>\$ 516,626</u> |

| School Retiree Health Insurance Fund | | | | |
|--------------------------------------|-------|------------|---|-----------|
| Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) | |
| Original | Final | | | |
| \$ - | \$ - | \$ 157,279 | \$ | 157,279 |
| - | - | - | | - |
| - | - | - | | - |
| \$ - | \$ - | \$ 157,279 | \$ | 157,279 |
| | | | | |
| \$ - | \$ - | \$ 151,195 | \$ | (151,195) |
| \$ - | \$ - | \$ 151,195 | \$ | (151,195) |
| | | | | |
| \$ - | \$ - | \$ 6,084 | \$ | 6,084 |
| \$ - | \$ - | \$ 6,084 | \$ | 6,084 |
| - | - | 37,261 | | 37,261 |
| \$ - | \$ - | \$ 43,345 | \$ | 43,345 |

Combining Statement of Fiduciary Net Position
 Fiduciary Funds - Discretely Presented Component Unit School Board
 June 30, 2017

| | Private Purpose Trust Funds | | | |
|--------------------------------|---------------------------------|----------------------------------|-------------------------------------|------------------|
| | GW Young Scholarship Fund | BF Kellam Scholarship Fund | SD Goldstein Scholarship Fund | Total |
| ASSETS | | | | |
| Investments | \$ 17,144 | \$ 5,190 | \$ 3,923 | \$ 26,257 |
| Total assets | <u>\$ 17,144</u> | <u>\$ 5,190</u> | <u>\$ 3,923</u> | <u>\$ 26,257</u> |
| NET POSITION | | | | |
| Held in trust for scholarships | \$ 17,144 | \$ 5,190 | \$ 3,923 | \$ 26,257 |
| Total net position | <u>\$ 17,144</u> | <u>\$ 5,190</u> | <u>\$ 3,923</u> | <u>\$ 26,257</u> |

Combining Statement of Changes in Fiduciary Net Position
 Fiduciary Funds - Discretely Presented Component Unit School Board
 For the Year Ended June 30, 2017

| | Private Purpose Trust Funds | | | |
|--------------------------|---------------------------------|----------------------------------|-------------------------------------|-----------|
| | GW Young Scholarship Fund | BF Kellam Scholarship Fund | SD Goldstein Scholarship Fund | Total |
| ADDITIONS | | | | |
| Contributions: | | | | |
| Miscellaneous | \$ 840 | \$ - | \$ - | \$ 840 |
| Total contributions | \$ 840 | \$ - | \$ - | \$ 840 |
| Investment earnings: | | | | |
| Interest | \$ 124 | \$ 41 | \$ 29 | \$ 194 |
| Total additions | \$ 964 | \$ 41 | \$ 29 | \$ 1,034 |
| DEDUCTIONS | | | | |
| Scholarships | \$ 1,000 | \$ 250 | \$ 200 | \$ 1,450 |
| Total deductions | \$ 1,000 | \$ 250 | \$ 200 | \$ 1,450 |
| Change in net position | \$ (36) | \$ (209) | \$ (171) | \$ (416) |
| Net position - beginning | 17,180 | 5,399 | 4,094 | 26,673 |
| Net position - ending | \$ 17,144 | \$ 5,190 | \$ 3,923 | \$ 26,257 |

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SUPPORTING SCHEDULES

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

| 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 | \$ 14,526,747 | \$ 14,526,747 | \$ 14,805,382 | \$ 278,635 |
| Real and personal public service corporation taxes | 431,980 | 431,980 | 429,061 | (2,919) |
| Personal property taxes | 2,239,918 | 2,239,918 | 2,448,617 | 208,699 |
| Mobile home taxes | 25,435 | 25,435 | 23,096 | (2,339) |
| Penalties | 158,114 | 158,114 | 167,063 | 8,949 |
| Interest | 150,000 | 150,000 | 165,978 | 15,978 |
| Total general property taxes | <u>\$ 17,532,194</u> | <u>\$ 17,532,194</u> | <u>\$ 18,039,197</u> | <u>\$ 507,003</u> |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 1,197,140 | \$ 1,197,140 | \$ 1,206,730 | \$ 9,590 |
| Consumers' utility taxes | 323,900 | 323,900 | 323,498 | (402) |
| Business license taxes | 40,000 | 40,000 | 38,221 | (1,779) |
| Motor vehicle licenses | 350,000 | 350,000 | 328,926 | (21,074) |
| Bank stock taxes | 10,700 | 10,700 | 35,903 | 25,203 |
| Taxes on recordation and wills | 146,000 | 146,000 | 218,696 | 72,696 |
| Hotel and motel room taxes | 270,000 | 270,000 | 289,444 | 19,444 |
| Restaurant food taxes | 300,000 | 300,000 | 335,188 | 35,188 |
| Total other local taxes | <u>\$ 2,637,740</u> | <u>\$ 2,637,740</u> | <u>\$ 2,776,606</u> | <u>\$ 138,866</u> |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | \$ 4,000 | \$ 4,000 | \$ 2,431 | \$ (1,569) |
| Permits and other licenses | 116,400 | 116,400 | 165,168 | 48,768 |
| Total permits, privilege fees, and regulatory licenses | <u>\$ 120,400</u> | <u>\$ 120,400</u> | <u>\$ 167,599</u> | <u>\$ 47,199</u> |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 510,000 | \$ 587,671 | \$ 553,690 | \$ (33,981) |
| Total fines and forfeitures | <u>\$ 510,000</u> | <u>\$ 587,671</u> | <u>\$ 553,690</u> | <u>\$ (33,981)</u> |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 3,550 | \$ 3,550 | \$ 14,732 | \$ 11,182 |
| Revenue from use of property | 8,500 | 8,500 | 10,300 | 1,800 |
| Total revenue from use of money and property | <u>\$ 12,050</u> | <u>\$ 12,050</u> | <u>\$ 25,032</u> | <u>\$ 12,982</u> |

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

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|--|----------------------|----------------------|----------------------|---|
| General Fund: (Continued) | | | | |
| Revenue from local sources: (Continued) | | | | |
| Charges for services: | | | | |
| Court costs | \$ - | \$ 17 | \$ 17 | \$ - |
| Charges for courthouse maintenance | 36,000 | 36,000 | 36,536 | 536 |
| Charges for courthouse security | 170,000 | 170,000 | 175,068 | 5,068 |
| Charges for sheriff secondary employment | - | 130,000 | 103,608 | (26,392) |
| Charges for Commonwealth's Attorney | 2,400 | 2,400 | 3,549 | 1,149 |
| Charges for ambulance fees | 120,000 | 120,000 | 188,120 | 68,120 |
| Charges for sanitation and waste removal | 535,685 | 535,685 | 574,315 | 38,630 |
| Charges for parks and recreation | 36,300 | 36,300 | 49,844 | 13,544 |
| Total charges for services | <u>\$ 900,385</u> | <u>\$ 1,030,402</u> | <u>\$ 1,131,057</u> | <u>\$ 100,655</u> |
| Miscellaneous: | | | | |
| Miscellaneous | \$ 3,000 | \$ 115,679 | \$ 334,855 | \$ 219,176 |
| Total miscellaneous | <u>\$ 3,000</u> | <u>\$ 115,679</u> | <u>\$ 334,855</u> | <u>\$ 219,176</u> |
| Recovered costs: | | | | |
| General recovered costs | \$ 50,000 | \$ 73,813 | \$ 105,021 | \$ 31,208 |
| Recovered costs recycling | - | - | 1,301 | 1,301 |
| Code enforcement | - | - | 5,492 | 5,492 |
| Treasurer recovered costs | 132,497 | 132,497 | 208,423 | 75,926 |
| Total recovered costs | <u>\$ 182,497</u> | <u>\$ 206,310</u> | <u>\$ 320,237</u> | <u>\$ 113,927</u> |
| Total revenue from local sources | <u>\$ 21,898,266</u> | <u>\$ 22,242,446</u> | <u>\$ 23,348,273</u> | <u>\$ 1,105,827</u> |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Motor vehicle carriers' tax | \$ 1,900 | \$ 1,900 | \$ 2,492 | \$ 592 |
| Mobile home titling tax | 12,000 | 12,000 | 11,887 | (113) |
| Motor vehicle rental tax | 4,500 | 4,500 | 4,153 | (347) |
| Communications tax | 506,000 | 506,000 | 479,370 | (26,630) |
| State recordation tax | 44,479 | 44,479 | 52,963 | 8,484 |
| Personal property tax relief funds | 1,421,967 | 1,421,967 | 1,421,967 | - |
| Total noncategorical aid | <u>\$ 1,990,846</u> | <u>\$ 1,990,846</u> | <u>\$ 1,972,832</u> | <u>\$ (18,014)</u> |

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

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|--|-----------------------------|-----------------------------|-----------------------------|---|
| General Fund: (Continued) | | | | |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: (Continued) | | | | |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commonwealth's attorney | \$ 237,587 | \$ 237,587 | \$ 235,180 | \$ (2,407) |
| Sheriff | 1,027,056 | 1,027,056 | 944,839 | (82,217) |
| Commissioner of revenue | 88,576 | 88,576 | 87,681 | (895) |
| Treasurer | 80,124 | 80,124 | 78,390 | (1,734) |
| Registrar/electoral board | 29,302 | 29,302 | 37,029 | 7,727 |
| Clerk of the Circuit Court | 195,593 | 195,593 | 209,315 | 13,722 |
| Total shared expenses | <u>\$ 1,658,238</u> | <u>\$ 1,658,238</u> | <u>\$ 1,592,434</u> | <u>\$ (65,804)</u> |
| Other categorical aid: | | | | |
| Virginia Port Authority grant | \$ - | \$ - | \$ 8,949 | \$ 8,949 |
| Four for Life | 11,492 | 11,492 | 10,339 | (1,153) |
| Litter control grant | 9,550 | 9,550 | 10,384 | 834 |
| VA rescue squad assistance grant | - | 172,586 | 172,522 | (64) |
| Library grant | 38,089 | 20,650 | 20,650 | - |
| DMV grant | - | 23,260 | - | (23,260) |
| Victim-witness grant | 23,719 | 44,781 | 12,291 | (32,490) |
| Other state funds | 1,713 | 1,713 | - | (1,713) |
| Fire programs | 20,760 | 20,760 | 28,002 | 7,242 |
| Total other categorical aid | <u>\$ 105,323</u> | <u>\$ 304,792</u> | <u>\$ 263,137</u> | <u>\$ (41,655)</u> |
| Total categorical aid | <u>\$ 1,763,561</u> | <u>\$ 1,963,030</u> | <u>\$ 1,855,571</u> | <u>\$ (107,459)</u> |
| Total revenue from the Commonwealth | <u>\$ 3,754,407</u> | <u>\$ 3,953,876</u> | <u>\$ 3,828,403</u> | <u>\$ (125,473)</u> |
| Revenue from the federal government: | | | | |
| Payments in lieu of taxes | <u>\$ 26,000</u> | <u>\$ 26,000</u> | <u>\$ 33,129</u> | <u>\$ 7,129</u> |
| Categorical aid: | | | | |
| Highway safety grant | \$ - | \$ - | \$ 20,335 | \$ 20,335 |
| Victim-witness grant | - | - | 24,131 | 24,131 |
| Byrne Justice assistance grant | - | 1,445 | 1,445 | - |
| Emergency management | 7,500 | 7,500 | 15,000 | 7,500 |
| Total categorical aid | <u>\$ 7,500</u> | <u>\$ 8,945</u> | <u>\$ 60,911</u> | <u>\$ 51,966</u> |
| Total revenue from the federal government | <u>\$ 33,500</u> | <u>\$ 34,945</u> | <u>\$ 94,040</u> | <u>\$ 59,095</u> |
| Total General Fund | <u><u>\$ 25,686,173</u></u> | <u><u>\$ 26,231,267</u></u> | <u><u>\$ 27,270,716</u></u> | <u><u>\$ 1,039,449</u></u> |

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

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|--|--------------------|-----------------|--------------|---|
| Special Revenue Funds: | | | | |
| Eastern Shore Regional Jail Fund: | | | | |
| Revenue from local sources: | | | | |
| Charges for services: | | | | |
| Jail housing and other fees | \$ 14,500 | \$ 14,500 | \$ 10,112 | \$ (4,388) |
| Total charges for services | \$ 14,500 | \$ 14,500 | \$ 10,112 | \$ (4,388) |
| Recovered costs: | | | | |
| Extradition costs | \$ 1,500 | \$ 1,500 | \$ 2,080 | \$ 580 |
| Total recovered costs | \$ 1,500 | \$ 1,500 | \$ 2,080 | \$ 580 |
| Total revenue from local sources | \$ 16,000 | \$ 16,000 | \$ 12,192 | \$ (3,808) |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Sheriff | \$ 1,919,175 | \$ 1,919,175 | \$ 1,898,765 | \$ (20,410) |
| Other categorical aid: | | | | |
| Local jails | \$ 266,381 | \$ 266,381 | \$ 239,356 | \$ (27,025) |
| Total categorical aid | \$ 2,185,556 | \$ 2,185,556 | \$ 2,138,121 | \$ (47,435) |
| Total revenue from the Commonwealth | \$ 2,185,556 | \$ 2,185,556 | \$ 2,138,121 | \$ (47,435) |
| Total Eastern Shore Regional Jail Fund | \$ 2,201,556 | \$ 2,201,556 | \$ 2,150,313 | \$ (51,243) |
| Virginia Public Assistance Fund: | | | | |
| Revenue from local sources: | | | | |
| Miscellaneous: | | | | |
| Other miscellaneous | \$ - | \$ - | \$ 5,383 | \$ 5,383 |
| Total revenue from local sources | \$ - | \$ - | \$ 5,383 | \$ 5,383 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Public assistance and welfare administration | \$ 805,264 | \$ 805,264 | \$ 591,638 | \$ (213,626) |
| Total categorical aid | \$ 805,264 | \$ 805,264 | \$ 591,638 | \$ (213,626) |
| Total revenue from the Commonwealth | \$ 805,264 | \$ 805,264 | \$ 591,638 | \$ (213,626) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Public assistance and welfare administration | \$ 1,210,364 | \$ 1,210,364 | \$ 1,395,212 | \$ 184,848 |
| Total categorical aid | \$ 1,210,364 | \$ 1,210,364 | \$ 1,395,212 | \$ 184,848 |
| Total revenue from the federal government | \$ 1,210,364 | \$ 1,210,364 | \$ 1,395,212 | \$ 184,848 |
| Total Virginia Public Assistance Fund | \$ 2,015,628 | \$ 2,015,628 | \$ 1,992,233 | \$ (23,395) |

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

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|--------------------|-----------------|----------|---|
| Special Revenue Funds: (Continued) | | | | |
| Forfeited Asset Sharing Fund: | | | | |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Asset forfeiture | \$ - | \$ 345 | \$ 1,215 | \$ 870 |
| Total revenue from the Commonwealth | \$ - | \$ 345 | \$ 1,215 | \$ 870 |
| Total Forfeited Asset Sharing Fund | \$ - | \$ 345 | \$ 1,215 | \$ 870 |
| CDBG Projects Fund: | | | | |
| Revenue from local sources: | | | | |
| Miscellaneous: | | | | |
| Gifts and donations | \$ - | \$ 35,800 | \$ - | \$ (35,800) |
| Program income | - | - | 5,327 | 5,327 |
| Total miscellaneous | \$ - | \$ 35,800 | \$ 5,327 | \$ (30,473) |
| Total revenue from local sources | \$ - | \$ 35,800 | \$ 5,327 | \$ (30,473) |
| Intergovernmental: | | | | |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| CDBG grant | \$ - | \$ 249,030 | \$ - | \$ (249,030) |
| Total revenue from the federal government | \$ - | \$ 249,030 | \$ - | \$ (249,030) |
| Total CDBG Projects Fund | \$ - | \$ 284,830 | \$ 5,327 | \$ (279,503) |
| HMGP Home Elevation Project Fund: | | | | |
| Revenue from local sources: | | | | |
| Miscellaneous: | | | | |
| Homeowner's contribution | \$ - | \$ 38,223 | \$ - | \$ (38,223) |
| Total miscellaneous | \$ - | \$ 38,223 | \$ - | \$ (38,223) |
| Total revenue from local sources | \$ - | \$ 38,223 | \$ - | \$ (38,223) |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| VDEM Hazard Mitigation grant | \$ - | \$ 44,356 | \$ - | \$ (44,356) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| FEMA Hazard Mitigation grant | \$ - | \$ 364,609 | \$ - | \$ (364,609) |
| Total HMGP Home Elevation Project Fund | \$ - | \$ 447,188 | \$ - | \$ (447,188) |
| Parks and Recreation Project Fund: | | | | |
| Intergovernmental: | | | | |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| US Dept. of Housing and Urban Development | \$ - | \$ 187,777 | \$ - | \$ (187,777) |
| Total Parks and Recreation Project Fund | \$ - | \$ 187,777 | \$ - | \$ (187,777) |

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

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|--------------------|-------------------|---------------------|---|
| Harbor Improvement Fund: | | | | |
| Revenue from local sources: | | | | - |
| Charges for services: | | | | |
| Boat slip rentals | \$ 15,150 | \$ 15,150 | \$ 3,900 | \$ (11,250) |
| Total charges for services | <u>\$ 15,150</u> | <u>\$ 15,150</u> | <u>\$ 3,900</u> | <u>\$ (11,250)</u> |
| Total Harbor Improvement Fund | <u>\$ 15,150</u> | <u>\$ 15,150</u> | <u>\$ 3,900</u> | <u>\$ (11,250)</u> |
| ES 911 Grant Fund: | | | | |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| VDEM Homeland Security Grant | \$ - | \$ - | \$ 20,990 | 20,990 |
| Total revenue from the federal government | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 20,990</u> | <u>\$ 20,990</u> |
| Total ES 911 Grant Fund | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 20,990</u> | <u>\$ 20,990</u> |
| Debt Service Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ - | \$ - | \$ 82,405 | \$ 82,405 |
| Total revenue from use of money and property | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 82,405</u> | <u>\$ 82,405</u> |
| Recovered costs: | | | | |
| Other recovered costs | \$ 161,139 | \$ 161,139 | \$ 161,139 | \$ - |
| Total revenue from local sources | <u>\$ 161,139</u> | <u>\$ 161,139</u> | <u>\$ 243,544</u> | <u>\$ 82,405</u> |
| Total Debt Service Fund | <u>\$ 161,139</u> | <u>\$ 161,139</u> | <u>\$ 243,544</u> | <u>\$ 82,405</u> |
| Capital Projects Funds: | | | | |
| Capital Improvements Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ - | \$ 718,638 | \$ - | \$ (718,638) |
| Miscellaneous: | | | | |
| Other miscellaneous | \$ - | \$ 7,942 | \$ 2,144 | \$ (5,798) |
| Intergovernmental: | | | | |
| Revenues from local governments: | | | | |
| Contribution from Northampton County School Board | \$ - | \$ - | \$ 1,073,637 | \$ 1,073,637 |
| Total revenues from local governments | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,073,637</u> | <u>\$ 1,073,637</u> |
| Total revenue from local sources | <u>\$ -</u> | <u>\$ 726,580</u> | <u>\$ 1,075,781</u> | <u>\$ 349,201</u> |

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

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|--------------------|-----------------|---------------|---|
| Capital Projects Funds: (Continued) | | | | |
| Capital Improvements Fund: (Continued) | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Department of Emergency Management | \$ - | \$ 92,064 | \$ 22,010 | \$ (70,054) |
| Total revenue from the federal government | \$ - | \$ 92,064 | \$ 22,010 | \$ (70,054) |
| Total County Capital Improvements Fund | \$ - | \$ 818,644 | \$ 1,097,791 | \$ 279,147 |
| Total Primary Government | \$ 30,064,496 | \$ 32,348,374 | \$ 32,761,139 | \$ 412,765 |
| Discretely Presented Component Unit-School Board: | | | | |
| School Operating Fund: | | | | |
| Revenue from local sources: | | | | |
| Miscellaneous: | | | | |
| Other miscellaneous | \$ 159,840 | \$ 317,690 | \$ 204,406 | \$ (113,284) |
| Total revenue from local sources | \$ 159,840 | \$ 317,690 | \$ 204,406 | \$ (113,284) |
| Intergovernmental: | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Northampton, Virginia | \$ 8,607,077 | \$ 8,607,077 | \$ 8,607,077 | \$ - |
| Total revenues from local governments | \$ 8,607,077 | \$ 8,607,077 | \$ 8,607,077 | \$ - |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Share of state sales tax | \$ 1,749,182 | \$ 1,691,558 | \$ 1,709,003 | \$ 17,445 |
| Basic school aid | 3,838,497 | 4,084,206 | 4,085,049 | 843 |
| ISAP | 7,859 | 7,859 | 8,418 | 559 |
| Regular foster care | 4,495 | - | - | - |
| Gifted and talented | 37,514 | 39,242 | 39,242 | - |
| Remedial education | 267,958 | 280,302 | 280,302 | - |
| Project graduation | - | 12,682 | 12,682 | - |
| English as a second language | 96,685 | 91,128 | 91,128 | - |
| Special education | 467,778 | 489,326 | 489,326 | - |
| Textbook payment | 84,047 | 87,918 | 87,919 | 1 |
| Virginia preschool initiative | 170,923 | 174,484 | 174,484 | - |
| Social security fringe benefits | 238,865 | 249,869 | 249,869 | - |
| Retirement fringe benefits | 492,277 | 514,954 | 514,954 | - |
| Group life insurance fringe benefits | 14,546 | 16,818 | 16,818 | - |
| SOL algebra | 25,636 | 28,959 | 28,959 | - |
| Early reading intervention | 24,915 | 29,898 | 29,898 | - |
| GED pass-thru grant | - | 21,367 | 21,367 | - |
| Homebound special education | 10,819 | 4,626 | 4,626 | - |
| National Board Certification incentive awards | - | 10,000 | - | (10,000) |
| Vocational educational | 161,053 | 173,560 | 173,063 | (497) |

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2017 (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: (Continued) | | | | |
| Revenue from the Commonwealth: (Continued) | | | | |
| Categorical aid: (Continued) | | | | |
| Special education regional payments | \$ - | \$ 9,954 | \$ 10,859 | \$ 905 |
| At risk payments | 397,413 | 374,426 | 374,426 | - |
| Primary class size | 356,907 | 373,983 | 373,983 | - |
| Supplemental lottery per pupil allocation | - | 42,093 | 42,093 | - |
| Technology | 232,000 | 232,000 | 233,176 | 1,176 |
| Alternative education | 89,642 | 89,719 | 89,719 | - |
| Jobs for Virginia graduates | - | 25,000 | 25,000 | - |
| Other state funds | 64,958 | 80,000 | 109,000 | 29,000 |
| Mentor teacher programs | - | 3,738 | 3,738 | - |
| Total categorical aid | <u>\$ 8,833,969</u> | <u>\$ 9,239,669</u> | <u>\$ 9,279,101</u> | <u>\$ 39,432</u> |
| Total revenue from the Commonwealth | <u>\$ 8,833,969</u> | <u>\$ 9,239,669</u> | <u>\$ 9,279,101</u> | <u>\$ 39,432</u> |
| Total School Operating Fund | <u>\$ 17,600,886</u> | <u>\$ 18,164,436</u> | <u>\$ 18,090,584</u> | <u>\$ (73,852)</u> |
| School Cafeteria Fund: | | | | |
| Revenue from local sources: | | | | |
| Charges for services: | | | | |
| Cafeteria sales | \$ 159,685 | \$ 159,685 | \$ 176,916 | \$ 17,231 |
| Total charges for services | <u>\$ 159,685</u> | <u>\$ 159,685</u> | <u>\$ 176,916</u> | <u>\$ 17,231</u> |
| Miscellaneous: | | | | |
| Other miscellaneous | \$ 3,337 | \$ 3,337 | \$ - | \$ (3,337) |
| Total miscellaneous | <u>\$ 3,337</u> | <u>\$ 3,337</u> | <u>\$ -</u> | <u>\$ (3,337)</u> |
| Total revenue from local sources | <u>\$ 163,022</u> | <u>\$ 163,022</u> | <u>\$ 176,916</u> | <u>\$ 13,894</u> |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| School food program grant | \$ 9,850 | \$ 10,396 | \$ 12,744 | \$ 2,348 |
| Total categorical aid | <u>\$ 9,850</u> | <u>\$ 10,396</u> | <u>\$ 12,744</u> | <u>\$ 2,348</u> |
| Total revenue from the Commonwealth | <u>\$ 9,850</u> | <u>\$ 10,396</u> | <u>\$ 12,744</u> | <u>\$ 2,348</u> |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| School food program grant | \$ 733,877 | \$ 733,877 | \$ 716,707 | \$ (17,170) |
| Summer food program grant | - | - | 17,807 | 17,807 |
| USDA commodities | - | - | 60,142 | 60,142 |
| Total categorical aid | <u>\$ 733,877</u> | <u>\$ 733,877</u> | <u>\$ 794,656</u> | <u>\$ 60,779</u> |
| Total revenue from the federal government | <u>\$ 733,877</u> | <u>\$ 733,877</u> | <u>\$ 794,656</u> | <u>\$ 60,779</u> |
| Total School Cafeteria Fund | <u>\$ 906,749</u> | <u>\$ 907,295</u> | <u>\$ 984,316</u> | <u>\$ 77,021</u> |

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2017 (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 Grants Fund: | | | | |
| Intergovernmental: | | | | |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Title I Part A | \$ 717,630 | \$ 977,476 | \$ 724,026 | \$ (253,450) |
| Title I Part C (Migrant) | 157,504 | 431,406 | 160,986 | (270,420) |
| Title II Part A | 142,931 | 153,601 | 146,432 | (7,169) |
| Title III Part A | 17,496 | 30,555 | 22,440 | (8,115) |
| Title VI-B Special education | 368,321 | 383,132 | 387,769 | 4,637 |
| Title VI-B preschool | 14,593 | 37,329 | 20,231 | (17,098) |
| Title VI-B rural and low income schools | 30,082 | 67,415 | 44,074 | (23,341) |
| CTE/Perkins grant | 41,634 | 41,634 | 33,299 | (8,335) |
| Consortium incentive grants | - | 42,752 | 18,574 | (24,178) |
| Total categorical aid | <u>\$ 1,490,191</u> | <u>\$ 2,165,300</u> | <u>\$ 1,557,831</u> | <u>\$ (607,469)</u> |
| Total revenue from the federal government | <u>\$ 1,490,191</u> | <u>\$ 2,165,300</u> | <u>\$ 1,557,831</u> | <u>\$ (607,469)</u> |
| Total School Grants Fund | <u><u>\$ 1,490,191</u></u> | <u><u>\$ 2,165,300</u></u> | <u><u>\$ 1,557,831</u></u> | <u><u>\$ (607,469)</u></u> |
| School Retiree Health Insurance Fund: | | | | |
| Revenue from local sources: | | | | |
| Charges for services: | | | | |
| Retiree health insurance premiums | \$ - | \$ - | \$ 157,279 | \$ 157,279 |
| Total revenue from local sources | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 157,279</u> | <u>\$ 157,279</u> |
| Total School Retiree Health Insurance Fund | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 157,279</u></u> | <u><u>\$ 157,279</u></u> |
| Total Discretely Presented Component Unit - School Board | <u><u>\$ 19,997,826</u></u> | <u><u>\$ 21,237,031</u></u> | <u><u>\$ 20,790,010</u></u> | <u><u>\$ (447,021)</u></u> |

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Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|--|--------------------|-----------------|--------------|---|
| General Fund: | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Board of supervisors | \$ 45,898 | \$ 45,898 | \$ 40,715 | \$ 5,183 |
| General and financial administration: | | | | |
| County administrator | \$ 363,851 | \$ 457,102 | \$ 391,805 | \$ 65,297 |
| County attorney | 89,914 | 88,931 | 76,972 | 11,959 |
| Commissioner of revenue | 219,649 | 219,502 | 210,858 | 8,644 |
| General reassessment | 202,392 | 201,087 | 172,485 | 28,602 |
| Treasurer | 287,469 | 286,431 | 258,352 | 28,079 |
| Finance | 341,784 | 340,033 | 345,080 | (5,047) |
| Department of information technology | 255,585 | 265,575 | 250,248 | 15,327 |
| Contingency | 190,684 | 101,118 | 5,384 | 95,734 |
| Other general and financial administration | 194,008 | 194,008 | 193,586 | 422 |
| Total general and financial administration | \$ 2,145,336 | \$ 2,153,787 | \$ 1,904,770 | \$ 249,017 |
| Board of elections: | | | | |
| Electoral board and officials | \$ 173,345 | \$ 172,932 | \$ 163,896 | \$ 9,036 |
| Total board of elections | \$ 173,345 | \$ 172,932 | \$ 163,896 | \$ 9,036 |
| Total general government administration | \$ 2,364,579 | \$ 2,372,617 | \$ 2,109,381 | \$ 263,236 |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit court | \$ 28,206 | \$ 28,206 | \$ 25,194 | \$ 3,012 |
| General district court | 5,080 | 5,080 | 4,710 | 370 |
| Magistrate | 3,725 | 3,725 | 1,966 | 1,759 |
| Juvenile and domestic relations district court | 5,270 | 5,270 | 4,435 | 835 |
| Clerk of the circuit court | 333,914 | 315,044 | 301,676 | 13,368 |
| Victim and witness assistance | 23,719 | 44,943 | 37,184 | 7,759 |
| Total courts | \$ 399,914 | \$ 402,268 | \$ 375,165 | \$ 27,103 |
| Commonwealth's attorney: | | | | |
| Commonwealth's attorney | \$ 295,453 | \$ 299,597 | \$ 314,215 | \$ (14,618) |
| Total commonwealth's attorney | \$ 295,453 | \$ 299,597 | \$ 314,215 | \$ (14,618) |
| Total judicial administration | \$ 695,367 | \$ 701,865 | \$ 689,380 | \$ 12,485 |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | \$ 2,307,176 | \$ 2,636,357 | \$ 2,481,632 | \$ 154,725 |
| Total law enforcement and traffic control | \$ 2,307,176 | \$ 2,636,357 | \$ 2,481,632 | \$ 154,725 |

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

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| General Fund: (Continued) | | | | |
| Public safety: (Continued) | | | | |
| Fire and rescue services: | | | | |
| Ambulance and rescue | \$ 11,410 | \$ 11,410 | \$ 7,687 | \$ 3,723 |
| Fire prevention | 206,438 | 206,438 | 189,012 | 17,426 |
| Emergency medical services | 1,634,257 | 1,947,790 | 1,941,155 | 6,635 |
| Total fire and rescue services | <u>\$ 1,852,105</u> | <u>\$ 2,165,638</u> | <u>\$ 2,137,854</u> | <u>\$ 27,784</u> |
| Correction and detention: | | | | |
| Judicial court services | \$ 35,580 | \$ 65,580 | \$ 52,544 | \$ 13,036 |
| Total correction and detention | <u>\$ 35,580</u> | <u>\$ 65,580</u> | <u>\$ 52,544</u> | <u>\$ 13,036</u> |
| Other protection: | | | | |
| Animal control | \$ 100,958 | \$ 136,559 | \$ 136,029 | \$ 530 |
| Other emergency services | 282,021 | 282,021 | 270,910 | 11,111 |
| Contribution to animal control facility | 34,469 | 34,469 | 22,679 | 11,790 |
| Total other protection | <u>\$ 417,448</u> | <u>\$ 453,049</u> | <u>\$ 429,618</u> | <u>\$ 23,431</u> |
| Total public safety | <u>\$ 4,612,309</u> | <u>\$ 5,320,624</u> | <u>\$ 5,101,648</u> | <u>\$ 218,976</u> |
| Public works: | | | | |
| Sanitation and waste removal: | | | | |
| Refuse collection and disposal | \$ 1,517,991 | \$ 1,525,067 | \$ 1,494,271 | \$ 30,796 |
| Administration | 87,264 | 86,667 | 44,057 | 42,610 |
| Total sanitation and waste removal | <u>\$ 1,605,255</u> | <u>\$ 1,611,734</u> | <u>\$ 1,538,328</u> | <u>\$ 73,406</u> |
| Maintenance of general buildings and grounds: | | | | |
| General properties | \$ 616,847 | \$ 714,727 | \$ 723,997 | \$ (9,270) |
| Total maintenance of general buildings and grounds | <u>\$ 616,847</u> | <u>\$ 714,727</u> | <u>\$ 723,997</u> | <u>\$ (9,270)</u> |
| Total public works | <u>\$ 2,222,102</u> | <u>\$ 2,326,461</u> | <u>\$ 2,262,325</u> | <u>\$ 64,136</u> |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | \$ 385,049 | \$ 385,049 | \$ 385,049 | \$ - |
| Total health | <u>\$ 385,049</u> | <u>\$ 385,049</u> | <u>\$ 385,049</u> | <u>\$ -</u> |

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

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|--|--------------------|-----------------|--------------|---|
| General Fund: (Continued) | | | | |
| Health and welfare: (Continued) | | | | |
| Mental health and mental retardation: | | | | |
| Community services board | \$ 65,491 | \$ 65,491 | \$ 65,491 | \$ - |
| Total mental health and mental retardation | \$ 65,491 | \$ 65,491 | \$ 65,491 | \$ - |
| Welfare: | | | | |
| Welfare administration | \$ 1,800 | \$ 1,800 | \$ 1,800 | \$ - |
| Comprehensive Services Act | 145,000 | 145,000 | 108,700 | 36,300 |
| Total welfare | \$ 146,800 | \$ 146,800 | \$ 110,500 | \$ 36,300 |
| Total health and welfare | \$ 597,340 | \$ 597,340 | \$ 561,040 | \$ 36,300 |
| Education: | | | | |
| Other instructional costs: | | | | |
| Contribution to community colleges | \$ 131,723 | \$ 132,723 | \$ 132,723 | \$ - |
| Contribution to County School Board | 8,607,077 | 8,607,077 | 8,607,077 | - |
| Total education | \$ 8,738,800 | \$ 8,739,800 | \$ 8,739,800 | \$ - |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Recreation centers and playgrounds | \$ 236,953 | \$ 235,775 | \$ 202,779 | \$ 32,996 |
| Harbors and boat ramps | 26,180 | 26,342 | 25,909 | 433 |
| Total parks and recreation | \$ 263,133 | \$ 262,117 | \$ 228,688 | \$ 33,429 |
| Library: | | | | |
| Contribution to regional library | \$ 127,559 | \$ 127,559 | \$ 127,559 | \$ - |
| Contribution to local library | 20,000 | 20,000 | 20,000 | - |
| Total library | \$ 147,559 | \$ 147,559 | \$ 147,559 | \$ - |
| Total parks, recreation, and cultural | \$ 410,692 | \$ 409,676 | \$ 376,247 | \$ 33,429 |
| Community development: | | | | |
| Planning and community development: | | | | |
| Community development | \$ 68,946 | \$ 88,946 | \$ 68,946 | \$ 20,000 |
| Planning, permitting and enforcement | 738,141 | 764,003 | 581,579 | 182,424 |
| Wetlands board | 2,102 | 2,102 | 1,525 | 577 |
| Planning commission | 6,180 | 6,180 | 4,075 | 2,105 |
| Other economic development | 231,606 | 231,606 | 231,605 | 1 |
| Total planning and community development | \$ 1,046,975 | \$ 1,092,837 | \$ 887,730 | \$ 205,107 |
| Environmental management: | | | | |
| Contribution to Soil and Water Conservation District | \$ 28,783 | \$ 28,783 | \$ 28,783 | \$ - |
| Total environmental management | \$ 28,783 | \$ 28,783 | \$ 28,783 | \$ - |
| Cooperative extension program: | | | | |
| Extension office | \$ 95,952 | \$ 95,918 | \$ 71,586 | \$ 24,332 |
| Total cooperative extension program | \$ 95,952 | \$ 95,918 | \$ 71,586 | \$ 24,332 |
| Total community development | \$ 1,171,710 | \$ 1,217,538 | \$ 988,099 | \$ 229,439 |

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

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|--|--------------------|-----------------|---------------|---|
| General Fund: (Continued) | | | | |
| Total General Fund | \$ 20,812,899 | \$ 21,685,921 | \$ 20,827,920 | \$ 858,001 |
| Special Revenue Funds: | | | | |
| Eastern Shore Regional Jail Fund: | | | | |
| Public safety: | | | | |
| Correction and detention: | | | | |
| Eastern Shore Regional Jail | \$ 3,706,375 | \$ 3,672,301 | \$ 3,634,201 | \$ 38,100 |
| Total correction and detention | \$ 3,706,375 | \$ 3,672,301 | \$ 3,634,201 | \$ 38,100 |
| Total Eastern Shore Regional Jail Fund | \$ 3,706,375 | \$ 3,672,301 | \$ 3,634,201 | \$ 38,100 |
| Virginia Public Assistance Fund: | | | | |
| Health and welfare: | | | | |
| Welfare and social services: | | | | |
| Welfare administration | \$ 2,155,274 | \$ 2,155,274 | \$ 2,042,113 | \$ 113,161 |
| Public assistance | 193,028 | 193,028 | 156,564 | 36,464 |
| Other welfare services | 82,719 | 82,719 | 54,106 | 28,613 |
| Total welfare and social services | \$ 2,431,021 | \$ 2,431,021 | \$ 2,252,783 | \$ 178,238 |
| Total health and welfare | \$ 2,431,021 | \$ 2,431,021 | \$ 2,252,783 | \$ 178,238 |
| Total Virginia Public Assistance Fund | \$ 2,431,021 | \$ 2,431,021 | \$ 2,252,783 | \$ 178,238 |
| CDBG Projects Fund: | | | | |
| Community development: | | | | |
| Planning and community development: | | | | |
| East Fairview CDBG project | \$ - | \$ 7,197 | \$ - | \$ 7,197 |
| West Fairview CDBG project | - | 243,481 | - | 243,481 |
| CDBG Regional broadband project | - | 415 | - | 415 |
| Wastewater project | - | 53,001 | - | 53,001 |
| Culls Community CDBG project | - | 114,760 | - | 114,760 |
| Total community development | \$ - | \$ 418,854 | \$ - | \$ 418,854 |
| Total CDBG Projects Fund | \$ - | \$ 418,854 | \$ - | \$ 418,854 |

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

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|--------------------|-----------------|---------------|---|
| Special Revenue Funds: (Continued) | | | | |
| HMGP Home Elevation Project Fund: | | | | |
| Community development: | | | | |
| Planning and community development: | | | | |
| Home elevation improvements | \$ - | \$ 434,192 | \$ - | \$ 434,192 |
| 1905 Elevation project | - | 37,384 | - | 37,384 |
| Total community development | \$ - | \$ 471,576 | \$ - | \$ 471,576 |
| Total HMGP Home Elevation Project Fund | \$ - | \$ 471,576 | \$ - | \$ 471,576 |
| Parks and Recreation Project Fund: | | | | |
| Capital projects: | | | | |
| Parks and recreation improvements | \$ - | \$ 35,053 | \$ - | \$ 35,053 |
| Total capital projects | \$ - | \$ 35,053 | \$ - | \$ 35,053 |
| Total Parks and Recreation Project Fund | \$ - | \$ 35,053 | \$ - | \$ 35,053 |
| Harbor Improvement Fund: | | | | |
| Capital projects: | | | | - |
| Harbors and boat ramps | \$ 20,000 | \$ 62,295 | \$ 22,598 | \$ 39,697 |
| Total capital projects | \$ 20,000 | \$ 62,295 | \$ 22,598 | \$ 39,697 |
| Total Harbor Improvement Fund | \$ 20,000 | \$ 62,295 | \$ 22,598 | \$ 39,697 |
| ES 911 Grant Fund: | | | | |
| Capital projects: | | | | - |
| Communications equipment | \$ - | \$ 22,011 | \$ 22,010 | \$ 1 |
| Total capital projects | \$ - | \$ 22,011 | \$ 22,010 | \$ 1 |
| Total ES 911 Grant Fund | \$ - | \$ 22,011 | \$ 22,010 | \$ 1 |
| Debt Service Fund: | | | | |
| Debt service: | | | | |
| Principal retirement | \$ 2,045,025 | \$ 2,045,025 | \$ 1,822,131 | \$ 222,894 |
| Interest and other fiscal charges | 1,055,396 | 1,055,405 | 1,054,591 | 814 |
| Total Debt Service Fund | \$ 3,100,421 | \$ 3,100,430 | \$ 2,876,722 | \$ 223,708 |
| Capital Projects Funds: | | | | |
| Capital Improvements Fund: | | | | |
| Capital projects expenditures: | | | | |
| Emergency medical services | \$ - | \$ - | \$ 32,920 | \$ (32,920) |
| County administrator | - | 31,000 | - | 31,000 |
| School capital assets | - | 716,317 | 98,544 | 617,773 |
| Communications equipment | - | 86,068 | - | 86,068 |
| Contingencies | 300,000 | 300,000 | - | 300,000 |
| Solid waste transfer station and other construction | - | 2 | - | 2 |
| Total capital projects | \$ 300,000 | \$ 1,133,387 | \$ 131,464 | \$ 1,001,923 |
| Debt service: | | | | |
| Interest and other fiscal charges | \$ - | \$ 2 | \$ - | \$ 2 |
| Total debt service | \$ - | \$ 2 | \$ - | \$ 2 |
| Total Capital Improvements Fund | \$ 300,000 | \$ 1,133,389 | \$ 131,464 | \$ 1,001,925 |
| Total Primary Government | \$ 30,350,716 | \$ 32,948,545 | \$ 29,723,090 | \$ 3,225,455 |

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

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|--------------------|-----------------|---------------|---|
| Discretely Presented Component Unit-School Board: | | | | |
| School Operating Fund: | | | | |
| Education: | | | | |
| Administration of schools: | | | | |
| Administration, attendance and health services | \$ 1,915,291 | \$ 1,918,018 | \$ 1,836,410 | \$ 81,608 |
| Total administration of schools | \$ 1,915,291 | \$ 1,918,018 | \$ 1,836,410 | \$ 81,608 |
| Instruction costs: | | | | |
| Elementary and secondary schools | \$ 11,971,671 | \$ 12,494,422 | \$ 11,660,972 | \$ 833,450 |
| Total instruction costs | \$ 11,971,671 | \$ 12,494,422 | \$ 11,660,972 | \$ 833,450 |
| Operating costs: | | | | |
| Pupil transportation | \$ 1,550,827 | \$ 1,524,088 | \$ 1,323,349 | \$ 200,739 |
| Operation and maintenance of school plant | 2,197,956 | 2,262,767 | 2,043,376 | 219,391 |
| Total operating costs | \$ 3,748,783 | \$ 3,786,855 | \$ 3,366,725 | \$ 420,130 |
| Contribution to County Capital Projects Fund | \$ - | \$ - | \$ 1,073,637 | \$ (1,073,637) |
| Total education | \$ 17,635,745 | \$ 18,199,295 | \$ 17,937,744 | \$ 261,551 |
| Debt service: | | | | |
| Principal retirement | \$ 327,299 | \$ 327,299 | \$ 327,308 | \$ (9) |
| Interest and other fiscal charges | 11,168 | 11,168 | 11,168 | - |
| Total debt service | \$ 338,467 | \$ 338,467 | \$ 338,476 | \$ (9) |
| Total School Operating Fund | \$ 17,974,212 | \$ 18,537,762 | \$ 18,276,220 | \$ 261,542 |
| School Cafeteria Fund: | | | | |
| Education: | | | | |
| School food services: | | | | |
| Administration of school food program | \$ 906,749 | \$ 927,295 | \$ 881,985 | \$ 45,310 |
| USDA commodities | - | - | 60,142 | (60,142) |
| Total school food services | \$ 906,749 | \$ 927,295 | \$ 942,127 | \$ (14,832) |
| Total education | \$ 906,749 | \$ 927,295 | \$ 942,127 | \$ (14,832) |
| Total School Cafeteria Fund | \$ 906,749 | \$ 927,295 | \$ 942,127 | \$ (14,832) |
| School Grants Fund: | | | | |
| Education: | | | | |
| Instruction | \$ 1,490,191 | \$ 2,165,300 | \$ 1,557,831 | \$ 607,469 |
| Total School Grants Fund | \$ 1,490,191 | \$ 2,165,300 | \$ 1,557,831 | \$ 607,469 |
| School Retiree Health Insurance Fund: | | | | |
| Education: | | | | |
| Instruction | \$ - | \$ - | \$ 151,195 | \$ (151,195) |
| Total education | \$ - | \$ - | \$ 151,195 | \$ (151,195) |
| Total School Retiree Health Insurance Fund | \$ - | \$ - | \$ 151,195 | \$ (151,195) |
| Total Discretely Presented Component Unit - School Board | \$ 20,371,152 | \$ 21,630,357 | \$ 20,927,373 | \$ 702,984 |

STATISTICAL SECTION

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Statistical Section

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the County's financial performance and well being have changed over time.

1-4

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

5-8

Debt Capacity

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.

9-10

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

11-12

Operating Information

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.

13-15

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

COUNTY OF NORTHAMPTON, VIRGINIA

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

| | 2017 | 2016 | 2015 | 2014 |
|---|----------------------|----------------------|----------------------|----------------------|
| Governmental activities | | | | |
| Net investment in capital assets | \$ 13,075,221 | \$ 13,311,004 | \$ 13,002,316 | \$ 13,311,792 |
| Restricted | 3,195,132 | 2,915,707 | 3,005,354 | 2,593,299 |
| Unrestricted | 11,922,127 | 9,069,441 | 7,678,896 | 9,587,750 |
| Total governmental activities net position | <u>\$ 28,192,480</u> | <u>\$ 25,296,152</u> | <u>\$ 23,686,566</u> | <u>\$ 25,492,841</u> |
| Business-type activities | | | | |
| Net investment in capital assets | \$ 16,149 | \$ 18,036 | \$ - | \$ - |
| Unrestricted | 1,452 | 8,426 | 9,561 | 2,702 |
| Total business-type activities net position | <u>\$ 17,601</u> | <u>\$ 26,462</u> | <u>\$ 9,561</u> | <u>\$ 2,702</u> |
| Primary government | | | | |
| Net investment in capital assets | \$ 13,091,370 | \$ 13,329,040 | \$ 13,002,316 | \$ 13,311,792 |
| Restricted | 3,195,132 | 2,915,707 | 3,005,354 | 2,593,299 |
| Unrestricted | 11,923,579 | 9,077,867 | 7,688,457 | 9,590,452 |
| Total primary government net position | <u>\$ 28,210,081</u> | <u>\$ 25,322,614</u> | <u>\$ 23,696,127</u> | <u>\$ 25,495,543</u> |

Table 1

| <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| \$ 13,198,763 | \$ 13,813,629 | \$ 11,716,567 | \$ 8,893,564 | \$ 12,200,548 | \$ 3,337,644 |
| 2,299,456 | 2,690,446 | 2,279,410 | 2,016,857 | 1,027,524 | 753,414 |
| 9,115,224 | 8,399,606 | 6,930,654 | 10,914,539 | 734,791 | 2,784,343 |
| <u>\$ 24,613,443</u> | <u>\$ 24,903,681</u> | <u>\$ 20,926,631</u> | <u>\$ 21,824,960</u> | <u>\$ 13,962,863</u> | <u>\$ 6,875,401</u> |
| \$ - | \$ - | \$ 7,136 | \$ 8,849 | \$ 10,562 | \$ 12,275 |
| 2,702 | (27,136) | (131,380) | (16,115) | (17,828) | (19,541) |
| <u>\$ 2,702</u> | <u>\$ (27,136)</u> | <u>\$ (124,244)</u> | <u>\$ (7,266)</u> | <u>\$ (7,266)</u> | <u>\$ (7,266)</u> |
| \$ 13,198,763 | \$ 13,813,629 | \$ 11,723,703 | \$ 8,902,413 | \$ 12,211,110 | \$ 3,349,919 |
| 2,299,456 | 2,690,446 | 2,279,410 | 2,016,857 | 1,027,524 | 753,414 |
| 9,117,926 | 8,372,470 | 6,799,274 | 10,898,424 | 716,963 | 2,764,802 |
| <u>\$ 24,616,145</u> | <u>\$ 24,876,545</u> | <u>\$ 20,802,387</u> | <u>\$ 21,817,694</u> | <u>\$ 13,955,597</u> | <u>\$ 6,868,135</u> |

COUNTY OF NORTHAMPTON, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

| | 2017 | 2016 | 2015 | 2014 |
|---|-----------------|-----------------|-----------------|-----------------|
| Expenses | | | | |
| Governmental activities: | | | | |
| General government administration | \$ 2,635,928 | \$ 2,413,847 | \$ 2,654,848 | \$ 2,573,634 |
| Judicial administration | 852,577 | 827,333 | 808,280 | 810,083 |
| Public safety | 9,215,297 | 8,739,709 | 8,723,916 | 8,767,356 |
| Public works | 2,483,413 | 2,545,525 | 2,006,016 | 2,061,988 |
| Health and welfare | 2,851,470 | 2,859,742 | 2,885,030 | 2,879,167 |
| Education | 9,341,711 | 10,018,401 | 9,587,332 | 9,069,634 |
| Parks, recreation, culture | 419,903 | 384,855 | 356,931 | 376,031 |
| Community development | 1,018,247 | 912,784 | 1,153,095 | 1,932,522 |
| Interest on long-term debt | 622,511 | 697,430 | 765,128 | 817,257 |
| Total governmental activities expenses | \$ 29,441,057 | \$ 29,399,626 | \$ 28,940,576 | \$ 29,287,672 |
| Business-type activities: | | | | |
| Public utilities | \$ 192,628 | \$ 185,352 | \$ 165,348 | \$ 172,225 |
| Total business-type activities expenses | \$ 192,628 | \$ 185,352 | \$ 165,348 | \$ 172,225 |
| Total Primary government expenses | \$ 29,633,685 | \$ 29,584,978 | \$ 29,105,924 | \$ 29,459,897 |
| Program Revenues | | | | |
| Governmental activities: | | | | |
| Charges for services | | | | |
| General government administration | \$ - | \$ - | \$ - | \$ - |
| Judicial administration | 768,860 | 654,510 | 722,594 | 748,040 |
| Public safety | 469,439 | 304,566 | 267,459 | 302,044 |
| Public works | 574,315 | 575,089 | 535,686 | 506,268 |
| Parks, recreation, culture | 53,744 | 51,200 | 58,630 | 58,479 |
| Community development | - | - | 40 | 20 |
| Operating grants and contributions | 6,085,668 | 6,080,273 | 6,137,361 | 5,815,182 |
| Capital grants and contributions | 33,129 | 52,577 | - | 741,305 |
| Total governmental activities program revenues | \$ 7,985,155 | \$ 7,718,215 | \$ 7,721,770 | \$ 8,171,338 |
| Business-type activities: | | | | |
| Charges for services | \$ 187,630 | \$ 180,235 | \$ 165,486 | \$ 160,946 |
| Total business-type activities program revenues | \$ 187,630 | \$ 180,235 | \$ 165,486 | \$ 160,946 |
| Total primary government program revenue | \$ 8,172,785 | \$ 7,898,450 | \$ 7,887,256 | \$ 8,332,284 |
| Net(Expense)/Revenue | | | | |
| Governmental activities | \$ (21,455,902) | \$ (21,681,411) | \$ (21,218,806) | \$ (21,116,334) |
| Business-type activities | (4,998) | (5,117) | 138 | (11,279) |
| Total primary government net expense | \$ (21,460,900) | \$ (21,686,528) | \$ (21,218,668) | \$ (21,127,613) |

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| \$ 2,580,737 | \$ 2,421,964 | \$ 1,880,236 | \$ 1,609,696 | \$ 2,062,347 | \$ 2,750,816 |
| 776,261 | 791,212 | 755,107 | 700,167 | 1,118,587 | 1,223,208 |
| 9,453,598 | 3,875,834 | 7,220,089 | 7,006,458 | 7,067,742 | 6,753,142 |
| 2,173,368 | 2,171,427 | 3,046,144 | 1,345,320 | 2,771,451 | 1,461,183 |
| 2,878,538 | 3,182,812 | 3,352,694 | 4,192,321 | 3,855,439 | 3,934,795 |
| 8,731,218 | 8,009,717 | 8,807,476 | 8,307,555 | 9,710,756 | 8,410,381 |
| 320,558 | 343,025 | 352,034 | 300,973 | 293,853 | 370,596 |
| 1,299,259 | 1,414,090 | 1,849,353 | 900,746 | 1,368,325 | 1,732,461 |
| 2,480,390 | 1,598,507 | 1,630,403 | 1,657,839 | 2,176,369 | 2,326,326 |
| <u>\$ 30,693,927</u> | <u>\$ 23,808,588</u> | <u>\$ 28,893,536</u> | <u>\$ 26,021,075</u> | <u>\$ 30,424,869</u> | <u>\$ 28,962,908</u> |
| | | | | | |
| \$ 163,782 | \$ 95,162 | \$ 171,219 | \$ 83,596 | \$ 86,402 | \$ 25,566 |
| <u>\$ 163,782</u> | <u>\$ 95,162</u> | <u>\$ 171,219</u> | <u>\$ 83,596</u> | <u>\$ 86,402</u> | <u>\$ 25,566</u> |
| | | | | | |
| <u>\$ 30,857,709</u> | <u>\$ 23,903,750</u> | <u>\$ 29,064,755</u> | <u>\$ 26,104,671</u> | <u>\$ 30,511,271</u> | <u>\$ 28,988,474</u> |
| | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ 117,117 | \$ 139,233 |
| 562,536 | 309,943 | 246,548 | 236,585 | 1,532 | 4,573 |
| 348,892 | 182,244 | 180,166 | 294,899 | 369,089 | 373,412 |
| 451,294 | 448,334 | 397,766 | 330,862 | 303,654 | 58,655 |
| 46,528 | 71,060 | 43,447 | 49,180 | 18,662 | 15,440 |
| 188 | 108 | 372 | - | 283,323 | 348,133 |
| 5,604,379 | 6,586,173 | 7,542,861 | 6,591,543 | 6,792,581 | 7,169,684 |
| 1,482,705 | 139,418 | 150,000 | 6,269,953 | 9,518,123 | 151,205 |
| <u>\$ 8,496,522</u> | <u>\$ 7,737,280</u> | <u>\$ 8,561,160</u> | <u>\$ 13,773,022</u> | <u>\$ 17,404,081</u> | <u>\$ 8,260,335</u> |
| | | | | | |
| \$ 174,910 | \$ - | \$ 54,241 | \$ 57,489 | \$ 26,663 | \$ 18,300 |
| <u>\$ 174,910</u> | <u>\$ -</u> | <u>\$ 54,241</u> | <u>\$ 57,489</u> | <u>\$ 26,663</u> | <u>\$ 18,300</u> |
| | | | | | |
| <u>\$ 8,671,432</u> | <u>\$ 7,737,280</u> | <u>\$ 8,615,401</u> | <u>\$ 13,830,511</u> | <u>\$ 17,430,744</u> | <u>\$ 8,278,635</u> |
| | | | | | |
| \$ (22,197,405) | \$ (16,071,308) | \$ (20,332,376) | \$ (12,248,053) | \$ (13,020,788) | \$ (20,702,573) |
| 11,128 | (95,162) | (116,978) | (26,107) | (59,739) | (7,266) |
| <u>\$ (22,186,277)</u> | <u>\$ (16,166,470)</u> | <u>\$ (20,449,354)</u> | <u>\$ (12,274,160)</u> | <u>\$ (13,080,527)</u> | <u>\$ (20,709,839)</u> |

COUNTY OF NORTHAMPTON, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

| | 2017 | 2016 | 2015 | 2014 |
|--|----------------------|----------------------|----------------------|----------------------|
| General Revenues and Other Changes in Net Position | | | | |
| Governmental activities: | | | | |
| Taxes: | | | | |
| General property taxes | \$ 18,041,615 | \$ 17,065,329 | \$ 16,695,685 | \$ 16,646,517 |
| Local sales and use tax | 1,206,730 | 1,178,112 | 1,091,493 | 1,089,704 |
| Communication sales tax | - | - | - | - |
| Consumer utility tax | 323,498 | 318,769 | 322,591 | 320,126 |
| Business license taxes | 38,221 | 37,220 | 38,132 | 41,232 |
| Hotel and meals taxes | 624,632 | 598,525 | 553,510 | 527,093 |
| Other local taxes | 583,525 | 576,843 | 500,753 | 527,676 |
| Unrestricted revenues from use of money and property | 107,437 | 174,263 | 77,791 | 71,502 |
| Miscellaneous | 376,240 | 237,483 | 166,823 | 170,401 |
| Grants and contributions not restricted to specific programs | 1,972,832 | 1,975,885 | 2,012,975 | 2,022,633 |
| Gain(loss) on disposal of capital assets | - | - | - | - |
| Transfers | 1,077,500 | 991,545 | 394,521 | 578,848 |
| Total governmental activities | \$ 24,352,230 | \$ 23,153,974 | \$ 21,854,274 | \$ 21,995,732 |
| Business-type activities: | | | | |
| Miscellaneous | \$ - | \$ - | \$ - | \$ - |
| Transfers | (3,863) | 22,018 | - | 18,000 |
| Total business-type activities | \$ (3,863) | \$ 22,018 | \$ - | \$ 18,000 |
| Total primary government | \$ 24,348,367 | \$ 23,175,992 | \$ 21,854,274 | \$ 22,013,732 |
| Change in Net Position | | | | |
| Governmental activities | \$ 2,896,328 | \$ 1,472,563 | \$ 635,468 | \$ 879,398 |
| Business-type activities | (8,861) | 16,901 | 138 | 6,721 |
| Total primary government | \$ 2,887,467 | \$ 1,489,464 | \$ 635,606 | \$ 886,119 |

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| \$ 16,777,134 | \$ 15,640,011 | \$ 15,457,110 | \$ 15,591,694 | \$ 15,323,293 | \$ 12,226,724 |
| 1,080,525 | 1,177,340 | 1,064,382 | 1,041,256 | 1,086,465 | 1,279,051 |
| - | - | - | 316,850 | 507,013 | 558,021 |
| 316,666 | 313,641 | 316,147 | 512,946 | 320,085 | 305,629 |
| 39,679 | 40,968 | 44,943 | 42,978 | 16,355 | 20,424 |
| 520,300 | 265,688 | 258,405 | 483,995 | 530,968 | 552,122 |
| 586,363 | 695,252 | 682,452 | 494,685 | 445,393 | 483,882 |
| - | - | - | 86,717 | 208,654 | 767,134 |
| 62,378 | 128,069 | 79,445 | 87,554 | 303,303 | 390,500 |
| 246,097 | 190,464 | 76,049 | 1,349,942 | 1,307,051 | 1,526,036 |
| 1,844,798 | 1,796,331 | 1,794,768 | - | 119,409 | 12,647 |
| 747,803 | (199,406) | 436,301 | (26,107) | (59,739) | - |
| <u>\$ 22,221,743</u> | <u>\$ 20,048,358</u> | <u>\$ 20,210,002</u> | <u>\$ 19,982,510</u> | <u>\$ 20,108,250</u> | <u>\$ 18,122,170</u> |
| \$ - | \$ (7,136) | \$ - | \$ - | \$ - | \$ - |
| 18,710 | 199,406 | - | 26,107 | 59,739 | - |
| <u>\$ 18,710</u> | <u>\$ 192,270</u> | <u>\$ -</u> | <u>\$ 26,107</u> | <u>\$ 59,739</u> | <u>\$ -</u> |
| <u>\$ 22,240,453</u> | <u>\$ 20,240,628</u> | <u>\$ 20,210,002</u> | <u>\$ 20,008,617</u> | <u>\$ 20,167,989</u> | <u>\$ 18,122,170</u> |
| \$ 24,338 | \$ 3,977,050 | \$ (122,374) | \$ 7,734,457 | \$ 7,087,462 | \$ (2,580,403) |
| 29,838 | 97,108 | (116,978) | - | - | (7,266) |
| <u>\$ 54,176</u> | <u>\$ 4,074,158</u> | <u>\$ (239,352)</u> | <u>\$ 7,734,457</u> | <u>\$ 7,087,462</u> | <u>\$ (2,587,669)</u> |

COUNTY OF NORTHAMPTON, VIRGINIA

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

| | 2017 | 2016 | 2015 | 2014 |
|------------------------------------|--------------|--------------|--------------|--------------|
| General Fund | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - |
| Unreserved | - | - | - | - |
| Nonspendable | 782 | 1,748 | 874 | 874 |
| Restricted | - | - | - | - |
| Committed | - | - | 190,175 | - |
| Assigned | 139,908 | 66,000 | - | 139,168 |
| Unassigned | 9,464,231 | 7,763,364 | 7,804,166 | 7,898,674 |
| Total General Fund | \$ 9,604,921 | \$ 7,831,112 | \$ 7,995,215 | \$ 8,038,716 |
| All Other Governmental Funds | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - |
| Unreserved, reported in: | - | - | - | - |
| Special revenue funds | - | - | - | - |
| Debt service funds | - | - | - | - |
| Capital projects funds | - | - | - | - |
| Nonspendable | - | - | - | - |
| Restricted | 3,195,132 | 2,915,707 | 3,005,354 | 2,593,299 |
| Committed | 6,684,163 | 5,735,985 | 4,691,846 | 4,854,183 |
| Assigned | 142,280 | 160,978 | - | - |
| Unassigned | (192,866) | (191,846) | (203,262) | (182,910) |
| Total all other governmental funds | \$ 9,828,709 | \$ 8,620,824 | \$ 7,493,938 | \$ 7,264,572 |

Note: The County implemented GASB Statement number 54, for fund balance reporting in FY11. Restatement of prior year balances is not feasible. Therefore, ten years of fund balance information in accordance with GASB Statement number 54 is not available, but will be accumulated over time.

Table 3

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 87,818 | \$ 75,584 |
| - | - | - | 4,582,698 | 3,783,923 | 4,399,830 |
| 674 | - | - | - | - | - |
| - | - | 1,334,815 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 8,058,543 | 6,598,339 | 4,191,411 | - | - | - |
| <u>\$ 8,059,217</u> | <u>\$ 6,598,339</u> | <u>\$ 5,526,226</u> | <u>\$ 4,582,698</u> | <u>\$ 3,871,741</u> | <u>\$ 4,475,414</u> |
| \$ - | \$ - | \$ - | \$ 2,016,857 | \$ 1,722,914 | \$ 1,581,003 |
| - | - | - | 55,070 | 65,165 | 43,601 |
| - | - | - | - | 440,816 | 1,161,023 |
| - | - | - | 7,518,666 | 10,300,626 | 12,573,719 |
| - | - | 624,228 | - | - | - |
| 2,299,456 | 2,690,446 | 1,123,573 | - | - | - |
| 4,600,157 | 4,378,522 | 4,410,088 | - | - | - |
| - | - | - | - | - | - |
| (170,856) | (168,211) | (176,288) | - | - | - |
| <u>\$ 6,728,757</u> | <u>\$ 6,900,757</u> | <u>\$ 5,981,601</u> | <u>\$ 9,590,593</u> | <u>\$ 12,529,521</u> | <u>\$ 15,359,346</u> |

COUNTY OF NORTHAMPTON, VIRGINIA

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

| | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|---------------|
| REVENUES | | | | |
| General property taxes | \$ 18,039,197 | \$ 17,212,661 | \$ 16,682,266 | \$ 16,717,264 |
| Other local taxes | 2,776,606 | 2,709,469 | 2,506,479 | 2,505,831 |
| Permits, privilege fees, and regulatory licenses | 167,599 | 168,928 | 109,011 | 115,874 |
| Fines and forfeitures | 553,690 | 442,889 | 510,887 | 537,765 |
| Revenue from the use of money and property | 107,437 | 174,263 | 77,791 | 71,502 |
| Charges for services | 1,145,069 | 973,548 | 964,511 | 961,212 |
| Miscellaneous | 347,709 | 209,667 | 130,164 | 138,158 |
| Recovered costs | 483,456 | 402,761 | 213,750 | 272,875 |
| Intergovernmental revenues | 9,165,266 | 9,122,298 | 8,544,857 | 9,175,968 |
| Total revenues | \$ 32,786,029 | \$ 31,416,484 | \$ 29,739,716 | \$ 30,496,449 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 2,109,381 | \$ 2,150,567 | \$ 1,961,308 | \$ 2,038,882 |
| Judicial administration | 689,380 | 677,613 | 648,852 | 623,134 |
| Public safety | 8,735,849 | 8,240,146 | 8,118,561 | 8,019,032 |
| Public works | 2,262,325 | 2,130,659 | 2,120,556 | 2,142,149 |
| Health and welfare | 2,813,823 | 2,892,299 | 2,893,156 | 2,835,881 |
| Education | 8,739,800 | 8,754,047 | 8,176,890 | 8,306,488 |
| Parks, recreation, and cultural | 376,247 | 366,068 | 338,095 | 353,402 |
| Community development | 988,099 | 977,163 | 1,430,497 | 1,770,565 |
| Capital projects | 176,072 | 983,315 | 812,998 | 755,337 |
| Debt service: | | | | |
| Principal retirement | 1,822,131 | 2,269,250 | 1,861,182 | 1,856,774 |
| Interest and other fiscal charges | 1,054,591 | 1,127,579 | 1,191,756 | 1,256,768 |
| Total expenditures | \$ 29,767,698 | \$ 30,568,706 | \$ 29,553,851 | \$ 29,958,412 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 3,018,331 | \$ 847,778 | \$ 185,865 | \$ 538,037 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 5,214,133 | \$ 5,805,122 | \$ 5,733,914 | \$ 5,947,535 |
| Transfers out | (5,250,770) | (5,867,640) | (5,733,914) | (6,115,535) |
| Sale of capital assets | - | - | - | - |
| Bonds issued | - | - | - | - |
| Refunding bonds issued | - | - | - | - |
| Premium on refunding bonds issued | - | - | - | - |
| Issuance of capital leases | - | - | - | 145,277 |
| Sale of industrial park property | - | - | - | - |
| Total other financing sources (uses) | \$ (36,637) | \$ (62,518) | \$ - | \$ (22,723) |
| Net change in fund balances | \$ 2,981,694 | \$ 785,260 | \$ 185,865 | \$ 515,314 |
| Fund balances - beginning | 16,451,936 | 15,666,676 | 15,303,288 | 14,787,974 |
| Fund balances - ending | \$ 19,433,630 | \$ 16,451,936 | \$ 15,489,153 | \$ 15,303,288 |
| Debt Service as a percentage of noncapital expenditures | 9.80% | 11.33% | 10.50% | 10.70% |

Table 4

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|------------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 17,199,372 | \$ 15,691,764 | \$ 15,420,768 | \$ 15,077,656 | \$ 14,963,530 | \$ 12,170,249 |
| 2,543,533 | 2,492,889 | 2,366,329 | 2,892,710 | 2,906,279 | 3,199,129 |
| 128,550 | 134,793 | 125,374 | 192,564 | 238,126 | 293,445 |
| 378,652 | 162,917 | 117,466 | 114,132 | 114,630 | 136,138 |
| 62,378 | 128,069 | 111,289 | 78,806 | 213,130 | 786,364 |
| 902,236 | 713,979 | 625,459 | 604,829 | 560,304 | 273,121 |
| 264,511 | 109,602 | 76,049 | 87,554 | 17,302 | 122,907 |
| 255,303 | 3,719,863 | 346,093 | 428,125 | 180,390 | 176,043 |
| 9,698,395 | 8,994,551 | 9,923,930 | 8,258,638 | 17,892,885 | 9,150,652 |
| <u>\$ 31,432,930</u> | <u>\$ 32,148,427</u> | <u>\$ 29,112,757</u> | <u>\$ 27,735,014</u> | <u>\$ 37,086,576</u> | <u>\$ 26,308,048</u> |
| | | | | | |
| \$ 1,968,506 | \$ 1,934,342 | \$ 1,714,692 | \$ 1,770,821 | \$ 1,961,150 | \$ 2,665,789 |
| 607,948 | 584,726 | 592,779 | 584,458 | 940,492 | 1,054,686 |
| 7,214,604 | 6,546,031 | 6,594,780 | 6,119,994 | 6,135,182 | 6,007,989 |
| 2,001,046 | 1,847,921 | 1,777,069 | 1,725,082 | 1,983,356 | 1,368,205 |
| 2,800,420 | 3,124,653 | 3,312,480 | 4,104,825 | 3,776,353 | 3,891,270 |
| 7,984,224 | 7,675,452 | 7,625,997 | 7,656,078 | 9,903,796 | 8,361,729 |
| 298,448 | 281,966 | 258,761 | 313,905 | 273,887 | 396,876 |
| 1,297,764 | 1,370,772 | 1,849,972 | 1,003,195 | 1,347,828 | 1,670,771 |
| 1,647,734 | 2,654,844 | 3,849,415 | 2,492,436 | 2,339,000 | 2,277,295 |
| | | | | | |
| 36,705,041 | 2,530,680 | 2,523,955 | 3,825,226 | 12,188,497 | 1,639,477 |
| 2,461,003 | 1,589,911 | 1,784,540 | 1,810,090 | 2,072,831 | 4,071,173 |
| <u>\$ 64,986,738</u> | <u>\$ 30,141,298</u> | <u>\$ 31,884,440</u> | <u>\$ 31,406,110</u> | <u>\$ 42,922,372</u> | <u>\$ 33,405,260</u> |
| | | | | | |
| <u>\$ (33,553,808)</u> | <u>\$ 2,007,129</u> | <u>\$ (2,771,683)</u> | <u>\$ (3,671,096)</u> | <u>\$ (5,835,796)</u> | <u>\$ (7,097,212)</u> |
| | | | | | |
| \$ 6,159,676 | \$ 5,659,288 | \$ 6,089,652 | \$ 6,449,976 | \$ 5,054,754 | \$ 6,954,429 |
| (6,178,386) | (5,858,694) | (6,089,652) | (6,476,083) | (5,114,493) | (6,954,429) |
| - | - | - | - | 263,687 | 12,647 |
| - | - | - | 1,390,000 | 1,378,350 | - |
| 29,720,000 | - | - | - | - | - |
| 4,986,840 | - | - | - | - | - |
| 154,466 | 183,606 | 106,219 | 79,232 | 820,000 | 502,116 |
| - | - | - | - | - | 3,331,860 |
| <u>\$ 34,842,596</u> | <u>\$ (15,800)</u> | <u>\$ 106,219</u> | <u>\$ 1,443,125</u> | <u>\$ 2,402,298</u> | <u>\$ 3,846,623</u> |
| | | | | | |
| \$ 1,288,788 | \$ 1,991,329 | \$ (2,665,464) | (2,227,971) | (3,433,498) | (3,250,589) |
| 13,499,156 | 11,507,827 | 14,173,291 | 16,401,262 | 19,834,760 | 23,085,349 |
| <u>\$ 14,787,944</u> | <u>\$ 13,499,156</u> | <u>\$ 11,507,827</u> | <u>\$ 14,173,291</u> | <u>\$ 16,401,262</u> | <u>\$ 19,834,760</u> |
| | | | | | |
| <u>60.59%</u> | <u>15.07%</u> | <u>15.28%</u> | <u>23.62%</u> | <u>36.04%</u> | <u>18.80%</u> |

Principal Property Tax Payers
Current and Ten Years Ago

| Taxpayer | December 31, 2016 | | | December 31, 2006 | | |
|--|------------------------|------|---|------------------------|------|---|
| | Taxable Assessed Value | Rank | Percentage of Total County Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total County Taxable Assessed Value |
| Bay Creek South LLC | \$ 41,801,800 | 1 | 2.02% | \$ 8,754,400 | 3 | 0.64% |
| Daniel A. Hoffler | 13,383,900 | 2 | 0.65% | 4,707,800 | 6 | 0.35% |
| Bayshore Concrete Products Corporation | 11,408,700 | 3 | 0.55% | 5,214,300 | 5 | 0.38% |
| Ballard Brothers Fish Company | 9,866,200 | 4 | 0.48% | | | |
| The Nature Conservancy | 7,960,500 | 6 | 0.39% | | | |
| Peacock Holdings Va LLC | 9,762,600 | 5 | 0.47% | | | |
| Cherrydale Holdings Va LLC | | | 0.00% | | | |
| THS Family Limited Partnership | 4,986,300 | 8 | 0.24% | 3,114,700 | 10 | 0.23% |
| Baymark Construction Corporation | | | 0.00% | | | |
| Hungars Glebe LLC | 4,991,300 | 7 | 0.24% | | | |
| Bay Creek LLC | | | | 15,449,900 | 1 | 1.14% |
| Bay Creek Marina and Resort LLC | | | | 8,322,300 | 4 | 0.61% |
| Brown and Root, Inc | | | | 11,483,700 | 2 | 0.85% |
| Virginia Realty LLC | | | | 4,087,000 | 7 | 0.30% |
| HCMF Partnership | | | | 3,926,900 | 8 | 0.29% |
| Bayview for Social Justice | | | | 3,169,400 | 9 | 0.23% |
| Landmark Holdings | 4,830,300 | 9 | 0.23% | | | |
| Eyre Hall Land Trust, LLC | 4,660,100 | 10 | 0.23% | | | |
| | <u>\$ 113,651,700</u> | | <u>5.50%</u> | <u>\$ 68,230,400</u> | | <u>5.03%</u> |

Source: Northampton County Commissioner of Revenue Department

Property Tax Levies and Collections
Last Ten Fiscal Years

| Tax Year | Taxes Levied for the Fiscal Year (Original Levy) | Adjust- ments | Total Adjusted Levy | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|-------------|--|------------------|---------------------------|---|--------------------------|--|------------------------------|--------------------------|
| | | | | Amount | % of Original Levy | | Amount | % of Adjusted Levy |
| 2007 | \$ 12,910,798 | \$ (38,931) | \$ 12,871,867 | \$ 12,200,316 | 94.50% | \$ 663,903 | \$ 12,864,219 | 99.94% |
| 2008 | 13,853,742 | (19,231) | 13,834,511 | 12,998,714 | 93.83% | 735,097 | 13,733,811 | 99.27% |
| 2009 | 16,846,757 | (168,103) | 16,678,654 | 15,371,677 | 91.24% | 1,183,214 | 16,554,891 | 99.26% |
| 2010 | 15,107,275 | (177,560) | 14,929,715 | 13,833,403 | 91.57% | 1,088,359 | 14,921,762 | 99.95% |
| 2011 | 15,306,788 | (124,457) | 15,182,331 | 14,247,384 | 93.08% | 923,705 | 15,171,089 | 99.93% |
| 2012 | 15,537,407 | (152,306) | 15,385,101 | 14,423,649 | 92.83% | 872,850 | 15,296,499 | 99.42% |
| 2013 | 16,645,168 | (128,482) | 16,516,686 | 15,806,828 | 94.96% | 587,997 | 16,394,825 | 99.26% |
| 2014 | 16,681,616 | (303,828) | 16,377,788 | 15,517,549 | 93.02% | 665,261 | 16,182,810 | 98.81% |
| 2015 | 16,680,247 | (157,884) | 16,522,363 | 15,696,840 | 94.10% | 483,780 | 16,180,620 | 97.93% |
| 2016 | 17,090,782 | (152,614) | 16,938,168 | 16,084,981 | 94.11% | - | 16,084,981 | 94.96% |

COUNTY OF NORTHAMPTON, VIRGINIA

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

| Fiscal Year Ended | Real Property | | | | | Motor Vehicles and Tangibles | |
|-------------------------|-------------------------|------------------------|----------------|-------------------------------|--------------------------|---------------------------------------|--------------------------|
| | Residential Property | Commercial Property | Raw Land | Public Service Property | Tax Rate per \$100 | | Tax Rate per \$100 |
| 2008 | \$ 924,544,333 | \$ 107,725,200 | \$ 224,584,800 | \$ 25,334,451 | \$ 0.7000 | \$ 118,071,322 | \$ 4.10 |
| 2009 | 1,041,162,452 | 109,343,300 | 221,384,100 | 23,221,600 | 0.7000 | 121,233,258 | 4.10 |
| 2010 | 1,730,453,549 | 163,617,300 | 595,142,800 | 48,255,100 | 0.4900 | 111,995,167 | 4.10 |
| 2011 | 2,104,602,800 | 179,176,900 | 584,621,300 | 42,929,400 | 0.4900 | 84,183,800 | 4.10 |
| 2012 | 2,122,658,500 | 179,480,200 | 581,313,900 | 24,505,800 | 0.4900 | 66,661,000 | 4.10 |
| 2013 | 2,123,731,600 | 179,476,700 | 580,084,700 | 49,322,500 | 0.4900 | 67,553,600 | 4.10 |
| 2014 | 1,644,540,300 | 172,302,700 | 484,359,100 | 47,337,675 | 0.5400 | 68,377,100 | 3.85 |
| 2015 | 1,645,307,200 | 161,885,000 | 479,901,300 | 48,854,329 | 0.6728 | 68,775,700 | 3.85 |
| 2016 | 1,645,468,057 | 159,026,800 | 476,301,901 | 52,285,130 | 0.6805 | 104,269,600 | 3.90 |
| 2017 | 1,384,987,850 | 141,462,300 | 389,505,900 | 51,653,101 | 0.8300 | 106,804,700 | 3.90 |

Source: Northampton County Commissioner of Revenue Department

Note: The County assesses property at 100% of actual value. Tax rates are assessed per \$100 of assessed value.

Table 7

| Personal Property | | | | | | Total Taxable Assessed Value | Direct Tax Rate per \$100 |
|-------------------------------|--------------------------|---------------------------|--------------------------|-----------------------|--------------------------|---------------------------------------|------------------------------------|
| Public Service Property | Tax Rate per \$100 | Machinery and Tools | Tax Rate per \$100 | Merchant's Capital | Tax Rate per \$100 | | |
| \$ 25,117 | \$ 4.10 | \$ 3,841,317 | \$ 2.25 | \$ 1,269,800 | \$ 6.25 | \$ 1,405,396,340 | \$ 0.996 |
| 380,200 | 4.10 | 3,375,700 | 2.25 | 1,418,500 | 6.25 | 1,521,519,110 | 0.981 |
| 1,825,600 | 4.10 | 2,495,150 | 2.25 | 1,530,600 | 6.25 | 2,655,315,266 | 0.650 |
| 1,148,100 | 4.10 | 2,703,300 | 2.25 | - | - | 2,999,365,600 | 0.594 |
| 1,148,100 | 4.10 | 4,417,400 | 2.25 | - | - | 2,980,184,900 | 0.642 |
| 385,600 | 4.10 | 4,387,300 | 2.25 | - | - | 3,004,942,000 | 0.603 |
| 52,623 | 3.85 | 4,145,000 | 2.00 | - | - | 2,421,114,498 | 0.662 |
| 50,980 | 3.85 | 3,867,100 | 2.00 | - | - | 2,408,641,609 | 0.676 |
| 12,074 | 3.90 | 4,509,500 | 2.00 | - | - | 2,441,873,062 | 0.938 |
| 8,726 | 3.90 | 4,062,400 | 2.00 | - | - | 2,078,484,977 | 0.972 |

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

| Fiscal Year | Real Estate | Motor Vehicles and Tangibles | Machinery and Tools | Merchant's Capital | Total Direct Rate |
|-------------|-------------|------------------------------|---------------------|--------------------|-------------------|
| 2008 | \$ 0.639 | \$ 0.345 | \$ 0.006 | \$ 0.006 | \$ 0.996 |
| 2009 | 0.642 | 0.328 | 0.005 | 0.006 | 0.981 |
| 2010 | 0.468 | 0.176 | 0.002 | 0.004 | 0.650 |
| 2011 | 0.477 | 0.115 | 0.002 | - | 0.594 |
| 2012 | 0.491 | 0.149 | 0.002 | - | 0.642 |
| 2013 | 0.501 | 0.100 | 0.002 | - | 0.603 |
| 2014 | 0.552 | 0.100 | 0.002 | - | 0.654 |
| 2015 | 0.561 | 0.111 | 0.004 | - | 0.676 |
| 2016 | 0.574 | 0.355 | 0.009 | - | 0.938 |
| 2017 | 0.791 | 0.177 | 0.004 | - | 0.972 |

Source: Northampton County Commissioner of Revenue Department

Note: Direct rates are derived by calculating a weighted average that multiplies each rate by the proportion of the revenue base to which it applies.

Overlapping Rates

| Fiscal Year | Town of Eastville | | Town of Cape Charles | | Town of Exmore | | Town of Belle Haven |
|-------------|-------------------|-------------------|----------------------|-------------------|----------------|-------------------|---------------------|
| | Real Estate | Tangible Property | Real Estate | Tangible Property | Real Estate | Tangible Property | Real Estate |
| 2008 | \$ 0.0275 | \$ 0.2500 | \$ 0.3008 | 2.00 | \$ 0.1600 | \$ 0.4500 | 0.0400 |
| 2009 | 0.0275 | 0.2500 | 0.3008 | 2.00 | 0.1600 | 0.4500 | 0.0400 |
| 2010 | 0.0175 | 0.2500 | 0.1628 | 2.00 | 0.1200 | 0.4900 | 0.0400 |
| 2011 | 0.0175 | 0.2500 | 0.1828 | 2.00 | 0.1200 | 0.4900 | 0.0400 |
| 2012 | 0.0175 | 0.2500 | 0.1628 | 2.00 | 0.1200 | 0.4900 | 0.0850 |
| 2013 | 0.0175 | 0.2500 | 0.1828 | 2.00 | 0.1200 | 0.4900 | 0.0850 |
| 2014 | 0.0175 | 0.2500 | 0.1828 | 2.00 | 0.1200 | 0.4900 | 0.0850 |
| 2015 | 0.0175 | 0.2500 | 0.2759 | 2.00 | 0.1200 | 0.4900 | 0.0850 |
| 2016 | 0.0500 | 0.0500 | 0.2759 | 2.00 | 0.1200 | 0.4900 | 0.0400 |
| 2017 | 0.0500 | 0.0500 | 0.3260 | 2.00 | 0.1200 | 0.4900 | 0.0400 |

Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

| Fiscal Year | General Bonded Debt Outstanding General Obligation Bonds | | | Per Capita(a) | Percentage of Actual Taxable Value of Property (b) |
|----------------|---|--|---------------|------------------|--|
| | Governmental Activities | Less: Amounts Restricted to Repaying Principal | Total | | |
| 2008 | \$ 56,625,638 | \$ 1,581,003 | \$ 55,044,635 | \$ 4,107.50 | 3.62% |
| 2009 | 46,119,447 | 1,722,914 | 44,396,533 | 3,309.47 | 1.67% |
| 2010 | 43,895,337 | 2,016,857 | 41,878,480 | 3,112.02 | 1.41% |
| 2011 | 41,747,232 | 2,279,410 | 39,467,822 | 3,188.80 | 1.31% |
| 2012 | 39,489,635 | 2,568,542 | 36,921,093 | 3,019.88 | 1.52% |
| 2013 | 37,906,670 | 2,145,866 | 35,760,804 | 2,949.34 | 1.48% |
| 2014 | 36,023,096 | 2,450,550 | 33,572,546 | 2,768.87 | 1.39% |
| 2015 | 34,079,522 | 2,762,716 | 31,316,806 | 2,583.68 | 1.30% |
| 2016 | 31,651,888 | 2,752,047 | 28,899,841 | 2,332.70 | 1.40% |
| 2017 | 29,578,315 | 3,057,346 | 26,520,969 | 2,184.77 | 1.28% |

(a) Population data can be found in Table 11

(b) See Table 7 for property value data

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | Total Primary Government | Percentage of Personal Income | Per Capita |
|----------------|--------------------------------|------------------------------|--------------------------------|-------------------------------------|---------------|
| | General Obligation Bonds | Capital Leases Payable | | | |
| 2008 | \$ 56,625,638 | \$ 973,227 | \$ 57,598,865 | 16.23% | \$ 4,298 |
| 2009 | 46,119,447 | 1,093,239 | 47,212,686 | 12.99% | 3,519 |
| 2010 | 43,895,337 | 784,845 | 44,680,182 | 10.02% | 3,320 |
| 2011 | 41,747,232 | 528,290 | 42,275,522 | 9.49% | 3,416 |
| 2012 | 39,489,635 | 451,577 | 39,941,212 | 9.06% | 3,267 |
| 2013 | 37,906,670 | 341,477 | 38,248,147 | 7.86% | 3,154 |
| 2014 | 36,023,096 | 262,111 | 36,285,207 | 8.48% | 2,993 |
| 2015 | 34,079,522 | 93,059 | 34,172,581 | 7.83% | 2,819 |
| 2016 | 31,651,888 | - | 31,651,888 | 6.76% | 2,555 |
| 2017 | 29,578,315 | - | 29,578,315 | 6.81% | 2,437 |

Note: Debt refinanced in July 2013.

Demographic and Economic Statistics
Last Ten Available Calendar Years

| Year | Population (1) | Personal Income (in thousands) | Per Capita Personal Income (2) | Median Age (1) | School Enrollment (4) | Unemployment Rate (3) |
|------|-------------------|--------------------------------------|---|----------------------|-----------------------------|-----------------------------|
| 2007 | 13,609 | \$ 347,057 | \$ 25,502 | 42.4 | 1,757 | 3.90% |
| 2008 | 13,401 | 354,872 | 26,481 | 42.4 | 1,877 | 4.10% |
| 2009 | 13,415 | 363,318 | 27,083 | 42.4 | 1,853 | 5.50% |
| 2010 | 13,457 | 450,993 | 33,514 | 42.4 | 1,788 | 7.90% |
| 2011 | 12,377 | 445,708 | 36,011 | 42.4 | 1,667 | 8.00% |
| 2012 | 12,226 | 486,628 | 39,803 | 47 | 1,590 | 8.80% |
| 2013 | 12,125 | 427,879 | 35,289 | 42 | 1,586 | 7.70% |
| 2014 | 12,121 | 436,198 | 35,987 | 47.2 | 1,565 | 7.40% |
| 2015 | 12,389 | 468,354 | 37,804 | 42 | 1,538 | 5.10% |
| 2016 | 12,139 | 273,006 | 22,490 | 47 | 1,483 | 7.70% |

Sources:

- (1) U.S. Census Bureau
- (2) Bureau of Economic Analysis
- (3) Virginia Employment Commission
- (4) Northampton County Schools

Principal Employers
Current Year and Ten Years Ago

| Employer | 2017 | | | 2007 | | |
|------------------------------------|-----------|------|---------------------------------------|-----------|------|---------------------------------------|
| | Employees | Rank | Percentage of Total County Employment | Employees | Rank | Percentage of Total County Employment |
| Riverside Regional Medical Center | 500-999 | 1 | 10.76% | 500-999 | 1 | 8.66% |
| Bayshore Concrete Products Company | 100-249 | 2 | 1.09% | 250-499 | 3 | 4.33% |
| Northampton County Schools | 250-499 | 3 | 5.46% | 250-499 | 2 | 4.33% |
| County of Northampton | 100-249 | 4 | 2.18% | 100-249 | 4 | 1.73% |
| Chesapeake Bay Bridge Tunnel | 100-249 | 5 | 2.18% | 100-249 | 5 | 1.73% |
| Heritage Hall | 100-249 | 6 | 2.18% | 100-249 | 6 | 1.73% |
| New Raveena Inc. | 50-99 | 7 | 1.09% | 100-249 | 7 | 1.73% |
| Food Lion | 50-99 | 8 | 1.09% | 100-249 | 8 | 1.73% |
| Tankards Nurseries | 50-99 | 9 | 1.09% | | | |
| Ballard Fish & Oyster Company Inc | 50-99 | 10 | 1.09% | | | |
| Broadwater Academy | | | | 50-99 | 9 | 0.87% |
| Eastern Shore Rural Health | | | | 50-99 | 10 | 0.87% |
| Total | 1,350 | | 28.23% | 1,600 | | 27.72% |

Source: Virginia Employment Commission

Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

| | Full-time Equivalent Employees as of June 30 | | | | | | | | | |
|------------------------------|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| General Government | 19 | 19 | 19 | 19 | 19 | 19 | 18 | 19 | 19 | 19 |
| Judicial | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 8 | 9 |
| Public Safety | 113 | 113 | 109 | 107 | 105 | 104 | 97 | 101 | 101 | 102 |
| Public Works | 10 | 10 | 10 | 10 | 9 | 9 | 10 | 9 | 10 | 11 |
| Public Utilities | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 2 | 1 |
| Health and Welfare | 33 | 33 | 33 | 33 | 33 | 34 | 33 | 34 | 34 | 34 |
| Parks, Recreation & Cultural | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Community Development | 9 | 9 | 9 | 10 | 12 | 11 | 11 | 12 | 13 | 13 |
| TOTAL | 195 | 194 | 190 | 189 | 188 | 186 | 178 | 184 | 188 | 190 |

Source: Northampton County Human Resources Department

COUNTY OF NORTHAMPTON, VIRGINIA

Operating Indicators by Function

Last Ten Fiscal Years (where available)

| | 2017 | 2016 | 2015 |
|---|---------|----------|----------|
| General Administration | | | |
| Treasurer | | | |
| Tax bills printed | 39,786 | 31,652 | 38,833 |
| Deposits | 2,223 | 2,177 | 2,172 |
| Finance | | | |
| Paychecks and direct deposit notices | 9,280 | 8,646 | 8,112 |
| Accounts payable checks | 3,561 | 3,452 | 3,574 |
| Judicial Administration | | | |
| Clerk of the Circuit Court | | | |
| Criminal cases commenced | N/A | N/A | N/A |
| Law cases commenced | N/A | N/A | N/A |
| Deeds recorded | N/A | N/A | N/A |
| Public Safety | | | |
| Sheriff | | | |
| Calls for service | N/A | N/A | N/A |
| Arrests made | N/A | N/A | N/A |
| Traffic summons | N/A | N/A | N/A |
| Civil processes | N/A | N/A | N/A |
| Local prisoner days | 32,993 | 38,596 | 40,155 |
| Inmate transports | 268 | 288 | 235 |
| Out of state extraditions | 14 | 8 | 11 |
| EMS | | | |
| EMS dispatched | 2,628 | 2,699 | 2,842 |
| Avg weekday response time in minutes | 8.53 | 10 | 9 |
| Avg night/week-end response time in minutes | 10.41 | 10 | 10 |
| Building inspections | | | |
| Plan reviews/Permits issued | 303 | 254 | 332 |
| Inspections | 663 | 765 | 780 |
| Public Works | | | |
| Solid waste services | | | |
| Tons received at landfill | 17,171 | 15,687 | 17,075 |
| Per capital waster generation (lbs/p/d) | 6.34 | 6.23 | 6.31 |
| Tipping fee per ton | \$69.00 | \$ 69.00 | \$ 65.00 |
| Community Development | | | |
| Code compliance | | | |
| Abandoned vehicle/Inoperable vehicles | 2 | 8 | 11 |
| Overgrown grass | 12 | 10 | 61 |
| Dangerous structures | 2 | 6 | 31 |
| Assignment 911 addresses | 20 | 36 | 39 |

Sources: Various departments in Northampton County.

N/A - This information is not available.

Table 14

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|----------|---------------|---------------|---------------|----------|----------|----------|
| 38,630 | 46,125 | 46,100 | 46,000 | 48,000 | 45,000 | 40,000 |
| 2,247 | 3,915 | 3,875 | 3,850 | 3,800 | 3,800 | 30,000 |
| 8,371 | 7,948 | 7,665 | 7,650 | 7,652 | 7,758 | 7,134 |
| 3,566 | 3,411 | 3,580 | 3,550 | 3,508 | 3,534 | 3,979 |
| N/A | N/A | N/A | N/A | N/A | N/A | 539 |
| N/A | N/A | N/A | N/A | N/A | N/A | 599 |
| N/A | N/A | N/A | N/A | N/A | N/A | 2,769 |
| N/A | N/A | N/A | N/A | N/A | 3,372 | 3,384 |
| N/A | N/A | N/A | N/A | N/A | 838 | 977 |
| N/A | N/A | N/A | N/A | N/A | 2,177 | 1,777 |
| N/A | N/A | N/A | N/A | N/A | 4,597 | 4,266 |
| 38,125 | 53,025 | 55,000 | 53,077 | 33,100 | 29,097 | 33,882 |
| 295 | 300 | 300 | 255 | 315 | 321 | 397 |
| 13 | 9 | 15 | 13 | 9 | 12 | 14 |
| 2,759 | 2,758 | 2,760 | 2,702 | 2,692 | 2,572 | 2,439 |
| 9 | 9 | 9 | 9 | 10 | 10 | 10 |
| 11 | 11 | 12 | 12 | 14 | 15 | 14 |
| 331 | 367 | 189 | 190 | 324 | 350 | 398 |
| 1,025 | 1,074 | 879 | 549 | 1,049 | 1,500 | 1,667 |
| 15,737 | 14,088 | 18,665 | 15,318 | 17,000 | 16,992 | 19,652 |
| 6.05 | 6.23 | 5.72 | 5.44 | 4.62 | 7.11 | 8.22 |
| \$ 65.00 | \$ 65.00 | \$ 63.00 | \$ 63.00 | \$ 61.00 | \$ 61.00 | \$ 51.00 |
| 9 | 90 | 170 | 240 | 200 | 110 | 503 |
| 54 | 74 | 76 | 46 | 50 | 30 | 29 |
| 44 | 19 | 55 | 24 | 40 | 27 | 7 |
| 51 | not available | not available | not available | 80 | 82 | 87 |

COUNTY OF NORTHAMPTON, VIRGINIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

| | 2017 | 2016 | 2015 | 2014 |
|--|------|------|------|------|
| General Administration | | | | |
| County Administration | | | | |
| Eastville historic buildings | 1 | 1 | 1 | 1 |
| Eastville Inn | 1 | 1 | 1 | 1 |
| Temporary Admin. Bldg-Old Middle School | | - | - | - |
| Former Middle School | 1 | 1 | 1 | 1 |
| 1899 Courthouse building | 1 | 1 | 1 | 1 |
| Old Jail Building | 1 | 1 | 1 | 1 |
| Judicial Administration | | | | |
| 1899 Courthouse building | | - | - | - |
| 2006 Courthouse | | - | - | - |
| Public Safety | | | | |
| Willow Oak sheriff administration building | | - | - | - |
| Old jail building | | - | - | - |
| Temporary housing unit | | - | - | - |
| THU (Converted to Sheriff's Admin) | 1 | 1 | 1 | 1 |
| Eastern Shore Regional Jail | 1 | 1 | 1 | 1 |
| Sheriff's vehicles | 44 | 44 | 46 | 45 |
| Public Works | | | | |
| Landfill | 1 | 1 | 1 | 1 |
| Transfer station | 1 | 1 | 1 | 1 |
| Convenience centers | 6 | 6 | 6 | 6 |
| Community Development | | | | |
| Social services building (old) | 1 | 1 | 1 | 1 |
| Social services building (new) | 1 | 1 | 1 | 1 |
| Parks, Recreation and Cultural | | | | |
| Parks | 1 | 1 | 1 | 1 |
| Recreation center - Indian Town Park | 1 | 1 | 1 | 1 |
| Schools | | | | |
| Attendance centers, Elementary | 2 | 2 | 2 | 2 |
| Attendance centers, Middle | 1 | 1 | 1 | 1 |
| Attendance centers, Secondary | 1 | 1 | 1 | 1 |
| Number of classrooms, Elementary | 77 | 77 | 77 | 78 |
| Number of classrooms, Middle | 12 | 11 | 11 | 10 |
| Number of classrooms, Secondary | 51 | 51.5 | 51 | 51 |

Sources: Various departments in the County of Northampton.

Table 15

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|------|------|------|------|------|------|
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| - | - | 1 | 1 | - | - |
| 1 | 1 | - | - | - | - |
| 1 | 1 | 1 | - | - | - |
| 1 | 1 | 1 | - | - | - |
| - | - | - | 1 | 1 | 1 |
| - | - | - | 1 | 1 | 1 |
| - | - | - | - | - | 1 |
| - | - | - | 1 | 1 | 1 |
| - | - | - | - | - | 1 |
| 1 | 1 | 1 | 1 | 1 | - |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 45 | 40 | 37 | 33 | 33 | 28 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | - |
| 5 | 4 | 4 | 4 | 4 | 4 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| - | - | - | - | - | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 88 | 88 | 88 | 88 | 87 | 87 |
| - | - | - | - | - | 43 |
| 51 | 51 | 51 | 51 | 51 | 49 |

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COMPLIANCE SECTION

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To The Honorable Members of the Board of Supervisors
County of Northampton
Northampton, 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 Northampton Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Northampton, Virginia's basic financial statements, and have issued our report thereon dated November 10, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control to be material weaknesses, 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Northampton, 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 Northampton, Virginia's Response to Findings

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

Richmond, Virginia
November 10, 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 Northampton
Northampton, Virginia

Report on Compliance for Each Major Federal Program

We have audited County of Northampton, Virginia's compliance with the types of compliance requirements described in the *Uniform Guidance Compliance Supplement* that could have a direct and material effect on each of County of Northampton, Virginia's major federal programs for the year ended June 30, 2017. County of Northampton, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County of Northampton, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 10, 2017

COUNTY OF NORTHAMPTON, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

| Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass through Entity Identifying Number | Federal Expenditures |
|---|---------------------------|---|-------------------------|
| Department of Health and Human Services: | | | |
| Pass Through Payments: | | | |
| Department of Social Services: | | | |
| Promoting Safe and Stable Families | 93.556 | 0950109/0950110 | \$ 3,742 |
| Temporary Assistance for Needy Families (TANF) | 93.558 | 0400109/0400110 | 271,385 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 0500109/0500110 | 983 |
| Low-Income Home Energy Assistance | 93.568 | 0600409/0600410 | 32,741 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 0760109/0760110 | 49,873 |
| Chafee Education and Training Vouchers Program | 93.599 | 0760109/0760110 | 2,047 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 0900109/0900110 | 528 |
| Foster Care - Title IV-E | 93.658 | 1100109/1100110 | 134,958 |
| Adoption Assistance | 93.659 | 1100109/1100110 | 11,810 |
| Social Services Block Grant | 93.667 | 1000109/1000110 | 202,058 |
| Chafee Foster Care Independence Program | 93.674 | 9150108-9150110 | 1,872 |
| Children's Health Insurance Program | 93.767 | 0540109/0540110 | 11,333 |
| Medical Assistance Program | 93.778 | 1200109/1200110 | 373,532 |
| Total Department of Health and Human Services | | | \$ 1,096,862 |
| Department of Agriculture: | | | |
| Pass Through Payments: | | | |
| Department of Agriculture: | | | |
| Food Distribution--School (Child Nutrition Cluster) | 10.555 | Not available | \$ 60,142 |
| Department of Education: | | | |
| National School Lunch Program (Child Nutrition Cluster) | 10.555 | 1790100-40623 | 543,293 |
| Sub-total CFDA 10.555 | | | \$ 603,435 |
| Direct Payments: | | | |
| Summer Food Service Program for Children (Child Nutrition Cluster) | 10.559 | N/A | \$ 17,807 |
| Pass Through Payments: | | | |
| Department of Education: | | | |
| School Breakfast Program (Child Nutrition Cluster) | 10.553 | 1790100-40591 | \$ 173,415 |
| Child Nutrition Cluster | | | \$ 794,657 |

COUNTY OF NORTHAMPTON, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017 (Continued)

| Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass through Entity Identifying Number | Federal Expenditures |
|---|---------------------------|---|-------------------------|
| Department of Agriculture: (Continued) | | | |
| Pass Through Payments: (Continued) | | | |
| Department of Social Services: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 0040109-0040110 0010109/0010110 | \$ 298,350 |
| Total Department of Agriculture | | | \$ 1,093,007 |
| Department of Justice: | | | |
| Pass-through Payments: | | | |
| Department of Criminal Justice Service: | | | |
| Edward Byrne Memorial Justice Assistance Grant (JAG) Program | 16.738 | 3900100-81100 | \$ 1,445 |
| Crime Victim Assistance | 16.575 | 3900100-CJS86015 | 24,131 |
| Total Department of Justice | | | \$ 25,576 |
| Department of Homeland Security: | | | |
| Pass Through Payments: | | | |
| Department of Emergency Management: | | | |
| Emergency Management Performance Grants | 97.042 | 7750100-52749 | \$ 15,000 |
| Homeland Security Grant Program | 97.067 | 7750100-DEM6270400 | 43,000 |
| Total Department of Homeland Security | | | \$ 58,000 |
| Department of Transportation: | | | |
| Pass Through Payments: | | | |
| Department of Motor Vehicles: | | | |
| State and Community Highway Safety | 20.600 | 6050700-51279,51280 | \$ 20,335 |
| Department of Education: | | | |
| Pass Through Payments: | | | |
| Department of Education: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 1790100-42901-42999 | \$ 724,025 |
| Migrant Education - State Grant Program | 84.011 | 1790100-42910 | 160,986 |
| Career and Technical Education - Basic Grants to States | 84.048 | 1790100-61095 | 33,299 |
| Special Education Cluster: | | | |
| Special Education Grants to States | 84.027 | 1790100-43071-61234 | 387,769 |
| Special Education Preschool Grants | 84.173 | 1790100-82521 | 20,231 |
| Special Education Cluster | | | \$ 408,000 |
| Migrant Education - Coordination Program | 84.144 | 1790100-61399 | 18,574 |
| Rural Education | 84.358 | 1790100-43481 | 44,074 |
| English Language Acquisition State Grants | 84.365 | 1790100-60512 | 22,440 |
| Supporting Effective Instruction State Grant | 84.367 | 1790100-61480 | 146,432 |
| Total Department of Education | | | \$ 1,557,830 |
| Total Expenditures of Federal Awards | | | \$ 3,851,610 |

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF NORTHAMPTON, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Northampton, Virginia under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Northampton, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the County of Northampton, Virginia.

Note 2 - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Donation

The value of federal awards expended in the form of noncash assistance of food commodities is reported in the schedule.

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 | \$ | 94,040 |
| Capital Projects Fund | | 22,010 |
| Special Revenue Funds: | | |
| Virginia Public Assistance Fund | | 1,395,212 |
| ES 911 Grant | | 20,990 |
| Total primary government | \$ | <u>1,532,252</u> |

Component Unit School Board:

| | | |
|-----------------------------------|----|------------------|
| School Cafeteria Fund | \$ | 794,656 |
| School Grants Fund | | 1,557,831 |
| Total component unit School Board | \$ | <u>2,352,487</u> |

Total federal expenditures per basic financial
statements

\$ 3,884,739

Less: Federal Payment in Lieu of Taxes not included in the Schedule
of Federal Awards

\$ (33,129)

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 3,851,610

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

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

COUNTY OF NORTHAMPTON, VIRGINIA

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

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

a. Material weakness(es) identified? ✓ yes no

b. Significant deficiency(ies) identified? yes ✓ no

Noncompliance material to financial statements noted? yes ✓ none reported

Federal Awards

Internal control over major programs:

a. Material weakness(es) identified? yes ✓ no

b. Significant deficiency(ies) identified? yes ✓ none reported

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

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

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|----------------------|--|
| 10.553/10.555/10.559 | Child Nutrition Cluster |
| 84.010 | Title I Grants to Local Educational Agencies |
| 84.027/84.173 | Special Education Cluster |

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

Auditee qualified as low-risk auditee? yes ✓ no

COUNTY OF NORTHAMPTON, VIRGINIA

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

Section II-Financial Statement Findings

Finding 2017-001:

Financial Reporting

Criteria:

Per Statement of Auditing Standards 115, identification of adjustments to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exists. Internal controls should be in place that provide assurance that audited financial statements reconcile to the County's internal documents and report all material adjustments to the financial statements.

Condition:

The financial statements did not contain all necessary year-end adjustments to reconcile to internal documents to comply with generally accepted accounting principles. Material audit adjustments were proposed to the accounting system to record unrecorded accounts receivable items to include the 60 day tax accrual, local sales tax receivable, communications tax receivable and to correct accounts receivable balances for certain amount that were over accrued relative to Shared Expenses received from the Commonwealth. Material adjustments were also proposed to the Utility Fund to record capital assets, depreciation expense, accounts receivable, accrued leave liability and other liabilities associated with other post employment benefits and pensions.

Effect of Condition:

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

Cause of Condition:

Turn-over in the leadership in the Finance Department after the close of the fiscal year but prior to the audit fieldwork led to a lack of oversight and review of the year-end closing procedures.

Recommendation:

The hiring of a Director of Finance to provide oversight and review of the fiscal year-end closing procedures should alleviate this condition.

Management's Recommendation:

The County of Northampton is currently in the process of hiring a Director of Finance.

Section III-Federal Award Findings and Questioned Costs

None

COUNTY OF NORTHAMPTON, VIRGINIA

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

Finding 2016-001: Title I Grants to Local Educational Agencies

Condition:

Northampton School Board was awarded \$760,142 for the period July 1, 2013 through September 30, 2015, and only obligated \$426,683 in the initial 15 month period of availability.

Recommendation:

It was recommended that procedures be put in place to ensure that Title I funds are expended on a timely basis and in accordance with the terms of the award. Recommended procedures include additional oversight and monitoring by the Finance Department.

Views of responsible officials and planned corrective actions:

The School Board has resolved this finding by increasing oversight and implementing several checkpoint dates to review and track obligated and expended funds on the Title I grant at each January 1, March 1 and June 1. This helps to ensure that appropriate funds are obligated by September 30.