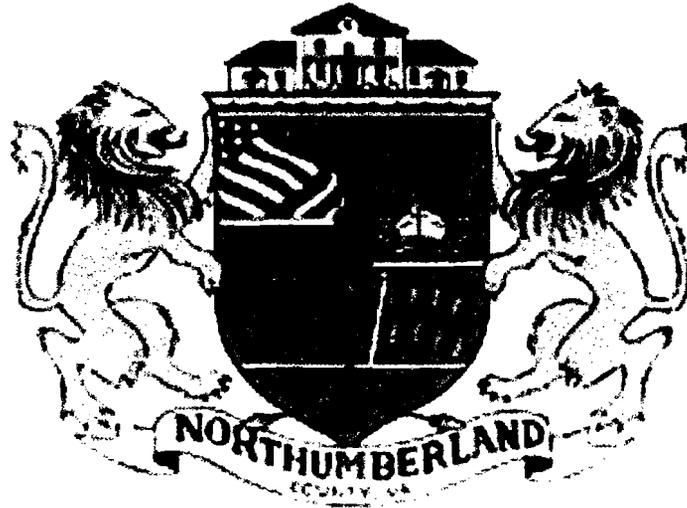


COUNTY OF NORTHUMBERLAND,
VIRGINIA



ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2007

COUNTY OF NORTHUMBERLAND, VIRGINIA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2007

COUNTY OF NORTHUMBERLAND, VIRGINIA

Board of Supervisors

Ronald L. Jett, Chairperson

Richard F. Haynie
Pamela C. Russell

Arthur J. Self, Sr.
James M. Long

School Board

Lee G. Scripture, Jr., Chairperson

Myrtle L. Phillips
Susan Smith

John Jett
Dean Sumner

Board of Social Services

Linda Jamison, Chairperson

John Jordan

Joseph A. Self, Jr.

Other Officials

Judge of the Circuit Court Harry T. Taliaferro, III
Clerk of the Circuit Court J. Steve Thomas, Sr.
Commonwealth's Attorney R. Michael McKenney
Treasurer Ellen Kirby
Sheriff L. Wayne Middleton
Superintendent of Schools Clint Stables
Director of Social Services Sharon C. Fisher
Commissioner of the Revenue Todd E. Thomas
County Administrator Kenneth D. Eades

COUNTY OF NORTHUMBERLAND, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

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

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 the County of Northumberland, Virginia, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Northumberland, Virginia's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Northumberland, Virginia, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2008, on our consideration of the County of Northumberland, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information, and the Schedule of Pension Funding progress as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Northumberland, Virginia, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other statistical information as listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Northumberland, Virginia. The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and other statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Roburn, Farnum, Cox Associates

Richmond, Virginia
March 6, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Northumberland, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2007. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- ▶ The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$15,252,685 (net assets).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other uses of \$33,229,010 (Exhibit 5) after making contributions totaling \$7,688,613 to the School Board.

- ▶ As of the close of the current fiscal year; the County's funds reported ending fund balances of \$40,726,460, an increase of \$33,229,010 in comparison with the prior year.
- ▶ At the end of the current fiscal year, unreserved fund balance for the general fund was \$6,056,632 or 32% of total general fund expenditures and other uses.
- ▶ The combined long-term obligations increased \$38,735,145 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$15,252,685 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Assets:

County of Northumberland, Virginia's Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 44,619,757	\$ 9,063,603	\$ 257,351	\$ 297,358	\$ 44,877,108	\$ 9,360,961
Capital assets	12,292,113	7,755,424	6,379,807	6,204,405	18,671,920	13,959,829
Total assets	\$ 56,911,870	\$ 16,819,027	\$ 6,637,158	\$ 6,501,763	\$ 63,549,028	\$ 23,320,790
Current liabilities	\$ 3,533,883	\$ 1,510,312	\$ 7,983	\$ 26,403	\$ 3,541,866	\$ 1,536,715
Long-term liabilities outstanding	42,603,959	3,840,883	2,150,518	2,178,449	44,754,477	6,019,332
Total liabilities	\$ 46,137,842	\$ 5,351,195	\$ 2,158,501	\$ 2,204,852	\$ 48,296,343	\$ 7,556,047
Net assets:						
Invested in capital assets, net of related debt	\$ 3,556,311	\$ 4,101,048	\$ 4,229,289	\$ 4,025,956	\$ 7,785,600	\$ 8,127,004
Unrestricted	7,217,717	7,366,784	249,368	270,955	7,467,085	7,637,739
Total net assets	\$ 10,774,028	\$ 11,467,832	\$ 4,478,657	\$ 4,296,911	\$ 15,252,685	\$ 15,764,743

Government-wide Financial Analysis (Continued)

The County's net assets decreased by \$512,058 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Northumberland, Virginia's Changes in Net Assets						
	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 254,229	\$ 359,538	\$ 281,731	\$ 224,188	\$ 535,960	\$ 583,726
Operating grants and contributions	2,734,668	2,620,746	338,899	533,666	3,073,567	3,154,412
Capital grants and contributions	68,266	303,508	-	-	68,266	303,508
General revenues:						
General property taxes	13,176,306	10,544,679	-	-	13,176,306	10,544,679
Other local taxes	2,236,690	2,359,524	-	-	2,236,690	2,359,524
Grants and other contributions not restricted	1,109,209	1,159,186	-	-	1,109,209	1,159,186
Other general revenues	1,793,663	632,787	48,183	57,963	1,841,846	690,750
Transfers	(154,593)	(118,340)	154,593	118,340	-	-
Total revenues	\$ 21,218,438	\$ 17,861,628	\$ 823,406	\$ 934,157	\$ 22,041,844	\$ 18,795,785
Expenses:						
General government						
administration	\$ 1,250,550	\$ 1,167,467	\$ -	\$ -	\$ 1,250,550	\$ 1,167,467
Judicial administration	913,462	677,235	-	-	913,462	677,235
Public safety	2,786,622	2,584,733	-	-	2,786,622	2,584,733
Public works	1,299,662	1,393,744	-	-	1,299,662	1,393,744
Health and welfare	1,979,837	1,906,874	-	-	1,979,837	1,906,874
Education	11,307,420	8,103,546	-	-	11,307,420	8,103,546
Parks, recreation, and cultural	154,433	455,941	-	-	154,433	455,941
Community development	462,873	369,958	-	-	462,873	369,958
Interest and other fiscal charges	1,757,383	227,386	-	-	1,757,383	227,386
Utilities	-	-	641,660	554,693	641,660	554,693
Total expenses	\$ 21,912,242	\$ 16,886,884	\$ 641,660	\$ 554,693	\$ 22,553,902	\$ 17,441,577
Change in net assets	\$ (693,804)	\$ 974,744	\$ 181,746	\$ 379,464	\$ (512,058)	\$ 1,354,208
Beginning of year	11,467,832	10,493,088	4,296,911	3,917,447	15,764,743	14,410,535
End of year	<u>\$ 10,774,028</u>	<u>\$ 11,467,832</u>	<u>\$ 4,478,657</u>	<u>\$ 4,296,911</u>	<u>\$ 15,252,685</u>	<u>\$ 15,764,743</u>

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$40,726,460, an increase of \$33,229,010 in comparison with the prior year. Approximately 15% of this total amount constitutes unreserved General Fund balance, which is available for spending at the County's discretion.

Proprietary Funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets at the end of the year amounted to \$249,368. The total growth in net assets was \$181,746. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were increases of \$397,996 and can be briefly summarized as follows:

- < \$ 166,565 increase in education expenditures
- < \$ 135,026 increase in public safety expenditures
- < \$ 61,000 increase in judicial administration expenditures
- < \$ 17,054 increase in public works expenditures
- < \$ 13,400 increase in general government administration expenditures
- < \$ 4,951 increase in health and welfare expenditures

During the year, revenues and other sources exceeded budgetary estimates by \$1,140,981. Expenditures and other uses were less than budgetary estimates by \$856,931, resulting in a positive variance of \$1,997,912.

Capital Asset and Debt Administration

- ▶ **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2007 amounts to \$12,292,113 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$44,498,216. Of this amount, \$2,406,843 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds and revenue bonds).

The County's total debt increased by \$38,243,403 during the current fiscal year.

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

Economic Factors and Next Year's Budgets and Rates

- ▶ The unemployment rate for the County compares favorably to the state's average unemployment rate of 3.2 percent and compares favorably to the national average rate of 4.6 percent.
- ▶ Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the County's budget for the 2008 fiscal year.

The fiscal year 2008 budget decreased approximately 4%, and all tax rates remained the same.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

County of Northumberland, Virginia
Statement of Net Assets
June 30, 2007

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit School Board
ASSETS				
Cash and cash equivalents	\$ 9,386,740	\$ 224,086	\$ 9,610,826	\$ 162,267
Cash in custody of others	-	-	-	142,860
Receivables (net of allowance for uncollectibles):				
Taxes receivable	293,239	-	293,239	-
Accounts receivable	67,596	63,278	130,874	-
Internal balances	30,013	(30,013)	-	-
Due from other governmental units	573,298	-	573,298	1,387,522
Prepaid expenses	-	-	-	157,124
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents for School Construction	33,611,896	-	33,611,896	-
Other assets:				
Unamortized bond issue costs	656,975	-	656,975	-
Capital assets (net of accumulated depreciation):				
Land	794,628	98,924	893,552	23,929
Buildings and system	11,036,001	4,010,120	15,046,121	8,323,227
Machinery and equipment	461,484	31,238	492,722	595,624
Construction in progress	-	2,239,525	2,239,525	-
Total assets	<u>\$ 56,911,870</u>	<u>\$ 6,637,158</u>	<u>\$ 63,549,028</u>	<u>\$ 10,792,553</u>
LIABILITIES				
Accounts payable	\$ 2,076,707	\$ 3,265	\$ 2,079,972	\$ 16,209
Accrued liabilities	-	-	-	1,488,244
Accrued interest payable	532,163	4,718	536,881	-
Due to other governmental units	896,052	-	896,052	31,824
Deferred revenue	28,961	-	28,961	-
Long-term liabilities:				
Due within one year	1,166,350	30,574	1,196,924	8,387
Due in more than one year	41,437,609	2,119,944	43,557,553	75,483
Total liabilities	<u>\$ 46,137,842</u>	<u>\$ 2,158,501</u>	<u>\$ 48,296,343</u>	<u>\$ 1,620,147</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 3,556,311	\$ 4,229,289	\$ 7,785,600	\$ 8,942,780
Unrestricted (deficit)	7,217,717	249,368	7,467,085	229,626
Total net assets	<u>\$ 10,774,028</u>	<u>\$ 4,478,657</u>	<u>\$ 15,252,685</u>	<u>\$ 9,172,406</u>
 Total Liabilities and Net Assets	 <u>\$ 56,911,870</u>	 <u>\$ 6,637,158</u>	 <u>\$ 63,549,028</u>	 <u>\$ 10,792,553</u>

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

County of Northumberland, Virginia
Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit School Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		
						Business-type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,250,550	\$ -	\$ 277,190	\$ -	\$ (973,360)		\$ (973,360)	
Judicial administration	913,462	24,790	401,091	-	(487,581)		(487,581)	
Public safety	2,786,622	219,671	1,004,391	-	(1,562,560)		(1,562,560)	
Public works	1,299,662	8,892	-	-	(1,290,770)		(1,290,770)	
Health and welfare	1,979,837	-	1,051,996	-	(927,841)		(927,841)	
Education	11,307,420	-	-	-	(11,307,420)		(11,307,420)	
Parks, recreation, and cultural	154,433	-	-	-	(154,433)		(154,433)	
Community development	462,873	876	-	68,266	(393,731)		(393,731)	
Interest on long-term debt	1,757,383	-	-	-	(1,757,383)		(1,757,383)	
Total governmental activities	\$ 21,912,242	\$ 254,229	\$ 2,734,668	\$ 68,266	\$ (18,855,079)		\$ (18,855,079)	
Business-type activities:								
Sanitary District	\$ 641,660	\$ 281,731	\$ -	\$ 338,899		\$ (21,030)	\$ (21,030)	
Total business-type activities	\$ 641,660	\$ 281,731	\$ -	\$ 338,899		\$ (21,030)	\$ (21,030)	
Total primary government	\$ 22,553,902	\$ 535,960	\$ 2,734,668	\$ 407,165			\$ (18,876,109)	
COMPONENT UNITS:								
School Board	\$ 15,681,846	\$ 244,219	\$ 7,297,644	\$ -				\$ (8,139,983)
Total component units	\$ 15,681,846	\$ 244,219	\$ 7,297,644	\$ -				\$ (8,139,983)
General revenues:								
General property taxes					\$ 13,176,306	\$ -	\$ 13,176,306	\$ -
Other local taxes:								
Local sales and use taxes					754,398	-	754,398	-
Motor vehicle licenses					256,936	-	256,936	-
Taxes on recordation and wills					284,971	-	284,971	-
Consumer's utility taxes					464,774	-	464,774	-
Communications taxes					188,169	-	188,169	-
Other local taxes					287,442	-	287,442	-
Unrestricted revenues from use of money and property					1,599,994	116	1,600,110	373
Miscellaneous					193,669	48,067	241,736	187,991
Payments from Northumberland County					-	-	-	11,555,898
Grants and contributions not restricted to specific programs					1,109,209	-	1,109,209	-
Transfers					(154,593)	154,593	-	-
Total general revenues					\$ 18,161,275	\$ 202,776	\$ 18,364,051	\$ 11,744,262
Change in net assets					\$ (693,804)	\$ 181,746	\$ (512,058)	\$ 3,604,279
Net assets - beginning					11,467,832	4,296,911	15,764,743	5,568,127
Net assets - ending					\$ 10,774,028	\$ 4,478,657	\$ 15,252,685	\$ 9,172,406

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

FUND FINANCIAL STATEMENTS

County of Northumberland, Virginia
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 6,470,110	\$ 2,892,099	\$ 24,531	\$ 9,386,740
Receivables (net of allowance for uncollectibles):				
Taxes receivable	293,239	-	-	293,239
Accounts receivable	39,999	27,597	-	67,596
Due from other funds	30,013	-	-	30,013
Due from other governmental units	506,839	66,459	-	573,298
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents for School Construction	-	33,611,896	-	33,611,896
Total assets	<u>\$ 7,340,200</u>	<u>\$ 36,598,051</u>	<u>\$ 24,531</u>	<u>\$ 43,962,782</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 123,953	\$ 1,952,754	\$ -	\$ 2,076,707
Due to other governmental units	896,052	-	-	896,052
Deferred revenue	263,563	-	-	263,563
Total liabilities	<u>\$ 1,283,568</u>	<u>\$ 1,952,754</u>	<u>\$ -</u>	<u>\$ 3,236,322</u>
Fund balances:				
Unreserved, reported in:				
General fund	\$ 6,056,632	\$ -	\$ -	\$ 6,056,632
Special revenue funds	-	-	24,531	24,531
Capital projects funds	-	34,645,297	-	34,645,297
Total fund balances	<u>\$ 6,056,632</u>	<u>\$ 34,645,297</u>	<u>\$ 24,531</u>	<u>\$ 40,726,460</u>
Total liabilities and fund balances	<u>\$ 7,340,200</u>	<u>\$ 36,598,051</u>	<u>\$ 24,531</u>	<u>\$ 43,962,782</u>

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

County of Northumberland, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2007

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 40,726,460
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		12,292,113
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		891,577
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
Capital lease	(630,000)	
Lease revenue bond	(38,815,000)	
Bond premium	(495,855)	
General obligations	(2,406,843)	
Accrued interest payable	(532,163)	
Landfill post closure care	(63,792)	
Compensated absences	(192,469)	(43,136,122)
Net assets of governmental activities		\$ 10,774,028

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

County of Northumberland, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	General	County Capital Projects	Other Governmental Funds	Total
REVENUES				
General property taxes	\$ 13,105,187	\$ -	\$ -	\$ 13,105,187
Other local taxes	1,583,747	652,943	-	2,236,690
Permits, privilege fees, and regulatory licenses	218,274	-	-	218,274
Fines and forfeitures	12,185	-	-	12,185
Revenue from the use of money and property	352,025	1,247,792	177	1,599,994
Charges for services	22,723	-	1,047	23,770
Miscellaneous	193,669	-	-	193,669
Recovered costs	98,462	-	-	98,462
Intergovernmental revenues:				
Commonwealth	3,066,671	-	-	3,066,671
Federal	845,472	-	-	845,472
Total revenues	<u>\$ 19,498,415</u>	<u>\$ 1,900,735</u>	<u>\$ 1,224</u>	<u>\$ 21,400,374</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,275,536	\$ -	\$ -	\$ 1,275,536
Judicial administration	683,260	-	780	684,040
Public safety	2,894,649	-	-	2,894,649
Public works	1,282,308	-	-	1,282,308
Health and welfare	1,955,978	-	-	1,955,978
Education	7,700,794	-	-	7,700,794
Parks, recreation, and cultural	150,000	-	-	150,000
Community development	462,872	-	-	462,872
Capital projects	228,123	8,159,823	-	8,387,946
Debt service:				
Principal retirement	543,666	-	-	543,666
Interest and other fiscal charges	1,332,862	656,975	-	1,989,837
Total expenditures	<u>\$ 18,510,048</u>	<u>\$ 8,816,798</u>	<u>\$ 780</u>	<u>\$ 27,327,626</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 988,367</u>	<u>\$ (6,916,063)</u>	<u>\$ 444</u>	<u>\$ (5,927,252)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 37,137	\$ -	\$ 37,137
Transfers out	(191,730)	-	-	(191,730)
Issuance of debt	-	38,815,000	-	38,815,000
Premium on issuance of debt	-	495,855	-	495,855
Total other financing sources (uses)	<u>\$ (191,730)</u>	<u>\$ 39,347,992</u>	<u>\$ -</u>	<u>\$ 39,156,262</u>
Net change in fund balances	\$ 796,637	\$ 32,431,929	\$ 444	\$ 33,229,010
Fund balances - beginning	5,259,995	2,213,368	24,087	7,497,450
Fund balances - ending	<u>\$ 6,056,632</u>	<u>\$ 34,645,297</u>	<u>\$ 24,531</u>	<u>\$ 40,726,460</u>

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

County of Northumberland, Virginia
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, 2007

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

Net change in fund balances - total governmental funds \$ 33,229,010

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. The following is a summary of items supporting this adjustment:

Capital outlay	8,707,202	
Depreciation expense	(784,523)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>(3,385,990)</u>	4,536,689

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 71,119

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. The following is a summary of items supporting this adjustment:

Principal retired on public facilities lease revenue	130,000	
Principal retired on school literary fund loans	40,000	
Principal decrease on landfill post closure care	10,075	
Principal retired on school general obligations	373,666	
Issuance of lease revenue bonds	(38,815,000)	
Premium on issuance of lease revenue bonds	<u>(495,855)</u>	(38,757,114)

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 accrued leave	(5,962)	
(Increase) decrease in interest payable	<u>232,454</u>	226,492

Change in net assets of governmental activities \$ (693,804)

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

County of Northumberland, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Enterprise Fund <u>Sanitary District</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 224,086
Accounts receivable, net of allowances for uncollectibles	63,278
Total current assets	<u>\$ 287,364</u>
Noncurrent assets:	
Capital assets:	
Land	\$ 98,924
Utility plant in service	5,144,054
Machinery and equipment	346,568
Less accumulated depreciation	(1,449,264)
Construction in progress	2,239,525
Total capital assets	<u>\$ 6,379,807</u>
Total noncurrent assets	<u>\$ 6,379,807</u>
Total assets	<u>\$ 6,667,171</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 3,265
Accrued interest payable	4,718
Due to other funds	30,013
Bonds payable - current portion	30,574
Total current liabilities	<u>\$ 68,570</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 2,119,944
Total noncurrent liabilities	<u>\$ 2,119,944</u>
Total liabilities	<u>\$ 2,188,514</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 4,229,289
Unrestricted	249,368
Total net assets	<u>\$ 4,478,657</u>

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

County of Northumberland, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	Enterprise Fund <u>Sanitary District</u>
OPERATING REVENUES	
Charges for services:	
Sanitary district fees	\$ 281,731
Miscellaneous	5,866
Total operating revenues	<u>\$ 287,597</u>
OPERATING EXPENSES	
Personal services	\$ 111,821
Fringe benefits	30,772
Other supplies and expenses	273,708
Depreciation	130,357
Total operating expenses	<u>\$ 546,658</u>
Operating income (loss)	<u>\$ (259,061)</u>
NONOPERATING REVENUES (EXPENSES)	
Rural Development grant	\$ 300,675
Capital contribution from Northumberland County	38,224
Investment earnings	116
Connection fees	42,201
Interest expense	(95,002)
Total nonoperating revenues (expenses)	<u>\$ 286,214</u>
Income before contributions and transfers	<u>\$ 27,153</u>
Transfers in	154,593
Change in net assets	<u>\$ 181,746</u>
Total net assets - beginning	4,296,911
Total net assets - ending	<u><u>\$ 4,478,657</u></u>

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

County of Northumberland, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Enterprise Fund <u>Sanitary District</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 268,997
Payments to suppliers	(279,422)
Payments to and for employees	(142,593)
Net cash provided (used) by operating activities	<u>\$ (153,018)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Connection fees	\$ 42,201
Transfers from other funds	154,593
Net cash provided (used) by noncapital financing activities	<u>\$ 196,794</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (305,759)
Principal payments on bonds	(27,931)
Capital contributions	338,899
Interest payments	(107,708)
Net cash provided (used) by capital and related financing activities	<u>\$ (102,499)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	<u>\$ 116</u>
Net increase (decrease) in cash and cash equivalents	\$ (58,607)
Cash and cash equivalents - beginning	282,693
Cash and cash equivalents - ending	<u>\$ 224,086</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (259,061)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	130,357
(Increase) decrease in accounts receivable	(18,600)
Increase (decrease) in operating accounts payable	(5,714)
Total adjustments	<u>\$ 106,043</u>
Net cash provided (used) by operating activities	<u>\$ (153,018)</u>

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

County of Northumberland, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 216,389
LIABILITIES	
Amounts held for others	\$ 138,222
Amounts held for social services clients	78,167
Total liabilities	<u>\$ 216,389</u>

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2007

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-wide and Fund Financial Statements

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

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2007

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

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

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

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

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

A. Financial Reporting Entity

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2007.

Discretely Presented Component Units. The School Board members are elected by the citizens of Northumberland County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2007.

C. Other Related Organizations

Included in the County's Financial Report

None

Excluded from the County's Annual Financial Report

Northern Neck Regional Jail Authority

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

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

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

The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

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

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

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

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

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

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

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2007

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

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

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The County reports the General Fund as a major governmental fund.

The General Fund is the primary operating fund of the County. This fund is used to account for 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. The General Fund is considered a major fund for government-wide reporting purposes.

Capital Projects Funds - Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities.

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 non-operating 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. The County's Major Enterprise Fund consists of the Sanitary District.

The County reports the following non-major governmental funds:

Special Revenue Funds - Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of the following funds: Law Library and Economic Development.

Fiduciary Funds - (Trust and Agency Funds) - account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds and Private Purpose Trust Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

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.

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

Investments for the government, as well as for its component unit are reported at fair value.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

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

F. Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

G. Receivables and payables

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

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 \$64,648 at June 30, 2007 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

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

H. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Plant, equipment, and systems	35-45
Motor vehicles	5-10
Equipment	2-15

I. Compensated Absences

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

J. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service costs over a 30-year period. The County’s policy is to fund pension cost as it accrues.

K. 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.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

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

M. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

N. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. 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, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 2—Stewardship, Compliance, and Accounting:

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

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

Expenditures and Appropriations

Expenditures exceeded appropriations in the following funds at June 30, 2007:

Fund	Amount
County Captial Projects	\$ 8,316,798

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2007

Note 3—Deposits and Investments:

Deposits

All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

Investments

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

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2007 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale. The County’s investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio.

Locality’s Rated Debt Investments’ Values

Rated Debt Investments	Fair Quality Ratings	
	AAAm	AA
Local Government Investment Pool	\$ 3,415,612	\$ -
U.S. Government Money Market Fund	11,525,442	-
Virginia State Non-Arbitrage Pool	2,528	-
U.S. Treasury Money Market Fund	2,036,501	-
Municipal/Public Bonds	-	24,957,661
Total	<u>\$ 16,980,083</u>	<u>\$ 24,957,661</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

Note 3—Deposits and Investments: (Continued)

Interest Rate Risk

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

Investment Type	Investment Maturities (in years)		
	Fair Value	Less Than 1 Year	1-5 Years
U.S. Treasury Money Market Fund	\$ 2,036,501	\$ 2,036,501	-
U.S. Government Money Market Fund	11,525,442	11,525,442	-
Municipal/Public Bonds	24,957,661	-	24,957,661
Total	<u>\$ 38,519,604</u>	<u>\$ 13,561,943</u>	<u>\$ 24,957,661</u>

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

Note 4—Due to/from Other Governments:

At June 30, 2007, the County has receivables due from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Northumberland	\$ -	\$ 896,052
Commonwealth of Virginia:		
Local sales tax	144,731	-
Welfare	28,082	-
Rolling stock tax	17	-
School resource officer	16,839	-
State Sales Tax	-	233,407
Constitutional officer reimbursements	125,097	-
ABC profits	7,159	-
Recordation tax	15,740	-
Mobile home titling tax	8,359	-
Forfeited asset	4,751	-
Wine tax	7,503	-
Wireless grant	11,951	-
Auto rental tax	151	-
Communications tax	66,459	-
Comprehensive services act	59,768	-
Federal Government:		
School fund grants	-	258,063
Homeland security	32,622	-
Welfare	44,069	-
Total due from other governments	<u>\$ 573,298</u>	<u>\$ 1,387,522</u>

At June 30, 2007, amounts due to other local governments are as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Northumberland County School Board	\$ 896,052	\$ -
Northern Neck Regional Speical Education Program	-	31,824
Total	<u>\$ 896,052</u>	<u>\$ 31,824</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2007:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<i>Primary Government:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 764,575	\$ 30,053	\$ -	\$ 794,628
Capital assets subject to depreciation:				
Buildings and improvements	\$ 5,091,677	\$ 49,149	\$ -	\$ 5,140,826
Equipment	1,193,718	188,120	31,000	1,350,838
Jointly owned assets	4,079,185	8,439,880	3,385,990	9,133,075
Total capital assets subject to depreciation	<u>\$ 10,364,580</u>	<u>\$ 8,677,149</u>	<u>\$ 3,416,990</u>	<u>\$ 15,624,739</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,350,826	\$ 147,103	\$ -	\$ 1,497,929
Equipment	764,229	156,125	31,000	889,354
Jointly owned assets	1,258,676	481,295	-	1,739,971
Total accumulated depreciation	<u>\$ 3,373,731</u>	<u>\$ 784,523</u>	<u>\$ 31,000</u>	<u>\$ 4,127,254</u>
Total capital assets subject to depreciation, net	<u>\$ 6,990,849</u>	<u>\$ 7,892,626</u>	<u>\$ 3,385,990</u>	<u>\$ 11,497,485</u>
Governmental activities capital assets, net	<u>\$ 7,755,424</u>	<u>\$ 7,922,679</u>	<u>\$ 3,385,990</u>	<u>\$ 12,292,113</u>
<i>Business-Type Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 98,924	\$ -	\$ -	\$ 98,924
Construction in progress	1,971,990	267,535	-	2,239,525
Total capital assets not subject to depreciation	<u>\$ 2,070,914</u>	<u>\$ 267,535</u>	<u>\$ -</u>	<u>\$ 2,338,449</u>
Capital assets subject to depreciation:				
Utility plant in service	\$ 5,144,054	\$ -	\$ -	\$ 5,144,054
Vehicles and equipment	308,344	38,224	-	346,568
Total capital assets subject to depreciation	<u>\$ 5,452,398</u>	<u>\$ 38,224</u>	<u>\$ -</u>	<u>\$ 5,490,622</u>
Less: accumulated depreciation for:				
Utility plant in service	\$ 1,011,881	\$ 122,053	\$ -	\$ 1,133,934
Vehicles and equipment	307,026	8,304	-	315,330
Total accumulated depreciation	<u>\$ 1,318,907</u>	<u>\$ 130,357</u>	<u>\$ -</u>	<u>\$ 1,449,264</u>
Total capital assets subject to depreciation, net	<u>\$ 4,133,491</u>	<u>\$ (92,133)</u>	<u>\$ -</u>	<u>\$ 4,041,358</u>
Proprietary fund capital assets, net	<u>\$ 6,204,405</u>	<u>\$ 175,402</u>	<u>\$ -</u>	<u>\$ 6,379,807</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

Note 5—Capital Assets: (Continued)

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 23,929	\$ -	\$ -	\$ 23,929
Capital assets subject to depreciation:				
Equipment	\$ 1,813,780	\$ 169,178		\$ 1,982,958
Jointly owned assets	6,896,112	3,385,990	-	10,282,102
Total capital assets subject to depreciation	\$ 8,709,892	\$ 3,555,168	\$ -	\$ 12,265,060
Less: accumulated depreciation for:				
Equipment	\$ 1,230,420	\$ 156,914	\$ -	\$ 1,387,334
Jointly owned assets	2,127,869	165,392	334,386	1,958,875
Total accumulated depreciation	\$ 3,358,289	\$ 322,306	\$ 334,386	\$ 3,346,209
Total capital assets subject to depreciation, net	\$ 5,351,603	\$ 3,232,862	\$ (334,386)	\$ 8,918,851
Component unit school board capital assets, net	\$ 5,375,532	\$ 3,232,862	\$ (334,386)	\$ 8,942,780

Depreciation expense was charged to functions/programs/funds as follows:

Governmental activities:	
General government	\$ 39,109
Judicial administration	90,975
Public safety	146,854
Public works	3,411
Health and welfare	20,446
Education	481,295
Parks, recreation and cultural	2,433
Total depreciation expense - governmental activities	<u>\$ 784,523</u>
Business type activities:	
Sanitary District	<u>\$ 130,357</u>
Total depreciation expense - primary government	<u>\$ 914,880</u>
Component Unit School Board:	
Depreciation expense	\$ 322,306
Change in accumulated depreciation due to transfer of jointly owned assets	<u>(334,386)</u>
Total depreciation expense - Component Unit School Board	<u>\$ (12,080)</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2007, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 191,730
Sanitary District Fund	154,593	-
County Capital Projects Fund	37,137	-
Component Unit-School Board:		
School Operating Fund	-	346,946
School Cafeteria Fund	346,946	-
	<u> </u>	<u> </u>
Total	<u>\$ 538,676</u>	<u>\$ 538,676</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 NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

Note 7—Long Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2007:

	Amounts Payable at July 1, 2006	Increases	Decreases	Amounts Payable at June 30, 2007	Amounts Due Within One Year
Primary Government Obligations:					
General Fund Obligations:					
Incurred by County:					
Claims, judgments and com- pensated absences payable	\$ 186,507	\$ 24,613	\$ 18,651	\$ 192,469	\$ 19,247
Capital lease	760,000	-	130,000	630,000	130,000
Landfill post closure care	73,867		10,075	63,792	-
Total incurred by County	<u>\$ 1,020,374</u>	<u>\$ 24,613</u>	<u>\$ 158,726</u>	<u>\$ 886,261</u>	<u>\$ 149,247</u>
Incurred by School Board:					
State literary fund loans	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ -
General obligation bonds	2,780,509	-	373,666	2,406,843	370,575
Revenue bonds payable	-	38,815,000	-	38,815,000	630,000
Bond premium	-	495,855	-	495,855	16,528
Total incurred by School Board	<u>\$ 2,820,509</u>	<u>\$ 39,310,855</u>	<u>\$ 413,666</u>	<u>\$ 41,717,698</u>	<u>\$ 1,017,103</u>
Total General Fund Obligations	<u>\$ 3,840,883</u>	<u>\$ 39,335,468</u>	<u>\$ 572,392</u>	<u>\$ 42,603,959</u>	<u>\$ 1,166,350</u>
Incurred by Enterprise Fund:					
Revenue bonds payable	<u>\$ 2,178,449</u>	<u>\$ -</u>	<u>\$ 27,931</u>	<u>\$ 2,150,518</u>	<u>\$ 30,574</u>
Total Primary Government Obligations	<u>\$ 6,019,332</u>	<u>\$ 39,335,468</u>	<u>\$ 600,323</u>	<u>\$ 44,754,477</u>	<u>\$ 1,196,924</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

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	General Fund Obligations		School Obligations			
	Capital Lease		Lease Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 130,000	\$ 36,342	\$ 630,000	\$ 1,750,332	\$ 370,575	\$ 140,558
2009	125,000	29,063	655,000	1,724,632	342,611	118,152
2010	125,000	21,937	680,000	1,697,932	339,783	96,838
2011	125,000	14,688	710,000	1,670,132	347,099	75,380
2012	125,000	7,344	740,000	1,641,132	349,570	53,611
2013-2017	-	-	4,215,000	7,686,933	657,205	41,599
2018-2022	-	-	5,295,000	6,613,360	-	-
2023-2027	-	-	6,720,000	5,180,160	-	-
2028-3032	-	-	8,515,000	3,386,329	-	-
2033-2037	-	-	10,655,000	1,241,438	-	-
Total	\$ 630,000	\$ 109,374	\$ 38,815,000	\$ 32,592,380	\$ 2,406,843	\$ 526,138

Enterprise Fund Obligations

Year Ending June 30	Revenue Bonds Payable	
	Principal	Interest
2008	\$ 30,574	\$ 93,602
2009	31,980	92,196
2010	33,451	90,724
2011	34,992	89,184
2012	36,601	87,575
2013-2017	186,512	412,303
2018-2022	202,497	370,823
2023-2027	253,134	321,186
2028-2032	314,901	259,418
2033-2037	391,768	182,552
2038-2042	487,425	86,895
2043-2045	146,683	8,401
Total	\$ 2,150,518	\$ 2,094,859

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Long-Term Obligations:

	<u>Total Amount</u>
<u>General Fund:</u>	
<u>Incurred by County:</u>	
<u>Capital Lease:</u>	
\$1,800,000 public facility capital lease issued July 15, 1997, due in semi-annual installments of \$65,000 through January 15, 2012, interest payable annually at 4.40%	\$ 630,000
Landfill post closure care (payable by General Fund)	\$ 63,792
Compensated absences (payable by General Fund)	\$ 192,469
Total Incurred by County	<u>\$ 886,261</u>
 <u>General Fund:</u>	
<u>Incurred by School Board:</u>	
<u>Lease Revenue Bonds:</u>	
\$38,815,000 lease revenue bond issued October 1, 2006, due in varying annual principal installments through October 1, 2036, interest payable semi-annually at varying interest rates. Carrying amount includes unamortized bond premium in the amount of \$495,855.	\$ 39,310,855
<u>General Obligation Bonds:</u>	
\$1,615,000 Virginia Public School Authority Bonds issued January, 1994, maturing annually through December 15, 2007; interest payable semi-annually	\$ 35,000
\$6,000,000 Virginia Public School Authority Bonds issued May 15, 1994, maturing annually through July 15, 2013; interest payable semi-annually	2,155,000
\$401,844 general obligation refunding loan payable issued July 30, 1998, due in annual installments of \$45,016 through July 30, 2012; interest payable at 6.6%	216,843
Total General Obligation Bonds	<u>\$ 2,406,843</u>
Total incurred by School Board	<u>\$ 41,717,698</u>
Total Long-Term Obligations, General Fund	<u>\$ 42,603,959</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

	Total Amount
<u>Enterprise Fund:</u>	
<u>Revenue Bonds Payable:</u>	
\$150,000 Revenue Bond, due in monthly installments of \$776 through January, 2015, interest at 5%.	\$ 58,974
\$1,241,580 Revenue Bonds issued October 9, 2002, due in monthly installments of \$5,638 through November, 2043, interest at 4.5%.	1,194,666
\$482,800 Revenue Bonds issued September 6, 2005, an interest only payment is due on September 6, 2006, monthly installments of \$2,081 begin October 6, 2006 through June, 2045, interest at 4.125%.	478,955
\$423,000 Revenue Bond issued April 25, 2005, due in monthly installments of \$3,706 through September, 2018, interest at 4.25%.	417,923
Total Revenue Bonds Payable	\$ 2,150,518
Total Long-Term Obligations, Enterprise Fund	\$ 2,150,518
Total Long-Term Obligations, Primary Government	\$ 44,754,477

Component Unit - School Board:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2007:

	Amounts Payable at July 1, 2006	Increases	Decreases	Amounts Payable at June 30, 2007	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 117,156	\$ -	\$ 33,286	\$ 83,870	\$ 8,387
Total Component Unit-School Board	\$ 117,156	\$ -	\$ 33,286	\$ 83,870	\$ 8,387

Note 8—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$263,563 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$234,602 at June 30, 2007.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2007 but paid in advance by the taxpayers totaled \$28,961 at June 30, 2007.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

Note 9—Contingent Liabilities:

Federal programs in which the County and discretely presented component unit participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

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

The following construction contracts were outstanding at June 30, 2007:

<u>Fund</u>	<u>Project</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Remaining</u>
Capital Projects Fund	High and Middle School	First Choice Public Private Partners	\$ 40,599,830	\$ 32,479,180
Enterprise Fund	Callao Sewer	Franklin Mechanical	2,045,438	587,272

Note 10—Litigation:

At June 30, 2007, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 11 —Risk Management:

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

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

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2007

Note 12 – Defined Benefit Pension Plan:

A. Plan Description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers, firefighters, and sheriffs) and at age 50 with 30 years of service for participating employees (age 50 with 25 years of service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/pdf/2006AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their reported compensation to the VRS. This 5% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County and School Board non-professional employees' contribution rates for the fiscal year ended 2007 were 5.37% and 8.69% of annual covered payroll, respectively.

The School Board contributed \$643,783, \$403,272, and \$380,067 to the teacher cost-sharing pool for professional employees for the fiscal years ended June 30, 2007, 2006, and 2005 respectively. These contributions represented 9.20%, 6.03%, and 6.03%, respectively, of current payroll.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

Note 12 – Defined Benefit Pension Plan (Continued):

C. Annual Pension Cost

For fiscal 2007, the County’s annual pension cost of \$148,953 (which does not include the employees share assumed by the County of \$138,690) was equal to the County’s required and actual contributions. The required contributions were determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method.

For fiscal 2007, the County School Board’s annual pension cost for the Board’s non-professional employees was \$60,361 (which does not include the employees share assumed by the School Board of \$34,730) was equal to the Board’s required and actuarial contributions. The required contributions were determined as a part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method.

	County	Non-Professional School Board Employees
Valuation date	June 30, 2005	June 30, 2005
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth rate	3%	3%
Remaining amortization period	21 years	21 years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return ¹	7.50%	7.50%
Projected salary increases: ¹		
Non LEO Employees	3.50% to 5.73%	3.50% to 5.73%
LEO Employees	3.50% to 4.71%	3.50% to 4.71%
Cost-of-living adjustments	2.50%	2.50%

¹ Includes inflation at 2.50%

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2007	\$ 148,953	100%	\$ -
June 30, 2006	38,297	100%	-
June 30, 2005	36,361	100%	-
School Board:			
Non-Professional:			
June 30, 2007	\$ 60,361	100%	\$ -
June 30, 2006	53,698	100%	-
June 30, 2005	53,263	100%	-

(1) Employer portion only

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2007

Note 13 – Surety Bonds:

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

Note 14 – Commitments:

The County of Northumberland entered into a financing lease agreement dated June 29, 2000 with the Counties of Westmoreland and Richmond to lease a portion of the two counties interest in the Northern Neck Regional Jail located in the Town of Warsaw, Virginia. Annual rental payments of \$390,000 are to be made annually through December 15, 2015 with 68% payable to Westmoreland County and 32% payable to Richmond County. Annual rental payments are subject to appropriation. After all scheduled lease payments are made Northumberland County will hold an ownership interest in the Regional Jail Facility of 25%.

Note 15 – Landfill Postclosure Costs:

The County, which operates a joint landfill with Richmond and Lancaster Counties, closed the landfill and is liable for postclosure monitoring for a period of ten years plus an additional six years of corrective action monitoring. The amount reported as landfill postclosure liability at June 30, 2007, represents one third of the total estimated liability for postclosure monitoring. The County's portion is \$63,792 over a period of five years. This amount is based on what it would cost to perform all post-closure care in 2007. The total current cost of landfill postclosure care is an estimate subject to change resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

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

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

County of Northumberland, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 12,414,954	\$ 12,414,954	\$ 13,105,187	\$ 690,233
Other local taxes	1,428,000	1,428,000	1,583,747	155,747
Permits, privilege fees, and regulatory licenses	232,400	232,400	218,274	(14,126)
Fines and forfeitures	12,000	12,000	12,185	185
Revenue from the use of money and property	102,150	102,150	352,025	249,875
Charges for services	25,274	25,276	22,723	(2,553)
Miscellaneous	109,740	109,740	193,669	83,929
Recovered costs	94,462	94,462	98,462	4,000
Intergovernmental revenues:				
Commonwealth	3,069,778	3,069,778	3,066,671	(3,107)
Federal	868,674	868,674	845,472	(23,202)
Total revenues	<u>\$ 18,357,432</u>	<u>\$ 18,357,434</u>	<u>\$ 19,498,415</u>	<u>\$ 1,140,981</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,273,490	\$ 1,286,890	\$ 1,275,536	\$ 11,354
Judicial administration	636,125	697,125	683,260	13,865
Public safety	2,788,064	2,923,090	2,894,649	28,441
Public works	1,080,697	1,097,751	1,282,308	(184,557)
Health and welfare	2,938,000	2,942,951	1,955,978	986,973
Education	8,440,698	8,607,263	7,700,794	906,469
Parks, recreation, and cultural	150,000	150,000	150,000	-
Community development	503,703	503,703	462,872	40,831
Capital projects	770,512	770,512	228,123	542,389
Debt service:				
Principal retirement	413,666	413,666	543,666	(130,000)
Interest and other fiscal charges	165,758	165,758	1,332,862	(1,167,104)
Total expenditures	<u>\$ 19,160,713</u>	<u>\$ 19,558,709</u>	<u>\$ 18,510,048</u>	<u>\$ 1,048,661</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (803,281)</u>	<u>\$ (1,201,275)</u>	<u>\$ 988,367</u>	<u>\$ 2,189,642</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (191,730)	\$ (191,730)
Net change in fund balances	\$ (803,281)	\$ (1,201,275)	\$ 796,637	\$ 1,997,912
Fund balances - beginning	5,000,000	5,000,000	5,259,995	259,995
Fund balances - ending	<u>\$ 4,196,719</u>	<u>\$ 3,798,725</u>	<u>\$ 6,056,632</u>	<u>\$ 2,257,907</u>

County of Northumberland, Virginia
Schedule of Pension Funding Progress
As of June 30, 2007

Primary Government:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2006	\$ 8,921,038	\$ 9,557,192	\$ 636,154	93.34%	\$ 2,562,644	24.82%
6/30/2005	8,416,193	9,254,979	838,786	90.94%	2,427,532	34.55%
6/30/2004	8,250,120	8,001,890	(248,230)	103.10%	2,297,166	-10.81%
6/30/2003	8,157,822	7,499,682	(658,140)	108.78%	2,139,491	-30.76%
6/30/2002	8,085,504	7,013,381	(1,072,123)	115.29%	2,130,237	-50.33%
6/30/2001	7,910,854	6,477,715	(1,433,139)	122.12%	2,160,282	-66.34%
6/30/2000	7,220,237	5,823,918	(1,396,319)	123.98%	2,233,264	-62.52%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2006	\$ 2,284,720	\$ 2,866,806	\$ 582,086	79.70%	\$ 681,421	85.42%
6/30/2005	2,143,029	2,698,627	555,598	79.41%	686,497	80.93%
6/30/2004	2,041,274	2,265,181	223,907	90.12%	673,026	33.27%
6/30/2003	1,978,094	2,116,813	138,719	93.45%	616,845	22.49%
6/30/2002	1,932,379	1,945,731	13,352	99.31%	639,325	2.09%
6/30/2001	1,844,568	1,788,196	(56,372)	103.15%	626,221	-9.00%
6/30/2000	1,643,551	1,664,265	20,714	98.76%	608,671	3.40%

OTHER SUPPLEMENTARY INFORMATION

County of Northumberland, Virginia
County Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Other local taxes	\$ 500,000	\$ 500,000	\$ 652,943	\$ 152,943
Revenue from the use of money and property	-	-	1,247,792	1,247,792
Total revenues	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 1,900,735</u>	<u>\$ 1,400,735</u>
EXPENDITURES				
Capital projects	\$ 500,000	\$ 500,000	\$ 8,159,823	\$ (7,659,823)
Debt service:				
Interest and other fiscal charges	-	-	656,975	(656,975)
Total expenditures	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 8,816,798</u>	<u>\$ (8,316,798)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,916,063)</u>	<u>\$ (6,916,063)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	\$ 37,137	\$ 37,137
Issuance of debt	-	-	38,815,000	38,815,000
Premium on issuance of debt	-	-	495,855	495,855
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,347,992</u>	<u>\$ 39,347,992</u>
Net change in fund balances	\$ -	\$ -	\$ 32,431,929	\$ 32,431,929
Fund balances - beginning	-	-	2,213,368	2,213,368
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,645,297</u>	<u>\$ 34,645,297</u>

County of Northumberland, Virginia
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2007

	<u>Law Library Fund</u>	<u>Economic Development Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 767	\$ 23,764	\$ 24,531
Total assets	\$ 767	\$ 23,764	\$ 24,531
LIABILITIES AND FUND BALANCES			
Fund balances:			
Unreserved:			
Designated for economic development	\$ -	\$ 23,764	\$ 23,764
Undesignated	767	-	767
Total fund balances	\$ 767	\$ 23,764	\$ 24,531
Total liabilities and fund balances	\$ 767	\$ 23,764	\$ 24,531

County of Northumberland, Virginia
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2007

	Law Library <u>Fund</u>	Economic Development <u>Fund</u>	<u>Total</u>
REVENUES			
Revenue from the use of money and property	\$ -	\$ 177	\$ 177
Charges for services	1,047	-	1,047
Total revenues	\$ 1,047	\$ 177	\$ 1,224
EXPENDITURES			
Current:			
Judicial administration	\$ 780	\$ -	\$ 780
Total expenditures	\$ 780	\$ -	\$ 780
Excess (deficiency) of revenues over (under) expenditures	\$ 267	\$ 177	\$ 444
Net change in fund balances	\$ 267	\$ 177	\$ 444
Fund balances - beginning	500	23,587	24,087
Fund balances - ending	\$ 767	\$ 23,764	\$ 24,531

County of Northumberland, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Fund
 For the Year Ended June 30, 2007

	Law Library Fund				Economic Development			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 177	\$ 177
Charges for services	-	-	1,047	1,047	-	-	-	-
Total revenues	\$ -	\$ -	\$ 1,047	\$ 1,047	\$ -	\$ -	\$ 177	\$ 177
EXPENDITURES								
Current:								
Judicial administration	\$ -	\$ -	\$ 780	\$ (780)	\$ -	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ 780	\$ (780)	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 267	\$ 267	\$ -	\$ -	\$ 177	\$ 177
Net change in fund balances	\$ -	\$ -	\$ 267	\$ 267	\$ -	\$ -	\$ 177	\$ 177
Fund balances - beginning	-	-	500	500	-	-	23,587	23,587
Fund balances - ending	\$ -	\$ -	\$ 767	\$ 767	\$ -	\$ -	\$ 23,764	\$ 23,764

County of Northumberland, Virginia
 Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2007

	Agency Funds				
	<u>Special Welfare</u>	<u>Road Improvement Bond</u>	<u>350th Anniversary</u>	<u>Tornado Relief</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 78,167	\$ 127,981	\$ 104	\$ 10,137	\$ 216,389
Total assets	\$ 78,167	\$ 127,981	\$ 104	\$ 10,137	\$ 216,389
LIABILITIES					
Amounts held for others	\$ -	\$ 127,981	\$ 104	\$ 10,137	\$ 138,222
Amounts held for social services clients	78,167	-	-	-	78,167
Total liabilities	\$ 78,167	\$ 127,981	\$ 104	\$ 10,137	\$ 216,389

County of Northumberland, Virginia

Fiduciary Funds
Statement of Changes in Fiduciary Net Assets - Agency Funds
For the Year Ended June 30, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 81,366	\$ 85,658	\$ 88,857	\$ 78,167
Liabilities:				
Amounts held for social services clients	\$ 81,366	\$ 85,658	\$ 88,857	\$ 78,167
Road Improvement Fund:				
Assets:				
Cash and cash equivalents	\$ 124,520	\$ 10,211	\$ 6,750	\$ 127,981
Liabilities:				
Amounts held for others	\$ 124,520	\$ 10,211	\$ 6,750	\$ 127,981
350th Anniversary Fund:				
Assets:				
Cash and cash equivalents	\$ 104	\$ -	\$ -	\$ 104
Liabilities:				
Amounts held for others	\$ 104	\$ -	\$ -	\$ 104
Tornado Relief Fund:				
Assets:				
Cash and cash equivalents	\$ 10,137	\$ -	\$ -	\$ 10,137
Liabilities:				
Amounts held for others	\$ 10,137	\$ -	\$ -	\$ 10,137
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 216,127	\$ 95,869	\$ 95,607	\$ 216,389
Total assets	\$ 216,127	\$ 95,869	\$ 95,607	\$ 216,389
Liabilities:				
Amounts held for others	\$ 134,761	\$ 10,211	\$ 6,750	\$ 138,222
Amounts held for social services clients	81,366	85,658	88,857	78,167
Total liabilities	\$ 216,127	\$ 95,869	\$ 95,607	\$ 216,389

***DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD***

County of Northumberland, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2007

	School Operating Fund	Health Insurance Recovery Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,000	\$ 160,267	\$ -	\$ 162,267
Cash in custody of others	-	-	142,860	142,860
Due from other funds	-	-	8,369	8,369
Due from other governmental units	1,387,522	-	-	1,387,522
Prepaid items	157,124	-	-	157,124
Total assets	<u>\$ 1,546,646</u>	<u>\$ 160,267</u>	<u>\$ 151,229</u>	<u>\$ 1,858,142</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 16,209	\$ -	\$ -	\$ 16,209
Accrued liabilities	1,488,244	-	-	1,488,244
Due to other funds	8,369	-	-	8,369
Due to other governmental units	31,824	-	-	31,824
Total liabilities	<u>\$ 1,544,646</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,544,646</u>
Fund balances:				
Unreserved:				
Undesignated	\$ 2,000	\$ 160,267	\$ 151,229	\$ 313,496
Total fund balances	<u>\$ 2,000</u>	<u>\$ 160,267</u>	<u>\$ 151,229</u>	<u>\$ 313,496</u>
Total liabilities and fund balances	<u>\$ 1,546,646</u>	<u>\$ 160,267</u>	<u>\$ 151,229</u>	<u>\$ 1,858,142</u>

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

Total fund balances per above	\$ 313,496
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,942,780
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(83,870)
Net assets of governmental activities	<u>\$ 9,172,406</u>

County of Northumberland, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2007

	School Operating <u>Fund</u>	Health Insurance Recovery <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 373	\$ 373
Charges for services	-	-	244,219	244,219
Miscellaneous	177,580	-	10,411	187,991
Intergovernmental revenues:				
Local government	7,688,613	-	-	7,688,613
Commonwealth	5,571,943	-	-	5,571,943
Federal	1,725,701	-	-	1,725,701
Total revenues	\$ 15,163,837	\$ -	\$ 255,003	\$ 15,418,840
EXPENDITURES				
Current:				
Education	\$ 14,534,587	\$ -	\$ 598,204	\$ 15,132,791
Capital projects	282,304	-	-	282,304
Total expenditures	\$ 14,816,891	\$ -	\$ 598,204	\$ 15,415,095
Excess (deficiency) of revenues over (under) expenditures	\$ 346,946	\$ -	\$ (343,201)	\$ 3,745
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 346,946	\$ 346,946
Transfers out	(346,946)	-	-	(346,946)
Total other financing sources and uses	\$ (346,946)	\$ -	\$ 346,946	\$ -
Net change in fund balances	\$ -	\$ -	\$ 3,745	\$ 3,745
Fund balances - beginning	2,000	160,267	147,484	309,751
Fund balances - ending	\$ 2,000	\$ 160,267	\$ 151,229	\$ 313,496

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 \$ 3,745

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. The following is a summary of items supporting this adjustment:

Capital outlay	169,178	
Change in accumulated depreciation	12,080	
Transfer of joint tenancy assets to Component Unit from Primary Government	3,385,990	3,567,248

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. 33,286

Change in net assets of governmental activities \$ 3,604,279

County of Northumberland, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2007

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ 73,050	\$ 73,050	\$ 177,580	\$ 104,530
Intergovernmental revenues:				
Local government	8,431,160	8,597,725	7,688,613	(909,112)
Commonwealth	5,397,044	5,404,904	5,571,943	167,039
Federal	1,049,059	1,049,059	1,725,701	676,642
Total revenues	<u>\$ 14,950,313</u>	<u>\$ 15,124,738</u>	<u>\$ 15,163,837</u>	<u>\$ 39,099</u>
EXPENDITURES				
Current:				
Education	\$ 14,310,647	\$ 14,485,072	\$ 14,534,587	\$ (49,515)
Capital projects	86,683	86,683	282,304	(195,621)
Debt service:				
Principal retirement	152,473	152,473	-	152,473
Interest and other fiscal charges	62,278	62,278	-	62,278
Total expenditures	<u>\$ 14,612,081</u>	<u>\$ 14,786,506</u>	<u>\$ 14,816,891</u>	<u>\$ (30,385)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 338,232</u>	<u>\$ 338,232</u>	<u>\$ 346,946</u>	<u>\$ 8,714</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (338,232)	\$ (338,232)	\$ (346,946)	\$ (8,714)
Total other financing sources (uses)	<u>\$ (338,232)</u>	<u>\$ (338,232)</u>	<u>\$ (346,946)</u>	<u>\$ (8,714)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	2,000	2,000
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>

County of Northumberland, Virginia
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2007

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 208	\$ 208	\$ 373	\$ 165
Charges for services	358,290	358,290	244,219	(114,071)
Miscellaneous	2,400	2,400	10,411	8,011
Total revenues	<u>\$ 360,898</u>	<u>\$ 360,898</u>	<u>\$ 255,003</u>	<u>\$ (105,895)</u>
EXPENDITURES				
Current:				
Education	\$ 699,130	\$ 699,130	\$ 598,204	\$ 100,926
Total expenditures	<u>\$ 699,130</u>	<u>\$ 699,130</u>	<u>\$ 598,204</u>	<u>\$ 100,926</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (338,232)</u>	<u>\$ (338,232)</u>	<u>\$ (343,201)</u>	<u>\$ (4,969)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 338,232	\$ 338,232	\$ 346,946	\$ 8,714
Total other financing sources (uses)	<u>\$ 338,232</u>	<u>\$ 338,232</u>	<u>\$ 346,946</u>	<u>\$ 8,714</u>
Net change in fund balances	\$ -	\$ -	\$ 3,745	\$ 3,745
Fund balances - beginning	-	-	147,484	147,484
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,229</u>	<u>\$ 151,229</u>

SUPPORTING SCHEDULES

County of Northumberland, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2007

Schedule 1
 Page 1 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 9,917,010	\$ 9,917,010	\$ 10,182,191	\$ 265,181
Real and personal public service corporation taxes	100,000	100,000	140,313	40,313
Personal property taxes	1,760,200	1,760,200	2,072,721	312,521
Custom house boat taxes	354,744	354,744	368,054	13,310
Mobile home taxes	22,200	22,200	28,566	6,366
Machinery and tools taxes	100,800	100,800	118,632	17,832
Merchant's capital taxes	40,000	40,000	43,803	3,803
Penalties	70,000	70,000	104,771	34,771
Interest	50,000	50,000	46,136	(3,864)
Total general property taxes	<u>\$ 12,414,954</u>	<u>\$ 12,414,954</u>	<u>\$ 13,105,187</u>	<u>\$ 690,233</u>
Other local taxes:				
Local sales and use taxes	\$ 550,000	\$ 550,000	\$ 754,398	\$ 204,398
Consumption tax	45,000	45,000	53,408	8,408
Cable television franchise license tax	35,000	35,000	31,716	(3,284)
Motor vehicle licenses	310,000	310,000	256,936	(53,064)
Bank stock taxes	100,000	100,000	147,824	47,824
Taxes on recordation and wills	280,000	280,000	284,971	4,971
E911 tax	108,000	108,000	54,494	(53,506)
Total other local taxes	<u>\$ 1,428,000</u>	<u>\$ 1,428,000</u>	<u>\$ 1,583,747</u>	<u>\$ 155,747</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,000	\$ 10,000	\$ 11,536	\$ 1,536
Land use application fees	10,000	10,000	1,680	(8,320)
Transfer fees	1,000	1,000	1,048	48
Permits and other licenses	211,400	211,400	204,010	(7,390)
Total permits, privilege fees, and regulatory licenses	<u>\$ 232,400</u>	<u>\$ 232,400</u>	<u>\$ 218,274</u>	<u>\$ (14,126)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 12,000	\$ 12,000	\$ 12,185	\$ 185
Revenue from use of money and property:				
Revenue from use of money	\$ 100,000	\$ 100,000	\$ 349,406	\$ 249,406
Revenue from use of property	2,150	2,150	2,619	469
Total revenue from use of money and property	<u>\$ 102,150</u>	<u>\$ 102,150</u>	<u>\$ 352,025</u>	<u>\$ 249,875</u>
Charges for services:				
Sheriff's fees	\$ 539	\$ 540	\$ 539	\$ (1)
Court costs	7,500	7,500	10,852	3,352
Charges for Commonwealth's Attorney	400	401	706	305
Charges for correction and detention	810	810	858	48
Charges for other public works	-	-	390	390
Street light reimbursement	16,000	16,000	8,502	(7,498)
Charges for other protection	25	25	-	(25)
Charges for community development	-	-	876	876
Total charges for services	<u>\$ 25,274</u>	<u>\$ 25,276</u>	<u>\$ 22,723</u>	<u>\$ (2,553)</u>

County of Northumberland, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2007

Schedule 1
 Page 2 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 109,740	\$ 109,740	\$ 193,669	\$ 83,929
Recovered costs:				
Regional jail	\$ 82,462	\$ 82,462	\$ 82,462	\$ -
Health department	-	-	5	5
DMV License Agent fee	12,000	12,000	15,995	3,995
Total recovered costs	\$ 94,462	\$ 94,462	\$ 98,462	\$ 4,000
 Total revenue from local sources	 \$ 14,418,980	 \$ 14,418,982	 \$ 15,586,272	 \$ 1,167,290
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 7,100	\$ 7,100	\$ 7,158	\$ 58
Wine taxes	7,500	7,500	7,503	3
Motor vehicle carriers' tax	200	200	17	(183)
Mobile home titling tax	30,000	30,000	35,279	5,279
Auto rental tax	-	-	194	194
Recordation and grantors tax	80,000	80,000	128,704	48,704
Personal property tax relief funds	1,009,800	1,009,800	930,354	(79,446)
Total noncategorical aid	\$ 1,134,600	\$ 1,134,600	\$ 1,109,209	\$ (25,391)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 136,000	\$ 136,000	\$ 199,005	\$ 63,005
Sheriff	660,000	660,000	744,120	84,120
Commissioner of revenue	80,000	80,000	97,655	17,655
Treasurer	100,000	100,000	129,618	29,618
Medical examiner	60	60	20	(40)
Registrar/electoral board	40,000	40,000	49,764	9,764
Clerk of the Circuit Court	175,000	175,000	179,604	4,604
Total shared expenses	\$ 1,191,060	\$ 1,191,060	\$ 1,399,786	\$ 208,726
Other categorical aid:				
Public assistance and welfare administration	\$ 250,585	\$ 250,585	\$ 233,642	\$ (16,943)
Section 8	42,347	42,347	-	(42,347)
AED grant	-	-	7,770	7,770
Animal friendly plates	-	-	153	153
Victim witness program	24,186	24,186	22,482	(1,704)
Disaster assistance	-	-	11,065	11,065
EMS - Two for life	10,000	10,000	12,186	2,186
School resource officer	-	-	16,839	16,839
Comprehensive services act	392,000	392,000	172,515	(219,485)
Asset forfeiture	-	-	5,750	5,750
Fire programs fund	25,000	25,000	29,618	4,618

County of Northumberland, Virginia
 Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Wireless grant	\$ -	\$ -	\$ 45,656	\$ 45,656
Total other categorical aid	\$ 744,118	\$ 744,118	\$ 557,676	\$ (186,442)
Total categorical aid	\$ 1,935,178	\$ 1,935,178	\$ 1,957,462	\$ 22,284
Total revenue from the Commonwealth	\$ 3,069,778	\$ 3,069,778	\$ 3,066,671	\$ (3,107)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 692,674	\$ 692,674	\$ 645,839	\$ (46,835)
Ground transportation safety	6,000	6,000	19,409	13,409
Disaster assistance	45,346	45,346	50,768	5,422
Homeland security	54,654	54,654	61,190	6,536
CDBG	70,000	70,000	68,266	(1,734)
Total categorical aid	\$ 868,674	\$ 868,674	\$ 845,472	\$ (23,202)
Total revenue from the federal government	\$ 868,674	\$ 868,674	\$ 845,472	\$ (23,202)
Total General Fund	\$ 18,357,432	\$ 18,357,434	\$ 19,498,415	\$ 1,140,981
Special Revenue Funds:				
Law Library Fund:				
Revenue from local sources:				
Charges for services:				
Law library fees	\$ -	\$ -	\$ 1,047	\$ 1,047
Total Law Library Fund	\$ -	\$ -	\$ 1,047	\$ 1,047
Economic Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 177	\$ 177
Total Economic Development Fund	\$ -	\$ -	\$ 177	\$ 177
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Other local taxes:				
Consumer's utility tax	\$ 500,000	\$ 500,000	\$ 464,774	\$ (35,226)
Communications tax	-	-	188,169	188,169
Total other local taxes	\$ 500,000	\$ 500,000	\$ 652,943	\$ 152,943
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,247,792	\$ 1,247,792

County of Northumberland, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2007

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund: (Continued)				
County Capital Projects Fund: (Continued)				
Total revenue from local sources	\$ 500,000	\$ 500,000	\$ 1,900,735	\$ 1,400,735
Total County Capital Projects Fund	\$ 500,000	\$ 500,000	\$ 1,900,735	\$ 1,400,735
Total Primary Government	\$ 18,857,432	\$ 18,857,434	\$ 21,400,374	\$ 2,542,940
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ 73,050	\$ 73,050	\$ 177,580	\$ 104,530
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Northumberland, Virginia	\$ 8,431,160	\$ 8,597,725	\$ 7,688,613	\$ (909,112)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,573,536	\$ 1,573,536	\$ 1,508,391	\$ (65,145)
Basic school aid	2,251,721	2,251,721	2,366,208	114,487
Primary class size	-	-	102,124	102,124
At risk payments	161,374	161,374	159,170	(2,204)
Early reading intervention	8,608	8,608	5,738	(2,870)
English as a second language	8,864	8,864	12,988	4,124
Enrollment loss	93,558	93,558	-	(93,558)
Foster care	6,862	6,862	4,610	(2,252)
GED funding	-	7,859	7,859	-
Gifted and talented	20,349	20,350	20,887	537
Homebound	19,922	19,922	-	(19,922)
Lottery proceeds	115,560	115,560	118,091	2,531
Mentor teacher program	-	-	611	611
Remedial education	65,515	65,515	67,244	1,729
Remedial summer education	34,763	34,763	42,763	8,000
Salary supplement	41,692	41,692	61,131	19,439
School construction	110,230	110,230	110,362	132
School food program	8,552	8,552	11,954	3,402
School fringes	294,818	294,818	297,505	2,687
Special education	314,175	314,175	347,901	33,726
Race to GED	-	-	59,958	59,958
Standards of Learning algebra readiness	8,841	8,841	8,795	(46)
Textbook payment	50,531	50,531	51,085	554

County of Northumberland, Virginia
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2007

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Technology VPSA	\$ 128,000	\$ 128,000	\$ 128,000	\$ -
Vocational education	79,573	79,573	78,568	(1,005)
Total categorical aid	<u>\$ 5,397,044</u>	<u>\$ 5,404,904</u>	<u>\$ 5,571,943</u>	<u>\$ 167,039</u>
Total revenue from the Commonwealth	\$ 5,397,044	\$ 5,404,904	\$ 5,571,943	\$ 167,039
Revenue from the federal government:				
Categorical aid:				
Adult literacy	\$ -	\$ -	\$ 125,209	\$ 125,209
Emergency impact aid	-	-	7,301	7,301
Title I	447,292	447,292	721,218	273,926
Advanced placement	-	-	156	156
Vocational education	28,000	28,000	36,672	8,672
Adult education	-	-	70,000	70,000
Title V	7,705	7,705	21,425	13,720
Title VI B	120,000	120,000	212,771	92,771
School food program	329,680	329,680	334,992	5,312
Title II Part A	96,875	96,875	95,651	(1,224)
Title II Part D	8,841	8,841	12,256	3,415
Drug free	10,666	10,666	10,661	(5)
JROTC grant	-	-	58,654	58,654
Title VI - rural education	-	-	18,735	18,735
Total categorical aid	<u>\$ 1,049,059</u>	<u>\$ 1,049,059</u>	<u>\$ 1,725,701</u>	<u>\$ 676,642</u>
Total revenue from the federal government	\$ 1,049,059	\$ 1,049,059	\$ 1,725,701	\$ 676,642
Total School Operating Fund	<u>\$ 14,950,313</u>	<u>\$ 15,124,738</u>	<u>\$ 15,163,837</u>	<u>\$ 39,099</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 208	\$ 208	\$ 373	\$ 165
Charges for services:				
Cafeteria sales	\$ 358,290	\$ 358,290	\$ 244,219	\$ (114,071)
Miscellaneous revenue:				
Miscellaneous	\$ 2,400	\$ 2,400	\$ 10,411	\$ 8,011
Total revenue from local sources	<u>\$ 360,898</u>	<u>\$ 360,898</u>	<u>\$ 255,003</u>	<u>\$ (105,895)</u>
Total School Cafeteria Fund	<u>\$ 360,898</u>	<u>\$ 360,898</u>	<u>\$ 255,003</u>	<u>\$ (105,895)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 15,311,211</u>	<u>\$ 15,485,636</u>	<u>\$ 15,418,840</u>	<u>\$ (66,796)</u>

County of Northumberland, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2007

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 235,688	\$ 249,088	\$ 328,570	\$ (79,482)
General and financial administration:				
County administrator	\$ 217,689	\$ 217,689	\$ 217,231	\$ 458
Legal services	15,000	15,000	15,000	-
Commissioner of revenue	272,438	272,438	268,571	3,867
Independent Auditor	28,400	28,400	33,182	(4,782)
Treasurer	313,456	313,456	316,768	(3,312)
Reassessment	75,000	75,000	705	74,295
Total general and financial administration	<u>\$ 921,983</u>	<u>\$ 921,983</u>	<u>\$ 851,457</u>	<u>\$ 70,526</u>
Board of elections:				
Electoral board and officials	\$ 39,488	\$ 39,488	\$ 24,911	\$ 14,577
Registrar	76,331	76,331	70,598	5,733
Total board of elections	<u>\$ 115,819</u>	<u>\$ 115,819</u>	<u>\$ 95,509</u>	<u>\$ 20,310</u>
Total general government administration	<u>\$ 1,273,490</u>	<u>\$ 1,286,890</u>	<u>\$ 1,275,536</u>	<u>\$ 11,354</u>
Judicial administration:				
Courts:				
Circuit court	\$ 15,350	\$ 15,350	\$ 15,550	\$ (200)
General district court	4,750	4,750	2,662	2,088
Victim witness protection program	26,874	26,874	25,101	1,773
Juvenile and domestic relations district court	65,824	65,824	78,543	(12,719)
Clerk of the circuit court	297,036	297,036	275,603	21,433
Total courts	<u>\$ 409,834</u>	<u>\$ 409,834</u>	<u>\$ 397,459</u>	<u>\$ 12,375</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 226,291	\$ 287,291	\$ 285,801	\$ 1,490
Total judicial administration	<u>\$ 636,125</u>	<u>\$ 697,125</u>	<u>\$ 683,260</u>	<u>\$ 13,865</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,567,165	\$ 1,702,191	\$ 1,780,870	\$ (78,679)
Fire and rescue services:				
Fire department	\$ 237,676	\$ 237,676	\$ 256,725	\$ (19,049)
Ambulance and rescue services	146,896	146,896	147,081	(185)
Total fire and rescue services	<u>\$ 384,572</u>	<u>\$ 384,572</u>	<u>\$ 403,806</u>	<u>\$ (19,234)</u>
Correction and detention:				
Payments to Regional Jail	\$ 390,000	\$ 390,000	\$ 390,000	\$ -
Total correction and detention	<u>\$ 390,000</u>	<u>\$ 390,000</u>	<u>\$ 390,000</u>	<u>\$ -</u>
Inspections:				
Building	\$ 176,271	\$ 176,271	\$ 171,041	\$ 5,230

County of Northumberland, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2007

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 80,706	\$ 80,706	\$ 62,678	\$ 18,028
Emergency services	189,000	189,000	86,154	102,846
Medical examiner	350	350	100	250
Total other protection	<u>\$ 270,056</u>	<u>\$ 270,056</u>	<u>\$ 148,932</u>	<u>\$ 121,124</u>
Total public safety	<u>\$ 2,788,064</u>	<u>\$ 2,923,090</u>	<u>\$ 2,894,649</u>	<u>\$ 28,441</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Streetlights	\$ 17,500	\$ 17,500	\$ 21,311	\$ (3,811)
Sanitation and waste removal:				
Refuse disposal	\$ 100,000	\$ 100,000	\$ 26,358	\$ 73,642
Refuse collection	776,460	776,460	1,027,521	(251,061)
Total sanitation and waste removal	<u>\$ 876,460</u>	<u>\$ 876,460</u>	<u>\$ 1,053,879</u>	<u>\$ (177,419)</u>
Maintenance of general buildings and grounds:				
General properties	\$ 186,737	\$ 203,791	\$ 207,118	\$ (3,327)
Total public works	<u>\$ 1,080,697</u>	<u>\$ 1,097,751</u>	<u>\$ 1,282,308</u>	<u>\$ (184,557)</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 183,739	\$ 188,690	\$ 188,690	\$ -
Mental health and mental retardation:				
Community services board	\$ 37,846	\$ 37,846	\$ 37,846	\$ -
Welfare:				
Public assistance and welfare administration	\$ 2,716,415	\$ 2,716,415	\$ 1,729,442	\$ 986,973
Total welfare	<u>\$ 2,716,415</u>	<u>\$ 2,716,415</u>	<u>\$ 1,729,442</u>	<u>\$ 986,973</u>
Total health and welfare	<u>\$ 2,938,000</u>	<u>\$ 2,942,951</u>	<u>\$ 1,955,978</u>	<u>\$ 986,973</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 9,538	\$ 9,538	\$ 12,181	\$ (2,643)
Contribution to County School Board	8,431,160	8,597,725	7,688,613	909,112
Total education	<u>\$ 8,440,698</u>	<u>\$ 8,607,263</u>	<u>\$ 7,700,794</u>	<u>\$ 906,469</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 50,000	\$ 50,000	\$ 50,000	\$ -

County of Northumberland, Virginia
 Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Library:				
Contribution to county library	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Total parks, recreation, and cultural	\$ 150,000	\$ 150,000	\$ 150,000	\$ -
Community development:				
Planning and community development:				
Planning and zoning	\$ 297,008	\$ 297,008	\$ 270,356	\$ 26,652
Economic development	34,000	34,000	35,219	(1,219)
Planning district commission	80,000	80,000	86,766	(6,766)
Total planning and community development	\$ 411,008	\$ 411,008	\$ 392,341	\$ 18,667
Environmental management:				
Contribution to soil and water conservation district	\$ 10,600	\$ 10,600	\$ 10,600	\$ -
Wetlands	22,500	22,500	22,410	90
Forestry	3,606	3,606	3,606	-
Total environmental management	\$ 36,706	\$ 36,706	\$ 36,616	\$ 90
Cooperative extension program:				
Extension office	\$ 55,989	\$ 55,989	\$ 33,915	\$ 22,074
Total community development	\$ 503,703	\$ 503,703	\$ 462,872	\$ 40,831
Capital projects:				
Old court facility	\$ 45,000	\$ 45,000	\$ 54,631	\$ (9,631)
Renovations to middle school	-	-	19,532	(19,532)
County owned facilities	500,000	500,000	-	500,000
Public landings	5,000	5,000	2,000	3,000
Purchase of property	-	-	29,920	(29,920)
Fleeton/Callao Sewer project	40,000	40,000	38,224	1,776
New court facility	180,512	180,512	83,816	96,696
Total capital projects	\$ 770,512	\$ 770,512	\$ 228,123	\$ 542,389
Debt service:				
Principal retirement	\$ 413,666	\$ 413,666	\$ 543,666	\$ (130,000)
Interest and other fiscal charges	165,758	165,758	1,332,862	(1,167,104)
Total debt service	\$ 579,424	\$ 579,424	\$ 1,876,528	\$ (1,297,104)
Total General Fund	\$ 19,160,713	\$ 19,558,709	\$ 18,510,048	\$ 1,048,661
Law Library Fund:				
Judicial Administration:				
Courts:				
Law library	\$ -	\$ -	\$ 780	\$ (780)
Total Law Library Fund	\$ -	\$ -	\$ 780	\$ (780)

County of Northumberland, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2007

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
County Capital Projects Fund:				
Capital projects expenditures:				
Capital projects expenditures	\$ 500,000	\$ 500,000	\$ 8,159,823	\$ (7,659,823)
Total capital projects	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 8,159,823</u>	<u>\$ (7,659,823)</u>
Debt service:				
Bond issuance costs	\$ -	\$ -	\$ 656,975	\$ (656,975)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 656,975</u>	<u>\$ (656,975)</u>
 Total County Capital Projects Fund	 <u>\$ 500,000</u>	 <u>\$ 500,000</u>	 <u>\$ 8,816,798</u>	 <u>\$ (8,316,798)</u>
 Total Primary Government	 <u>\$ 19,660,713</u>	 <u>\$ 20,058,709</u>	 <u>\$ 27,327,626</u>	 <u>\$ (7,268,917)</u>
Discretely Presented Component Unit - School Board				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 562,844	\$ 562,844	\$ 557,475	\$ 5,369
Instruction costs	11,394,208	11,568,633	11,387,625	181,008
Pupil transportation	1,153,494	1,153,494	1,222,778	(69,284)
Operation and maintenance of school plant	1,200,101	1,200,101	1,366,709	(166,608)
Other operating costs	<u>\$ 14,310,647</u>	<u>\$ 14,485,072</u>	<u>\$ 14,534,587</u>	<u>\$ (49,515)</u>
Total education	<u>\$ 14,310,647</u>	<u>\$ 14,485,072</u>	<u>\$ 14,534,587</u>	<u>\$ (49,515)</u>
 Capital projects:				
Capital Outlay	<u>\$ 86,683</u>	<u>\$ 86,683</u>	<u>\$ 282,304</u>	<u>\$ (195,621)</u>
Debt service:				
Principal retirement	\$ 152,473	\$ 152,473	\$ -	\$ 152,473
Interest and other fiscal charges	62,278	62,278	-	62,278
Total debt service	<u>\$ 214,751</u>	<u>\$ 214,751</u>	<u>\$ -</u>	<u>\$ 214,751</u>
 Total School Fund	 <u>\$ 14,612,081</u>	 <u>\$ 14,786,506</u>	 <u>\$ 14,816,891</u>	 <u>\$ (30,385)</u>
School Cafeteria Fund:				
Education:				
School food services:				
School food	\$ 699,130	\$ 699,130	\$ 598,204	\$ 100,926
Total Cafeteria Fund	<u>\$ 699,130</u>	<u>\$ 699,130</u>	<u>\$ 598,204</u>	<u>\$ 100,926</u>
 Total Discretely Presented Component Unit - School Board	 <u>\$ 15,311,211</u>	 <u>\$ 15,485,636</u>	 <u>\$ 15,415,095</u>	 <u>\$ 70,541</u>

OTHER STATISTICAL INFORMATION

Table 1

County of Northumberland, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years (1)

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Sanitary District	Total
2002-03	\$ 998,389	\$ 427,647	\$ 2,122,218	\$ 763,472	\$ 1,488,152	\$ 6,788,667	\$ 124,754	\$ 260,126	\$ 334,898	\$ 172,120	\$ 13,480,443
2003-04	899,749	587,546	2,209,016	1,080,865	1,603,072	7,209,313	148,157	290,630	298,574	343,489	14,670,411
2004-05	1,381,451	565,629	2,535,825	952,156	1,637,143	7,139,887	152,433	315,943	259,361	435,471	15,375,299
2005-06	1,167,467	677,235	2,584,733	1,393,744	1,906,874	8,103,546	455,941	369,958	227,386	554,693	17,441,577
2006-07	1,250,550	913,462	2,786,622	1,299,662	1,979,837	11,307,420	154,433	462,873	1,757,383	641,660	22,553,902

(1) Information has only been available for five years.

Table 2

County of Northumberland, Virginia
 Government-Wide Revenues
 Last Ten Fiscal Years (1)

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2002-03	\$ 385,547	\$ 2,202,978	\$ -	\$ 9,618,899	\$ 1,306,303	\$ 86,105	\$ 316,272	\$ 2,160,855	\$ 16,076,959	
2003-04	421,257	2,456,159	-	9,880,206	1,453,219	62,689	243,962	2,262,035	16,779,527	
2004-05	538,508	2,630,761	-	10,057,777	2,123,379	148,142	174,627	1,542,174	17,215,368	
2005-06	583,726	3,154,412	303,508	10,544,679	1,770,014	364,520	326,230	1,159,186	18,206,275	
2006-07	535,960	3,073,567	68,266	13,176,306	2,236,690	1,600,110	241,736	1,109,209	22,041,844	

(1) Information has only been available for five years.

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
1997-98	\$ 773,491	\$ 411,344	\$ 1,737,510	\$ 758,133	\$ 1,144,647	\$ 8,499,251	\$ 134,924	\$ 244,968	\$ 957,446	\$ 14,661,714
1998-99	1,003,827	409,171	2,054,387	703,383	1,383,577	9,755,228	113,061	260,260	1,045,702	16,728,596
1999-00	941,442	464,797	2,639,575	730,560	1,318,112	10,658,219	129,997	282,714	1,096,608	18,262,024
2000-01	991,640	486,287	1,893,443	799,660	1,416,583	11,383,718	144,701	267,508	1,115,993	18,499,533
2001-02	998,280	488,981	2,302,226	765,716	1,598,619	11,984,584	102,232	248,027	1,026,005	19,514,670
2002-03	959,867	448,715	2,162,596	793,640	1,525,743	11,934,862	125,069	265,521	990,349	19,206,362
2003-04	1,045,974	508,613	2,339,340	1,046,480	1,598,822	12,137,999	145,724	283,751	950,979	20,057,682
2004-05	1,257,538	474,654	2,670,462	997,539	1,668,411	13,313,882	150,000	315,943	809,129	21,657,558
2005-06	1,135,395	586,260	2,637,176	1,059,637	1,955,569	14,395,941	453,508	376,810	784,106	23,384,402
2006-07	1,275,536	684,040	2,894,649	1,282,308	1,955,978	15,144,972	150,000	462,872	2,533,503	26,383,858

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

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

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
1997-98	\$ 7,868,929	\$ 1,046,590	\$ 127,323	\$ 5,915	\$ 271,164	\$ 241,761	\$ 55,453	\$ 76,189	\$ 6,388,181	\$ 16,081,505
1998-99	8,066,384	1,081,422	127,841	5,988	273,450	231,519	181,396	106,433	6,973,589	17,048,022
1999-00	8,042,155	1,114,631	178,039	5,214	283,341	238,009	84,284	75,216	7,684,882	17,705,771
2000-01	8,686,944	1,191,459	120,946	6,416	220,398	245,501	189,415	81,559	8,246,156	18,988,794
2001-02	9,253,511	1,222,411	228,816	6,320	121,693	219,244	181,017	131,576	8,852,876	20,217,464
2002-03	9,552,198	1,306,303	255,528	6,823	88,827	232,640	192,355	316,421	8,690,499	20,641,594
2003-04	9,917,813	1,453,219	283,767	15,992	61,878	231,386	289,558	326,174	9,016,617	21,596,404
2004-05	10,095,628	1,639,007	277,798	15,199	152,963	225,432	283,937	128,241	9,942,948	22,761,153
2005-06	10,624,629	1,770,014	300,830	17,110	364,317	285,150	397,411	98,791	10,508,029	24,366,281
2006-07	13,105,187	1,583,747	218,274	12,185	1,600,367	267,989	381,660	98,462	11,209,787	28,477,658

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1,3)	Current Tax Collections (1,3)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
1997-98	\$ 7,593,483	\$ 7,310,041	96.27%	\$ 369,119	\$ 7,679,160	101.13%	\$ 661,968	8.72%
1998-99	7,975,198	7,561,865	94.82%	336,878	7,898,743	99.04%	762,913	9.57%
1999-00	8,136,588	7,827,968	96.21%	338,879	8,166,847	100.37%	650,180	7.99%
2000-01	9,101,549	8,845,559	97.19%	244,162	9,089,721	99.87%	590,960	6.49%
2001-02	9,934,344	9,677,025	97.41%	272,696	9,949,721	100.15%	369,601	3.72%
2002-03	10,220,351	10,026,352	98.10%	258,710	10,285,062	100.63%	472,851	4.63%
2003-04	10,577,447	10,312,979	97.50%	301,132	10,614,111	100.35%	350,536	3.31%
2004-05	10,846,397	10,653,628	98.22%	175,814	10,829,442	99.84%	358,608	3.31%
2005-06	11,403,071	11,271,995	98.85%	170,729	11,442,724	100.35%	294,952	2.59%
2006-07	13,873,126	13,688,759	98.67%	195,874	13,884,633	100.08%	202,803	1.46%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years and first half of current tax year.

(3) 1999-00 was the first year for personal property tax relief by the Commonwealth of Virginia.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Machinery and Tools	Merchant's Capital	Public Utility (2)	Total
1997-98	\$ 959,004,471	\$ 58,692,460	\$ 3,844,712	\$ 2,958,181	\$ 25,332,330	\$ 1,049,832,154
1998-99	966,743,445	66,886,116	3,477,492	4,104,813	28,477,813	1,069,689,679
1999-00	982,875,409	68,711,155	4,374,436	3,827,549	28,189,031	1,087,977,580
2000-01	1,116,806,424	73,623,482	3,312,153	4,664,617	34,271,251	1,232,677,927
2001-02	1,141,632,698	76,620,226	4,314,853	3,557,029	34,634,980	1,260,759,786
2002-03	1,171,592,883	81,299,045	3,082,537	3,568,871	32,246,606	1,291,789,942
2003-04	1,210,105,972	77,884,880	2,856,528	3,572,444	30,312,999	1,324,732,823
2004-05	1,249,704,479	88,848,479	2,476,351	3,601,360	24,261,228	1,368,891,897
2005-06	1,297,949,514	96,277,035	3,312,711	4,123,126	20,174,479	1,421,836,865
2006-07	2,829,613,762	99,792,019	3,062,848	4,316,128	38,647,253	2,975,432,010

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

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

Table 7

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

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Merchant's Capital	Machinery and Tools
1997-98	\$ 0.56	\$ 0.56	\$ 3.60	\$ 2.00	\$ 3.60
1998-99	0.56	0.56	3.60	2.00	3.60
1999-00	0.56	0.56	3.60	2.00	3.60
2000-01	0.56	0.56	3.60	2.00	3.60
2001-02	0.61	0.61	3.60	2.00	3.60
2002-03	0.61	0.61	3.60	2.00	3.60
2003-04	0.61	0.61	3.60	2.00	3.60
2004-05	0.61	0.61	3.60	1.00	3.60
2005-06	0.61	0.61	3.60	1.00	3.60
2006-07	0.36	0.36	3.60	1.00	3.60

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Payable From Enterprise Revenues			
1997-98	10,524	\$ 1,049,832,154	\$ 6,380,108	\$ -	\$ 105,108	\$ 6,275,000	0.60%	\$ 596
1998-99	10,524	1,069,689,679	6,287,619	-	100,775	6,186,844	0.58%	588
1999-00	10,524	1,087,977,580	5,780,006	-	96,416	5,683,590	0.52%	540
2000-01	12,529	1,232,677,927	5,260,931	-	91,810	5,169,121	0.42%	413
2001-02	12,529	1,260,759,786	4,750,318	-	86,983	4,663,335	0.37%	372
2002-03	12,529	1,291,789,942	5,474,691	-	1,323,485	4,151,206	0.32%	331
2003-04	12,529	1,324,732,823	4,948,358	-	1,310,776	3,637,582	0.27%	290
2004-05	12,529	1,368,891,897	4,526,063	-	1,293,678	3,232,385	0.24%	258
2005-06	12,529	1,421,836,865	4,998,958	-	2,178,449	2,820,509	0.20%	225
2006-07	12,529	2,975,432,010	4,557,361	-	2,150,518	2,406,843	0.08%	192

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

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

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.

Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

COMPLIANCE

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Northumberland, Virginia, as of and for the year ended June 30, 2007, which collectively comprise the County of Northumberland, Virginia's basic financial statements and have issued our report thereon dated March 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Northumberland, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Northumberland, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Northumberland, Virginia's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Northumberland, Virginia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the County of Northumberland, Virginia's financial statements that is more than inconsequential will not be prevented or detected by the County of Northumberland, Virginia's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Northumberland, Virginia's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency referenced (2007-01) in the schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Northumberland, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters involving the internal control and its operation that we have reported to the management of the County of Northumberland, Virginia, in a separate letter dated March 6, 2008.

This report is intended solely for the information and use of the Board of Supervisors, management and others within the County of Northumberland, Virginia, and is not intended to be and should not be used by anyone other than these specified parties.

Robson, Fann, & Associates

Richmond, Virginia
March 6, 2008

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the County of Northumberland, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The County of Northumberland, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Northumberland, Virginia's management. Our responsibility is to express an opinion on the County of Northumberland, Virginia's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Northumberland, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Northumberland, Virginia's compliance with those requirements.

In our opinion, the County of Northumberland, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the County of Northumberland, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Northumberland, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Northumberland, Virginia's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Northumberland, Virginia's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County of Northumberland, Virginia's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County of Northumberland, Virginia's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robynn Tamm, Cox Associates

Richmond, Virginia
March 6, 2008

County of Northumberland, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2007

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Health and Human Services:		
Pass Through Payments:		
<i>Department of Social Services:</i>		
Family Preservation and Support	93.556	\$ 18,965
Temporary Assistance to Needy Families (TANF)	93.558	82,085
Refugee and Entrant Assistance - Discretionary Grants	93.566	136
Low Income Home Energy Assistance	93.568	10,713
Payments to States for Child Care Assistance	93.575	60,825
Child Care and Development Fund	93.596	35,055
Chafee Education and Training Vouchers	93.599	100
Adoption Incentive Payments Program	93.603	3,159
Child Welfare Services - State Grants	93.645	23
Foster Care - Title IV-E	93.658	80,163
Adoption Assistance	93.659	23,877
Social Services Block Grant	93.667	82,964
Independent Living	93.674	3,025
State Children's Insurance Program	93.767	241
Medical Assistance Program (Title XIX)	93.778	111,816
State Fraud Free Program	93.xxx	6,210
		<u>519,357</u>
Total Department of Health and Human Services		\$ <u>519,357</u>
U. S. Department of Homeland Security:		
Pass Through Payments:		
<i>Department of Emergency Management:</i>		
Public Assistance Grants	97.036	\$ 50,768
State Homeland Security Grant	97.004	61,190
		<u>111,958</u>
Total U. S. Department of Homeland Security		\$ <u>111,958</u>
Department of Defense:		
Direct payments:		
Jr ROTC	12.xxx	\$ <u>58,654</u>
Department of Transportation:		
Pass Through Payments:		
<i>Department of Motor Vehicles:</i>		
State and community highway safety program	20.600	\$ <u>19,409</u>

County of Northumberland, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Agriculture:		
Direct Payments:		
Water Systems for Rural Communities	10.760	\$ 300,675
Total Department of Agriculture - direct payments		\$ 300,675
Pass Through Payments:		
<i>Department of Agriculture:</i>		
Food Distribution	10.555	\$ 41,034
Food Distribution-Summer feeding program	10.559	2,970
<i>Department of Education:</i>		
National school breakfast program	10.553	94,203
National school lunch program	10.555	240,789
<i>Department of Social Services:</i>		
State Admin Matching Grants for Food Stamp Program	10.561	126,482
Total Department of Agriculture - pass-through payments		\$ 505,478
Total Department of Agriculture		\$ 806,153
Department of Housing and Urban Development:		
Pass Through Payments:		
<i>Department of Housing and Community Development:</i>		
Community Development Block Grant	14.228	\$ 68,266
Department of Education:		
Pass Through Payments:		
<i>Department of Education:</i>		
Adult Basic Education	84.002	\$ 195,209
Title I: Educationally deprived children	84.010	721,218
Title VI-B: Handicapped state grants	84.027	212,771
Vocational Education: Basic grants to states	84.048	36,672
Drug free schools and communities	84.186	10,661
Title V: Improving school programs state block grant	84.298	21,425
Title II, Part D	84.318	12,256
Advanced placement classes	84.330	156
Title VI - rural and low income communities	84.358	18,735
Title II, Part A	84.367	95,651
Emergency impact aid	84.938	7,301
Total Department of Education		\$ 1,332,055
Total Federal Expenditures		\$ 2,915,852

County of Northumberland, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federally assisted programs of the County of Northumberland, Virginia. The County's reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies, as well as, federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements.

Note 3 - 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	\$ 845,472
Proprietary Funds:	
Sanitary District	300,675
Total primary government	<u>\$ 1,146,147</u>
Component Unit Public Schools:	
School Operating Fund	<u>\$ 1,725,701</u>
Total federal expenditures per basic financial statements	<u>\$ 2,871,848</u>
Non-cash expenditures - value of donated commodities	<u>\$ 44,004</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 2,915,852</u></u>

**County of Northumberland, Virginia
Schedule of Findings and Questioned Costs
For the year ended June 30, 2007**

Section I-Summary of Auditors' Results**Financial Statements**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? ✓ yes no

Significant deficiencies identified that are not considered to be material weakness(es)? yes ✓ none reported

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes ✓ no

Significant deficiencies identified that are not considered to be material weakness(es)? yes ✓ none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes ✓ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title I
10.760	Water Systems for Rural Communities
93.778	Medical Assistance Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes ✓ no

County of Northumberland, Virginia
Schedule of Findings and Questioned Costs
For the year ended June 30, 2007

Section II-Financial Statement Findings

2007-01

Financial Reporting

- Condition: Inadequate internal controls over the preparation of the financial statements being audited.
- Criteria: Internal controls should be in place that provide assurance that the audited financial statements are materially correct.
- Effect: Audited financial statements, including the related footnotes, may contain an undetected material misstatement.
- Recommendation: Procedures should be further implemented requiring the posting of all year-end adjusting entries to allow for a reconciliation between the audited financial statements and the County's automated general ledger financial reports. It should be noted that significant efforts were made in FY07 to address this. Further corrective action is planned in FY08 to overcome this material weakness.

Section III-Federal Award Findings and Questioned Costs

None