

COUNTY OF NORTHUMBERLAND,
VIRGINIA



ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

COUNTY OF NORTHUMBERLAND, VIRGINIA

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Board of Supervisors

Ronald L. Jett, Chairperson

Richard F. Haynie
Thomas H. Tomlin

Arthur J. Self, Sr.
James M. Long

School Board

Lee G. Scripture, Jr., Chairperson

Myrtle L. Phillips
Susan Smith

Tamara Hall
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 Linda L. Booth
Commonwealth's Attorney Jane B. Wrightson
Treasurer Ellen Kirby
Sheriff Charles A. Wilkins
Superintendent of Schools Clint Stables
Director of Social Services Sharon C. Fisher
Commissioner of the Revenue Todd E. Thomas
County Administrator Kenneth D. Eades

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ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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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, 2010, 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 opinions on these financial statements based on our audit.

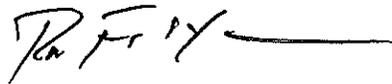
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties,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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Northumberland, Virginia, as of June 30, 2010, 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 January 13, 2011, 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 should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information, and the schedules of pension funding progress and funding progress for the retiree health insurance plan 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 opinions on the financial statements that collectively comprise the County of Northumberland, Virginia's basic financial statements. The other supplementary information, supporting schedules, and other statistical information as listed in the table of contents 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 other supplementary information, supporting schedules 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 other statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



Richmond, Virginia
January 13, 2011

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, 2010. 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 \$20,044,808 (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 \$30,598 (Exhibit 5) after making contributions totaling \$8,979,597 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$10,540,343, an increase of \$30,598 in comparison with the prior year.
- < At the end of the current fiscal year, unreserved fund balance for the general fund was \$8,793,602 or 42% of total general fund expenditures and other uses.
- < The combined long-term obligations decreased \$1,195,685 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 two major governmental funds – the General Fund and the County Capital Projects Fund.

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

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

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net 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 \$20,044,808 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	
	2010	2009	2010	2009	2010	2009
Current and other assets \$	12,676,115	\$ 12,663,926	\$ 73,945	\$ 172,379	\$ 12,750,060	\$ 12,836,305
Capital assets	43,989,096	42,414,984	6,046,962	6,225,993	50,036,058	48,640,977
Total assets	\$ 56,665,211	\$ 55,078,910	\$ 6,120,907	\$ 6,398,372	\$ 62,786,118	\$ 61,477,282
Current liabilities	\$ 1,545,663	\$ 1,687,684	\$ 2,908	\$ 4,535	\$ 1,548,571	\$ 1,692,219
Long-term liabilities outstanding	39,145,687	40,307,074	2,047,052	2,081,350	41,192,739	42,388,424
Total liabilities	\$ 40,691,350	\$ 41,994,758	\$ 2,049,960	\$ 2,085,885	\$ 42,741,310	\$ 44,080,643
Net assets:						
Invested in capital assets, net of related debt	\$ 6,773,062	\$ 4,608,126	\$ 3,999,910	\$ 4,144,643	\$ 10,772,972	\$ 8,752,769
Unrestricted	9,200,799	8,476,026	71,037	167,844	9,271,836	8,643,870
Total net assets	\$ 15,973,861	\$ 13,084,152	\$ 4,070,947	\$ 4,312,487	\$ 20,044,808	\$ 17,396,639

Government-wide Financial Analysis (Continued)

The County's net assets decreased \$2,648,169 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	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 207,956	\$ 227,308	\$ 319,435	\$ 301,739	\$ 527,391	\$ 529,047
Operating grants and contributions	2,759,311	2,945,673	-	-	2,759,311	2,945,673
Capital grants and contributions	-	-	-	66,934	-	66,934
General revenues:						
General property taxes	15,020,712	14,909,617	-	-	15,020,712	14,909,617
Other local taxes	1,756,737	2,188,526	-	-	1,756,737	2,188,526
Grants and other contributions not restricted	1,394,902	1,089,447	-	-	1,394,902	1,089,447
Other general revenues	519,413	751,115	61,355	76,400	580,768	827,515
Transfers	(176,833)	(177,344)	176,833	177,344	-	-
Total revenues	\$ 21,482,198	\$ 21,934,342	\$ 557,623	\$ 622,417	\$ 22,039,821	\$ 22,556,759
Expenses:						
General government						
administration	\$ 1,284,916	\$ 1,312,517	\$ -	\$ -	\$ 1,284,916	\$ 1,312,517
Judicial administration	925,689	841,269	-	-	925,689	841,269
Public safety	3,153,464	2,909,507	-	-	3,153,464	2,909,507
Public works	1,165,665	1,206,586	-	-	1,165,665	1,206,586
Health and welfare	1,965,340	1,962,122	-	-	1,965,340	1,962,122
Education	7,882,786	9,552,038	-	-	7,882,786	9,552,038
Parks, recreation, and cultural	160,000	89,228	-	-	160,000	89,228
Community development	249,496	433,527	-	-	249,496	433,527
Interest and other fiscal charges	1,805,133	1,860,565	-	-	1,805,133	1,860,565
Utilities	-	-	799,163	787,029	799,163	787,029
Total expenses	\$ 18,592,489	\$ 20,167,359	\$ 799,163	\$ 787,029	\$ 19,391,652	\$ 20,954,388
Change in net assets	\$ 2,889,709	\$ 1,766,983	\$ (241,540)	\$ (164,612)	\$ 2,648,169	\$ 1,602,371
Beginning of year	13,084,152	11,317,169	4,312,487	4,477,099	17,396,639	15,794,268
End of year	<u>\$ 15,973,861</u>	<u>\$ 13,084,152</u>	<u>\$ 4,070,947</u>	<u>\$ 4,312,487</u>	<u>\$ 20,044,808</u>	<u>\$ 17,396,639</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 \$10,540,343, an increase of \$30,598 in comparison with the prior year. Approximately 83% 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 \$71,037. The total decrease in net assets was \$241,540. 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 \$215,187 and can be briefly summarized as follows:

- < \$183,495 increase in education expenditures
- < \$11,591 increase in health and welfare expenditures
- < \$17,101 increase in public safety expenditures
- < \$ 3,000 increase in judicial administration expenditures

During the year, revenues and other sources were less than budgetary estimates by \$1,074,178. Expenditures and other uses were less than budgetary estimates by \$2,165,576, resulting in a positive variance of \$1,091,398.

Capital Asset and Debt Administration

- < **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2010 amounts to \$43,989,096 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had total debt outstanding of \$40,500,926 (excludes bond premium). Of this amount, \$1,353,874 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 outstanding decreased by \$1,179,081 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 of Northumberland was 7.7 percent at June 30, 2010. The Commonwealth of Virginia's unemployment rate was 7.1% as of the same date.
- < Inflationary trends in the region compare to national indexes.

All of these factors were considered in preparing the County's budget for the 2011 fiscal year.

The fiscal year 2011 budget decreased approximately 3%. All tax rates remained unchanged.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Northumberland, Virginia
Statement of Net Assets
June 30, 2010

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit School Board
ASSETS				
Cash and cash equivalents	\$ 9,309,242	\$ 31,673	\$ 9,340,915	\$ 164,258
Cash in custody of others	-	-	-	131,800
Receivables (net of allowance for uncollectibles):				
Taxes receivable	568,896	-	568,896	-
Accounts receivable	59,144	50,272	109,416	-
Notes receivable	6,874	-	6,874	-
Internal balances	8,000	(8,000)	-	-
Due from other governmental units	448,572	-	448,572	1,317,688
Prepaid expenses	-	-	-	5,000
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents for School Construction	1,684,109	-	1,684,109	-
Other assets:				
Unamortized bond issue costs	591,278	-	591,278	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	894,628	98,924	993,552	23,929
Buildings and system	42,493,722	5,907,745	48,401,467	6,908,871
Machinery and equipment	600,746	40,293	641,039	681,557
Total assets	<u>\$ 56,665,211</u>	<u>\$ 6,120,907</u>	<u>\$ 62,786,118</u>	<u>\$ 9,233,103</u>
LIABILITIES				
Accounts payable	\$ 82,097	\$ -	\$ 82,097	\$ 13,934
Accrued liabilities	-	-	-	1,310,745
Accrued interest payable	470,415	2,908	473,323	-
Due to other governmental units	967,773	-	967,773	-
Unearned revenue	25,378	-	25,378	-
Long-term liabilities:				
Due within one year	1,201,418	35,346	1,236,764	39,679
Due in more than one year	37,944,269	2,011,706	39,955,975	434,808
Total liabilities	<u>\$ 40,691,350</u>	<u>\$ 2,049,960</u>	<u>\$ 42,741,310</u>	<u>\$ 1,799,166</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 6,773,062	\$ 3,999,910	\$ 10,772,972	\$ 7,614,357
Unrestricted (deficit)	9,200,799	71,037	9,271,836	(180,420)
Total net assets	<u>\$ 15,973,861</u>	<u>\$ 4,070,947</u>	<u>\$ 20,044,808</u>	<u>\$ 7,433,937</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, 2010

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	Primary Government			
					Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,284,916	\$ -	\$ 261,079	\$ -	\$ (1,023,837)		\$ (1,023,837)	
Judicial administration	925,689	50,938	408,594	-	(466,157)		(466,157)	
Public safety	3,153,464	140,665	937,112	-	(2,075,687)		(2,075,687)	
Public works	1,165,665	16,069	-	-	(1,149,596)		(1,149,596)	
Health and welfare	1,965,340	-	1,094,836	-	(870,504)		(870,504)	
Education	7,882,786	-	-	-	(7,882,786)		(7,882,786)	
Parks, recreation, and cultural	160,000	-	-	-	(160,000)		(160,000)	
Community development	249,496	284	57,690	-	(191,522)		(191,522)	
Interest on long-term debt	1,805,133	-	-	-	(1,805,133)		(1,805,133)	
Total governmental activities	\$ 18,592,489	\$ 207,956	\$ 2,759,311	\$ -	\$ (15,625,222)		\$ (15,625,222)	
Business-type activities:								
Sanitary District	\$ 799,163	\$ 319,435	\$ -	\$ -	\$ (479,728)		\$ (479,728)	
Total business-type activities	\$ 799,163	\$ 319,435	\$ -	\$ -	\$ (479,728)		\$ (479,728)	
Total primary government	\$ 19,391,652	\$ 527,391	\$ 2,759,311	\$ -			\$ (16,104,950)	
COMPONENT UNIT:								
School Board	\$ 16,920,279	\$ 233,756	\$ 5,743,134	\$ -				\$ (10,943,389)
Total component unit	\$ 16,920,279	\$ 233,756	\$ 5,743,134	\$ -				\$ (10,943,389)
General revenues:								
General property taxes					\$ 15,020,712	\$ -	\$ 15,020,712	\$ -
Other local taxes:								
Local sales and use taxes					672,441	-	672,441	-
Motor vehicle licenses					365,754	-	365,754	-
Taxes on recordation and wills					162,156	-	162,156	-
Consumer's utility taxes					333,977	-	333,977	-
Other local taxes					222,409	-	222,409	-
Unrestricted revenues from use of money and property					234,120	-	234,120	114
Miscellaneous					285,293	61,355	346,648	222,245
Payments from Northumberland County					-	-	-	7,871,446
Grants and contributions not restricted to specific programs					1,394,902	-	1,394,902	-
Transfers					(176,833)	176,833	-	-
Total general revenues					\$ 18,514,931	\$ 238,188	\$ 18,753,119	\$ 8,093,805
Change in net assets					\$ 2,889,709	\$ (241,540)	\$ 2,648,169	\$ (2,849,584)
Net assets - beginning					13,084,152	4,312,487	17,396,639	10,283,521
Net assets - ending					\$ 15,973,861	\$ 4,070,947	\$ 20,044,808	\$ 7,433,937

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

FUND FINANCIAL STATEMENTS

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County of Northumberland, Virginia
Balance Sheet
Governmental Funds
June 30, 2010

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 9,253,484	\$ 20,892	\$ 34,866	\$ 9,309,242
Receivables (net of allowance for uncollectibles):				
Taxes receivable	568,896	-	-	568,896
Accounts receivable	59,144	-	-	59,144
Notes receivable	-	-	6,874	6,874
Due from other funds	8,000	-	-	8,000
Due from other governmental units	448,572	-	-	448,572
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents for School Construction	-	1,684,109	-	1,684,109
Total assets	<u>\$ 10,338,096</u>	<u>\$ 1,705,001</u>	<u>\$ 41,740</u>	<u>\$ 12,084,837</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 82,097	\$ -	\$ -	\$ 82,097
Due to other governmental units	967,773	-	-	967,773
Deferred revenue	494,624	-	-	494,624
Total liabilities	<u>\$ 1,544,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,544,494</u>
Fund balances:				
Unreserved, reported in:				
General fund	\$ 8,793,602	\$ -	\$ -	\$ 8,793,602
Special revenue funds	-	-	41,740	41,740
Capital projects funds	-	1,705,001	-	1,705,001
Total fund balances	<u>\$ 8,793,602</u>	<u>\$ 1,705,001</u>	<u>\$ 41,740</u>	<u>\$ 10,540,343</u>
Total liabilities and fund balances	<u>\$ 10,338,096</u>	<u>\$ 1,705,001</u>	<u>\$ 41,740</u>	<u>\$ 12,084,837</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, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	10,540,343
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		43,989,096
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Deferred property taxes		469,246
Unamortized bond issuance costs		591,278
		1,060,524
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	\$	(250,000)
Bonds payable		(38,203,874)
Bond premium		(446,269)
OPEB liability		(25,800)
Accrued interest payable		(470,415)
Landfill post closure care		(26,558)
Compensated absences		(193,186)
		(39,616,102)
Net assets of governmental activities	\$	15,973,861

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, 2010

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 14,896,149	\$ -	\$ -	\$ 14,896,149
Other local taxes	1,756,737	-	-	1,756,737
Permits, privilege fees, and regulatory licenses	137,646	-	-	137,646
Fines and forfeitures	29,883	-	-	29,883
Revenue from the use of money and property	230,505	2,444	1,171	234,120
Charges for services	40,427	-	-	40,427
Miscellaneous	285,293	-	-	285,293
Recovered costs	103,838	-	-	103,838
Intergovernmental revenues:				
Commonwealth	3,379,259	-	-	3,379,259
Federal	774,954	-	-	774,954
Total revenues	<u>\$ 21,634,691</u>	<u>\$ 2,444</u>	<u>\$ 1,171</u>	<u>\$ 21,638,306</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,227,526	\$ -	\$ -	\$ 1,227,526
Judicial administration	831,469	-	-	831,469
Public safety	3,070,468	-	-	3,070,468
Public works	1,171,799	-	6,867	1,178,666
Health and welfare	1,949,423	-	-	1,949,423
Education	8,990,936	-	-	8,990,936
Parks, recreation, and cultural	160,000	-	-	160,000
Community development	366,703	-	-	366,703
Capital projects	117,259	572,931	-	690,190
Debt service:				
Principal retirement	1,144,783	-	-	1,144,783
Interest and other fiscal charges	1,820,711	-	-	1,820,711
Total expenditures	<u>\$ 20,851,077</u>	<u>\$ 572,931</u>	<u>\$ 6,867</u>	<u>\$ 21,430,875</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 783,614</u>	<u>\$ (570,487)</u>	<u>\$ (5,696)</u>	<u>\$ 207,431</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (176,833)	\$ -	\$ -	\$ (176,833)
Total other financing sources (uses)	<u>\$ (176,833)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (176,833)</u>
Net change in fund balances	\$ 606,781	\$ (570,487)	\$ (5,696)	\$ 30,598
Fund balances - beginning	8,186,821	2,275,488	47,436	10,509,745
Fund balances - ending	<u>\$ 8,793,602</u>	<u>\$ 1,705,001</u>	<u>\$ 41,740</u>	<u>\$ 10,540,343</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, 2010

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

Net change in fund balances - total governmental funds	\$	30,598
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 817,578	
Depreciation expense	(351,617)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>1,108,151</u>	1,574,112

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		124,563
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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	\$ 125,000	
Principal retired on school lease revenue bonds	680,000	
Principal decrease on landfill post closure care	12,809	
Principal retired on school general obligations	339,783	
Increase in OPEB liability	(11,500)	
Decrease in premium on issuance of lease revenue bonds	<u>16,529</u>	1,162,621

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	\$ (1,234)	
(Increase) decrease in interest payable	<u>(951)</u>	(2,185)

Change in net assets of governmental activities	\$	<u><u>2,889,709</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Northumberland, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Enterprise Fund <u>Sanitary District</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 31,673
Accounts receivable, net of allowance for uncollectibles	50,272
Total current assets	<u>\$ 81,945</u>
Noncurrent assets:	
Capital assets:	
Land	\$ 98,924
Utility plant in service	7,552,780
Machinery and equipment	389,994
Less accumulated depreciation	<u>(1,994,736)</u>
Total capital assets	<u>\$ 6,046,962</u>
Total noncurrent assets	<u>\$ 6,046,962</u>
Total assets	<u>\$ 6,128,907</u>
LIABILITIES	
Current liabilities:	
Accrued interest payable	\$ 2,908
Due to other funds	8,000
Bonds payable - current portion	35,346
Total current liabilities	<u>\$ 46,254</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 2,011,706
Total noncurrent liabilities	<u>\$ 2,011,706</u>
Total liabilities	<u>\$ 2,057,960</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 3,999,910
Unrestricted	<u>71,037</u>
Total net assets	<u><u>\$ 4,070,947</u></u>

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

County of Northumberland, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Enterprise Fund <u>Sanitary District</u>
OPERATING REVENUES	
Charges for services:	
Sanitary district fees	\$ 319,435
Total operating revenues	<u>\$ 319,435</u>
OPERATING EXPENSES	
Personal services	\$ 126,953
Fringe benefits	37,881
Other supplies and expenses	367,049
Depreciation	179,031
Total operating expenses	<u>\$ 710,914</u>
Operating income (loss)	<u>\$ (391,479)</u>
NONOPERATING REVENUES (EXPENSES)	
Connection fees	\$ 61,355
Interest expense	<u>(88,249)</u>
Total nonoperating revenues (expenses)	<u>\$ (26,894)</u>
Income before contributions and transfers	<u>\$ (418,373)</u>
Transfers in	176,833
Change in net assets	<u>\$ (241,540)</u>
Total net assets - beginning	4,312,487
Total net assets - ending	<u><u>\$ 4,070,947</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, 2010

	Enterprise Fund <u>Sanitary District</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 316,609
Payments to suppliers	(367,049)
Payments to and for employees	(164,833)
Net cash provided (used) by operating activities	<u>\$ (215,273)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Connection fees	\$ 61,355
Transfers from other funds	176,833
Net cash provided (used) by noncapital financing activities	<u>\$ 238,188</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (34,300)
Capital contributions	(22,012)
Interest payments	(89,875)
Net cash provided (used) by capital and related financing activities	<u>\$ (146,187)</u>
Net increase (decrease) in cash and cash equivalents	\$ (123,272)
Cash and cash equivalents - beginning	154,945
Cash and cash equivalents - ending	<u>\$ 31,673</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (391,479)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	179,031
(Increase) decrease in accounts receivable	(2,825)
Total adjustments	<u>\$ 176,206</u>
Net cash provided (used) by operating activities	<u>\$ (215,273)</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, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,292,666
LIABILITIES	
Amounts held for others	\$ 1,184,138
Amounts held for social services clients	108,528
Total liabilities	<u>\$ 1,292,666</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

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

Statement of Net 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, 2010

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

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

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

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

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

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Northumberland (the primary government) and its component 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, 2010

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, 2010.

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, 2010.

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, 2010

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, 2010

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, Economic Development, Light Street Project and Northern Neck Rural Development Coalition.

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.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

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 \$57,401 at June 30, 2010 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, 2010

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 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, 2010

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 and premiums on issuances are 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.

O. Restricted Assets

The County reports restricted assets on the balance sheet that represents bond proceeds that have not yet been expended. These assets in the amount of \$1,684,109 are to be used for future school construction.

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.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

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

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2010.

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, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

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, 2010 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.

<u>Locality's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 11,815
U.S. Government Money Market Fund	8,638,476
Virginia State Non-Arbitrage Pool	<u>2,696</u>
Total	<u>\$ 8,652,987</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 3—Deposits and Investments: (Continued)

Interest Rate Risk

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

Investment Maturities (in years)		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
U.S. Government Money Market Fund	<u>\$ 8,638,476</u>	<u>\$ 8,638,476</u>
Total	<u><u>\$ 8,638,476</u></u>	<u><u>\$ 8,638,476</u></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, 2010

Note 4—Due to/from Other Governments:

At June 30, 2010, the County has receivables due from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Northumberland	\$ -	\$ 967,773
Commonwealth of Virginia:		
Local sales tax	120,356	-
Welfare	33,281	-
Rolling stock tax	176	-
State Sales Tax	-	229,349
Constitutional officer reimbursements	116,677	-
DMV license agent	1,783	-
Recordation tax	13,932	-
Wireless grant	5,706	-
Communications tax	67,579	-
Comprehensive services act	36,045	-
Federal Government:		
School fund grants	-	120,566
Welfare	53,037	-
Total due from other governments	<u>\$ 448,572</u>	<u>\$ 1,317,688</u>

At June 30, 2010, amounts due to other local governments are as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Northumberland County School Board	<u>\$ 967,773</u>	<u>\$ -</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2010:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<i>Primary Government:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 894,628	\$ -	\$ -	\$ 894,628
Capital assets subject to depreciation:				
Buildings and improvements	\$ 5,706,172	\$ 102,333	\$ -	\$ 5,808,505
Equipment	1,637,395	142,314	-	1,779,709
Jointly owned assets	40,419,520	3,123,582	139,006	43,404,096
Total capital assets subject to depreciation	\$ 47,763,087	\$ 3,368,229	\$ 139,006	\$ 50,992,310
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,809,261	\$ 155,665	\$ -	\$ 1,964,926
Equipment	983,011	195,952	-	1,178,963
Jointly owned assets	3,450,459	1,198,064	(105,430)	4,753,953
Total accumulated depreciation	\$ 6,242,731	\$ 1,549,681	\$ (105,430)	\$ 7,897,842
Total capital assets subject to depreciation, net	\$ 41,520,356	\$ 1,818,548	\$ 244,436	\$ 43,094,468
Governmental activities capital assets, net	\$ 42,414,984	\$ 1,818,548	\$ 244,436	\$ 43,989,096
	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<i>Business-Type Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 98,924	\$ -	\$ -	\$ 98,924
Total capital assets not subject to depreciation	\$ 98,924	\$ -	\$ -	\$ 98,924
Capital assets subject to depreciation:				
Utility plant in service	\$ 7,552,780	\$ -	\$ -	\$ 7,552,780
Vehicles and equipment	389,994	-	-	389,994
Total capital assets subject to depreciation	\$ 7,942,774	\$ -	\$ -	\$ 7,942,774
Less: accumulated depreciation for:				
Utility plant in service	\$ 1,475,211	\$ 169,824	\$ -	\$ 1,645,035
Vehicles and equipment	340,494	9,207	-	349,701
Total accumulated depreciation	\$ 1,815,705	\$ 179,031	\$ -	\$ 1,994,736
Total capital assets subject to depreciation, net	\$ 6,127,069	\$ (179,031)	\$ -	\$ 5,948,038
Proprietary fund capital assets, net	\$ 6,225,993	\$ (179,031)	\$ -	\$ 6,046,962

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 5—Capital Assets: (Continued)

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<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	\$ 2,340,336	\$ 162,300	\$ 22,338	\$ 2,480,298
Jointly owned assets	10,309,310	-	2,550,651	7,758,659
Total capital assets subject to depreciation	<u>\$ 12,649,646</u>	<u>\$ 162,300</u>	<u>\$ 2,572,989</u>	<u>\$ 10,238,957</u>
Less: accumulated depreciation for:				
Equipment	\$ 1,671,322	\$ 149,757	\$ 22,338	\$ 1,798,741
Jointly owned assets	880,065	214,159	244,436	849,788
Total accumulated depreciation	<u>\$ 2,551,387</u>	<u>\$ 363,916</u>	<u>\$ 266,774</u>	<u>\$ 2,648,529</u>
Total capital assets subject to depreciation, net	<u>\$ 10,098,259</u>	<u>\$ (201,616)</u>	<u>\$ 2,306,215</u>	<u>\$ 7,590,428</u>
Component unit school board capital assets, net	<u>\$ 10,122,188</u>	<u>\$ (201,616)</u>	<u>\$ 2,306,215</u>	<u>\$ 7,614,357</u>

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

Governmental activities:	
General government	\$ 67,088
Judicial administration	94,220
Public safety	151,713
Public works	4,414
Health and welfare	14,283
Education	1,198,064
Community development	19,899
Total depreciation expense - governmental activities	<u>\$ 1,549,681</u>
Business type activities:	
Sanitary District	<u>\$ 179,031</u>
Total depreciation expense - primary government	<u>\$ 1,728,712</u>
Component Unit School Board:	
Depreciation expense	<u>\$ 363,916</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2010, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ -	\$ 176,833
Sanitary District	<u>176,833</u>	<u>-</u>
Total Primary Government	<u>\$ 176,833</u>	<u>\$ 176,833</u>
Component Unit-School Board:		
School Operating	\$ -	\$ 317,278
School Cafeteria	<u>317,278</u>	<u>-</u>
Total Component Unit	<u>\$ 317,278</u>	<u>\$ 317,278</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, 2010

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, 2010:

	Amounts Payable at July 1, 2009	Increases	Decreases	Amounts Payable at June 30, 2010	Amounts Due Within One Year
Primary Government Obligations:					
General Fund Obligations:					
Incurred by County:					
Claims, judgments and com- pensated absences payable	\$ 191,952	\$ 20,429	\$ 19,195	\$ 193,186	\$ 19,319
Capital lease	375,000	-	125,000	250,000	125,000
OPEB liability	14,300	22,100	10,600	25,800	-
Landfill post closure care	39,367	1,311	14,120	26,558	-
Total incurred by County	<u>\$ 620,619</u>	<u>\$ 43,840</u>	<u>\$ 168,915</u>	<u>\$ 495,544</u>	<u>\$ 144,319</u>
Incurred by School Board:					
General obligation bonds	\$ 1,693,657	\$ -	\$ 339,783	\$ 1,353,874	\$ 347,099
Revenue bonds payable	37,530,000	-	680,000	36,850,000	710,000
Bond premium	462,798	-	16,529	446,269	-
Total incurred by School Board	<u>\$ 39,686,455</u>	<u>\$ -</u>	<u>\$ 1,036,312</u>	<u>\$ 38,650,143</u>	<u>\$ 1,057,099</u>
Total General Fund Obligations	<u>\$ 40,307,074</u>	<u>\$ 43,840</u>	<u>\$ 1,205,227</u>	<u>\$ 39,145,687</u>	<u>\$ 1,201,418</u>
Incurred by Enterprise Fund:					
Revenue bonds payable	<u>\$ 2,081,350</u>	<u>\$ -</u>	<u>\$ 34,298</u>	<u>\$ 2,047,052</u>	<u>\$ 35,346</u>
Total Primary Government Obligations	<u>\$ 42,388,424</u>	<u>\$ 43,840</u>	<u>\$ 1,239,525</u>	<u>\$ 41,192,739</u>	<u>\$ 1,236,764</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

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
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	-	-	770,000	1,610,932	347,205	31,834
2014	-	-	800,000	1,579,531	310,000	9,765
2015	-	-	840,000	1,542,531	-	-
2016-2020	-	-	4,840,000	7,063,824	-	-
2021-2025	-	-	6,090,000	5,814,629	-	-
2026-2030	-	-	7,770,000	4,131,421	-	-
2031-2035	-	-	9,740,000	2,158,354	-	-
2036-2037	-	-	4,550,000	206,998	-	-
Total	\$ 250,000	\$ 22,032	\$ 36,850,000	\$ 27,419,484	\$ 1,353,874	\$ 170,590

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

Year Ending June 30	Enterprise Fund Obligations	
	Revenue Bonds Payable	
	Principal	Interest
2011	\$ 35,346	\$ 88,808
2012	36,995	87,181
2013	38,700	85,477
2014	37,826	83,704
2015	32,686	82,178
2016	34,143	80,721
2017	35,667	79,197
2018	37,258	77,606
2019	38,919	75,945
2020	40,655	74,209
2021	42,469	72,395
2022	44,364	70,500
2023	46,343	68,521
2024	48,412	66,452
2025	50,572	64,292
2026	52,829	62,035
2027	55,187	59,677
2028	57,650	57,214
2029	60,223	54,641
2030	62,912	51,952
2031	65,721	49,143
2032	68,654	46,210
2033	71,720	43,144
2034	74,921	39,943
2035	78,267	36,597
2036	81,761	33,103
2037	85,414	29,450
2038	89,227	25,637
2039	93,212	21,652
2040	97,375	17,489
2041	101,725	13,139
2042	106,268	8,596
2043	58,853	4,618
2044	44,511	2,697
2045	40,267	806
Total	\$ 2,047,052	\$ 1,814,929

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

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%	\$ 250,000
Landfill post closure care (payable by General Fund)	\$ 26,558
OPEB liability (payable by General Fund)	\$ 25,800
Compensated absences (payable by General Fund)	\$ 193,186
Total Incurred by County	<u>\$ 495,544</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 \$462,798.	\$ 37,296,269
<u>General Obligation Bonds:</u>	
\$6,000,000 Virginia Public School Authority Bonds issued May 15, 1994, maturing annually through July 15, 2013; interest payable semi-annually	\$ 1,235,000
\$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%	118,874
Total General Obligation Bonds	<u>\$ 1,353,874</u>
Total incurred by School Board	<u>\$ 38,650,143</u>
Total Long-Term Obligations, General Fund	<u>\$ 39,145,687</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

	<u>Total Amount</u>
<i>Enterprise Fund:</i>	
<i>Revenue Bonds Payable:</i>	
\$150,000 Revenue Bond, due in monthly installments of \$776 through January, 2015, interest at 5%.	\$ 31,519
\$1,241,580 Revenue Bonds issued October 9, 2002, due in monthly installments of \$5,638 through November, 2043, interest at 4.5%.	1,150,133
\$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%.	461,763
\$423,000 Revenue Bond issued April 25, 2005, due in monthly installments of \$3,706 through September, 2018, interest at 4.25%.	<u>403,637</u>
Total Revenue Bonds Payable	\$ <u>2,047,052</u>
Total Long-Term Obligations, Enterprise Fund	\$ <u>2,047,052</u>
Total Long-Term Obligations, Primary Government	\$ <u><u>41,192,739</u></u>

Component Unit - School Board:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2010:

	<u>Amounts Payable at July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2010</u>	<u>Amounts Due Within One Year</u>
Component Unit-School Board:					
Compensated absences	\$ 75,694	\$ 328,662	\$ 7,569	\$ 396,787	\$ 39,679
OPEB liability	42,000	67,800	32,100	77,700	-
Total Component Unit-School Board	<u>\$ 117,694</u>	<u>\$ 396,462</u>	<u>\$ 39,669</u>	<u>\$ 474,487</u>	<u>\$ 39,679</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

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 \$494,624 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$469,246 at June 30, 2010.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2010 but paid in advance by the taxpayers totaled \$25,378 at June 30, 2010.

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 contract was outstanding at June 30, 2010:

<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	\$ 1,012,676

Note 10—Litigation:

At June 30, 2010, 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.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

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.

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 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). 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 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local 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/publications/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 12 – Defined Benefit Pension Plan: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary 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 their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board non-professional employees' contribution rates for the fiscal year ended 2010 were 7.30% and 10.24% of annual covered payroll, respectively.

The School Board contributed \$459,062, \$573,317, and \$734,972 to the teacher cost-sharing pool for professional employees for the fiscal years ended June 30, 2010, 2009, and 2008 respectively. These contributions represented 8.81% for July 2009 - March 2010 and 0.00% for April - June 2010, 8.81%, and 10.30%, respectively, of current payroll.

C. Annual Pension Cost

For fiscal year 2010, the County's annual pension cost of \$223,420 (which does not include the employees share assumed by the County of \$153,028) was equal to the County's required and actual contributions.

For fiscal year 2010, the County School Board's annual pension cost for the Board's non-professional employees was \$67,782 (which does not include the employees share assumed by the School Board of \$33,097) which was equal to the Board's required and actuarial contributions.

Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2010	\$ 223,420	100%	\$ -
June 30, 2009	220,178	100%	-
June 30, 2008	158,295	100%	-
School Board:			
Non-Professional:			
June 30, 2010	\$ 67,782	100%	\$ -
June 30, 2009	70,626	100%	-
June 30, 2008	59,778	100%	-

(1) Employer portion only

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 12 – Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the Primary Government plan was 85.53% funded. The actuarial accrued liability for benefits was \$12,725,284, and the actuarial value of assets was \$10,884,027, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,841,257. The covered payroll (annual payroll of active employees covered by the plan) was \$3,017,259, and ratio of the UAAL to the covered payroll was 61.02%.

As of June 30, 2009, the most recent actuarial valuation date, the School Board's Non-Professional plan was 83.61% funded. The actuarial accrued liability for benefits was \$3,444,758, and the actuarial value of assets was \$2,880,290, resulting in an unfunded actuarial accrued liability (UAAL) of \$564,468. The covered payroll (annual payroll of active employees covered by the plan) was \$672,605, and ratio of the UAAL to the covered payroll was 83.92%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

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
Charles A. Wilkins, 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 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, 2010, represents one third of the total estimated liability for postclosure monitoring. The County's portion is \$26,558 over a remaining period of three years. This amount is based on what it would cost to perform all post-closure care in 2010. 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.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2010

Note 16—Postemployment Benefits Other Than Pensions:

Background

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

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 16—Postemployment Benefits Other Than Pensions (Continued):

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

	Primary Government	Component Unit School Board
Annual required contribution	\$ 22,100	\$ 67,800
Annual OPEB cost (expense)	\$ 22,100	\$ 67,800
Estimated Contributions made	(10,600)	(32,100)
Increase in net OPEB obligation	\$ 11,500	\$ 35,700
Net OPEB obligation-beginning of year	14,300	42,000
Net OPEB obligation-end of year	<u>\$ 25,800</u>	<u>\$ 77,700</u>

The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2009 and 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County :			
6/30/2009	\$ 22,100	35.29%	\$ 14,300
6/30/2010	22,100	47.96%	25,800
Schools:			
6/30/2009	\$ 67,800	38.05%	\$ 42,000
6/30/2010	67,800	47.35%	77,700

Funded Status and Funding Progress

As of January 1, 2009, the most recent actuarial valuation date, the County's actuarial accrued liability for benefits was \$193,500, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,044,100, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 6.36 percent.

As of January 1, 2009, the most recent actuarial valuation date, the School Board's actuarial accrued liability for benefits was \$648,600, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$8,060,600, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.05 percent.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 16—Postemployment Benefits Other Than Pensions (Continued):

Funded Status and Funding Progress (Continued)

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

Actuarial Cost Method

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

Methods and Assumptions

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

The following simplifying assumptions were made:

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

Mortality—Life expectancies were based on mortality tables from the RP-2000 Combined Healthy Mortality Tables for males and females projected to 2010 using Scale AA.

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

Based on the historical and expected returns of the County and School Board's short-term investment portfolio, a discount of 4.00% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2010 was thirty years.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 17 –Other Post-Employment Benefits (OPEB):

A. Plan Description

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

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

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.04% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2010, 2009 and 2008 were \$54,191, \$70,282 and \$82,774, respectively and equaled the required contributions for each year.

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.

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County of Northumberland, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 14,475,500	\$ 14,475,500	\$ 14,896,149	\$ 420,649
Other local taxes	1,933,836	1,933,836	1,756,737	(177,099)
Permits, privilege fees, and regulatory licenses	189,435	189,435	137,646	(51,789)
Fines and forfeitures	20,000	20,000	29,883	9,883
Revenue from the use of money and property	282,300	282,300	230,505	(51,795)
Charges for services	28,889	28,889	40,427	11,538
Miscellaneous	237,525	237,525	285,293	47,768
Recovered costs	98,377	98,377	103,838	5,461
Intergovernmental revenues:				
Commonwealth	4,855,188	4,855,188	3,379,259	(1,475,929)
Federal	587,819	587,819	774,954	187,135
Total revenues	\$ 22,708,869	\$ 22,708,869	\$ 21,634,691	\$ (1,074,178)
EXPENDITURES				
Current:				
General government administration	\$ 1,356,177	\$ 1,356,177	\$ 1,227,526	\$ 128,651
Judicial administration	729,901	732,901	831,469	(98,568)
Public safety	3,244,719	3,261,820	3,070,468	191,352
Public works	1,205,839	1,205,839	1,171,799	34,040
Health and welfare	3,060,986	3,072,577	1,949,423	1,123,154
Education	9,517,428	9,700,923	8,990,936	709,987
Parks, recreation, and cultural	160,000	160,000	160,000	-
Community development	443,955	443,955	366,703	77,252
Capital projects	45,000	45,000	117,259	(72,259)
Debt service:				
Principal retirement	1,144,783	1,144,783	1,144,783	-
Interest and other fiscal charges	1,816,305	1,816,305	1,820,711	(4,406)
Total expenditures	\$ 22,725,093	\$ 22,940,280	\$ 20,851,077	\$ 2,089,203
Excess (deficiency) of revenues over (under) expenditures	\$ (16,224)	\$ (231,411)	\$ 783,614	\$ 1,015,025
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (12,000)	\$ (12,000)	\$ (176,833)	\$ (164,833)
Total other financing sources (uses)	\$ (12,000)	\$ (12,000)	\$ (176,833)	\$ (164,833)
Net change in fund balances	\$ (28,224)	\$ (243,411)	\$ 606,781	\$ 850,192
Fund balances - beginning	5,600,000	5,600,000	8,186,821	2,586,821
Fund balances - ending	\$ 5,571,776	\$ 5,356,589	\$ 8,793,602	\$ 3,437,013

County of Northumberland, Virginia
 Schedule of Pension Funding Progress
 As of June 30, 2010

Primary Government:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/2009	\$ 10,884,027	\$ 12,725,284	1,841,257	85.53%	\$ 3,017,259	61.02%
6/30/2008	10,817,157	12,168,772	1,351,615	88.89%	2,921,685	46.26%
6/30/2007	9,996,319	10,617,421	621,102	94.15%	2,807,947	22.12%
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

6/30/2009	\$ 2,880,290	\$ 3,444,758	\$ 564,468	83.61%	\$ 672,605	83.92%
6/30/2008	2,832,189	3,267,080	434,891	86.69%	687,047	63.30%
6/30/2007	2,571,732	3,082,963	511,231	83.42%	693,091	73.76%
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%

County of Northumberland, Virginia
 Schedule of Funding Progress for Retiree Health Insurance Plan
 As of June 30, 2010

Primary Government:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1/1/2009	\$ -	\$ 193,500	\$ 193,500	0.00%	\$ 3,044,100	6.36%

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 of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1/1/2009	\$ -	\$ 648,600	\$ 648,600	0.00%	\$ 8,060,600	8.05%

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND STATEMENTS AND
SCHEDULES*

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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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 2,444	\$ 2,444
Total revenues	\$ -	\$ -	\$ 2,444	\$ 2,444
EXPENDITURES				
Capital projects	\$ -	\$ 572,932	\$ 572,931	\$ 1
Total expenditures	\$ -	\$ 572,932	\$ 572,931	\$ 1
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (572,932)	\$ (570,487)	\$ 2,445
Net change in fund balances	\$ -	\$ (572,932)	\$ (570,487)	\$ 2,445
Fund balances - beginning	-	572,932	2,275,488	1,702,556
Fund balances - ending	\$ -	\$ -	\$ 1,705,001	\$ 1,705,001

County of Northumberland, Virginia
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2010

	Law Library Fund	Economic Development Fund	Light Street Project Fund	Northern Neck Rural Development Coalition Fund	Total
ASSETS					
Cash and cash equivalents	\$ 767	\$ 18,642	\$ 4,308	\$ 11,149	\$ 34,866
Receivables (net of allowance for uncollectibles):					
Notes receivable	-	6,874	-	-	6,874
Total assets	<u>\$ 767</u>	<u>\$ 25,516</u>	<u>\$ 4,308</u>	<u>\$ 11,149</u>	<u>\$ 41,740</u>
LIABILITIES AND FUND BALANCES					
Fund balances:					
Unreserved:					
Designated for economic development	\$ -	\$ 25,516	\$ -	\$ -	\$ 25,516
Undesignated	767	-	4,308	11,149	16,224
Total fund balances	<u>\$ 767</u>	<u>\$ 25,516</u>	<u>\$ 4,308</u>	<u>\$ 11,149</u>	<u>\$ 41,740</u>
Total liabilities and fund balances	<u>\$ 767</u>	<u>\$ 25,516</u>	<u>\$ 4,308</u>	<u>\$ 11,149</u>	<u>\$ 41,740</u>

County of Northumberland, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2010

	Law Library Fund	Economic Development Fund	Light Street Project Fund	Northern Neck Rural Development Coalition Fund	Total
REVENUES					
Revenue from the use of money and property	\$ -	\$ 1,171	\$ -	\$ -	\$ 1,171
Total revenues	\$ -	\$ 1,171	\$ -	\$ -	\$ 1,171
EXPENDITURES					
Current:					
Public works	\$ -	\$ -	\$ 6,867	\$ -	\$ 6,867
Total expenditures	\$ -	\$ -	\$ 6,867	\$ -	\$ 6,867
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 1,171	\$ (6,867)	\$ -	\$ (5,696)
Net change in fund balances	\$ -	\$ 1,171	\$ (6,867)	\$ -	\$ (5,696)
Fund balances - beginning	767	24,345	11,175	11,149	47,436
Fund balances - ending	\$ 767	\$ 25,516	\$ 4,308	\$ 11,149	\$ 41,740

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, 2010

	Law Library Fund				Economic Development Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,171	\$ 1,171
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,171	\$ 1,171
EXPENDITURES								
Current:								
Public works	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,171	\$ 1,171
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,171	\$ 1,171
Fund balances - beginning	-	-	767	767	-	-	24,345	24,345
Fund balances - ending	\$ -	\$ -	\$ 767	\$ 767	\$ -	\$ -	\$ 25,516	\$ 25,516

Light Street Project Fund				Northern Neck Rural Development Coalition			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ 10,175	\$ 6,867	\$ 3,308	\$ -	\$ -	\$ -	\$ -
\$ -	\$ 10,175	\$ 6,867	\$ 3,308	\$ -	\$ -	\$ -	\$ -
\$ -	\$ (10,175)	\$ (6,867)	\$ 3,308	\$ -	\$ -	\$ -	\$ -
\$ -	\$ (10,175)	\$ (6,867)	\$ 3,308	\$ -	\$ -	\$ -	\$ -
-	10,175	11,175	1,000	-	-	11,149	11,149
\$ -	\$ -	\$ 4,308	\$ 4,308	\$ -	\$ -	\$ 11,149	\$ 11,149

County of Northumberland, Virginia
 Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2010

	Agency Funds						
	<u>Special Welfare</u>	<u>Road Improvement Bond</u>	<u>350th Anniversary</u>	<u>Tornado Relief</u>	<u>Fallen Heroes</u>	<u>Northern Neck Special Education</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 108,528	\$ 76,568	\$ 104	\$ 10,137	\$ 172	\$ 1,097,157	\$ 1,292,666
Total assets	\$ 108,528	\$ 76,568	\$ 104	\$ 10,137	\$ 172	\$ 1,097,157	\$ 1,292,666
LIABILITIES							
Amounts held for others	\$ -	\$ 76,568	\$ 104	\$ 10,137	\$ 172	\$ 1,097,157	\$ 1,184,138
Amounts held for social services clients	108,528	-	-	-	-	-	108,528
Total liabilities	\$ 108,528	\$ 76,568	\$ 104	\$ 10,137	\$ 172	\$ 1,097,157	\$ 1,292,666

County of Northumberland, Virginia

Fiduciary Funds
Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 80,423	\$ 123,241	\$ 95,136	\$ 108,528
Liabilities:				
Amounts held for social services clients	\$ 80,423	\$ 123,241	\$ 95,136	\$ 108,528
Road Improvement Bond Fund:				
Assets:				
Cash and cash equivalents	\$ 63,585	\$ 29,983	\$ 17,000	\$ 76,568
Liabilities:				
Amounts held for others	\$ 63,585	\$ 29,983	\$ 17,000	\$ 76,568
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
Fallen Heroes Fund:				
Assets:				
Cash and cash equivalents	\$ 172	\$ -	\$ -	\$ 172
Liabilities:				
Amounts held for others	\$ 172	\$ -	\$ -	\$ 172
NNRSEP Fund:				
Assets:				
Cash	\$ 1,027,579	\$ 1,941,023	\$ 1,871,445	\$ 1,097,157
Liabilities:				
Amounts held for others	\$ 1,027,579	\$ 1,941,023	\$ 1,871,445	\$ 1,097,157
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 1,182,000	\$ 2,094,247	\$ 1,983,581	\$ 1,292,666
Total assets	\$ 1,182,000	\$ 2,094,247	\$ 1,983,581	\$ 1,292,666
Liabilities:				
Amounts held for others	\$ 1,101,577	\$ 1,971,006	\$ 1,888,445	\$ 1,184,138
Amounts held for social services clients	80,423	123,241	95,136	108,528
Total liabilities	\$ 1,182,000	\$ 2,094,247	\$ 1,983,581	\$ 1,292,666

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Northumberland, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2010

	School Operating Fund	Health Insurance Recovery Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,991	\$ 160,267	\$ -	\$ 164,258
Cash in custody of others	-	-	131,800	131,800
Due from other governmental units	1,317,688	-	-	1,317,688
Prepaid items	5,000	-	-	5,000
Total assets	<u>\$ 1,326,679</u>	<u>\$ 160,267</u>	<u>\$ 131,800</u>	<u>\$ 1,618,746</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 13,934	\$ -	\$ -	\$ 13,934
Accrued liabilities	1,310,745	-	-	1,310,745
Total liabilities	<u>\$ 1,324,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,324,679</u>
Fund balances:				
Unreserved:				
Undesignated	\$ 2,000	\$ 160,267	\$ 131,800	\$ 294,067
Total fund balances	<u>\$ 2,000</u>	<u>\$ 160,267</u>	<u>\$ 131,800</u>	<u>\$ 294,067</u>
Total liabilities and fund balances	<u>\$ 1,326,679</u>	<u>\$ 160,267</u>	<u>\$ 131,800</u>	<u>\$ 1,618,746</u>

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

Total fund balances per above	\$ 294,067
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,614,357
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(474,487)
Net assets of governmental activities	<u>\$ 7,433,937</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, 2010

	School Operating Fund	Health Insurance Recovery Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 114	\$ 114
Charges for services	-	-	233,756	233,756
Miscellaneous	222,245	-	-	222,245
Intergovernmental revenues:				
Local government	8,979,597	-	-	8,979,597
Commonwealth	4,033,456	-	-	4,033,456
Federal	1,679,309	-	30,369	1,709,678
Total revenues	<u>\$ 14,914,607</u>	<u>\$ -</u>	<u>\$ 264,239</u>	<u>\$ 15,178,846</u>
EXPENDITURES				
Current:				
Education	\$ 14,555,784	\$ -	\$ 566,477	\$ 15,122,261
Capital projects	41,545	-	-	41,545
Total expenditures	<u>\$ 14,597,329</u>	<u>\$ -</u>	<u>\$ 566,477</u>	<u>\$ 15,163,806</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 317,278</u>	<u>\$ -</u>	<u>\$ (302,238)</u>	<u>\$ 15,040</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 317,278	\$ 317,278
Transfers out	(317,278)	-	-	(317,278)
Total other financing sources and uses	<u>\$ (317,278)</u>	<u>\$ -</u>	<u>\$ 317,278</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ 15,040	\$ 15,040
Fund balances - beginning	2,000	160,267	116,760	279,027
Fund balances - ending	<u>\$ 2,000</u>	<u>\$ 160,267</u>	<u>\$ 131,800</u>	<u>\$ 294,067</u>

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

Net change in fund balances - total governmental funds - per above \$ 15,040

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	\$ 162,300	
Change in accumulated depreciation	(1,561,980)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>(1,108,151)</u>	(2,507,831)

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

Decrease (increase) in accrued leave	(321,093)	
Decrease (increase) in OPEB liability	<u>(35,700)</u>	(356,793)

Change in net assets of governmental activities \$ (2,849,584)

County of Northumberland, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2010

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ 36,050	\$ 36,050	\$ 222,245	\$ 186,195
Intergovernmental revenues:				
Local government	9,506,999	9,690,494	8,979,597	(710,897)
Commonwealth	4,290,755	4,290,755	4,033,456	(257,299)
Federal	1,680,566	1,680,566	1,679,309	(1,257)
Total revenues	<u>\$ 15,514,370</u>	<u>\$ 15,697,865</u>	<u>\$ 14,914,607</u>	<u>\$ (783,258)</u>
EXPENDITURES				
Current:				
Education	\$ 15,121,126	\$ 15,304,621	\$ 14,555,784	\$ 748,837
Capital projects	86,683	86,683	41,545	45,138
Total expenditures	<u>\$ 15,207,809</u>	<u>\$ 15,391,304</u>	<u>\$ 14,597,329</u>	<u>\$ 793,975</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 306,561</u>	<u>\$ 306,561</u>	<u>\$ 317,278</u>	<u>\$ 10,717</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (306,561)	\$ (306,561)	\$ (317,278)	\$ (10,717)
Total other financing sources (uses)	<u>\$ (306,561)</u>	<u>\$ (306,561)</u>	<u>\$ (317,278)</u>	<u>\$ (10,717)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	2,000	2,000
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>

County of Northumberland, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2010

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 346	\$ 346	\$ 114	\$ (232)
Charges for services	219,946	219,946	233,756	13,810
Miscellaneous	12,045	12,045	-	(12,045)
Intergovernmental revenues:				
Federal	-	-	30,369	30,369
Total revenues	<u>\$ 232,337</u>	<u>\$ 232,337</u>	<u>\$ 264,239</u>	<u>\$ 31,902</u>
EXPENDITURES				
Current:				
Education	\$ 538,898	\$ 538,898	\$ 566,477	\$ (27,579)
Total expenditures	<u>\$ 538,898</u>	<u>\$ 538,898</u>	<u>\$ 566,477</u>	<u>\$ (27,579)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (306,561)</u>	<u>\$ (306,561)</u>	<u>\$ (302,238)</u>	<u>\$ 4,323</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 306,561	\$ 306,561	\$ 317,278	\$ 10,717
Total other financing sources (uses)	<u>\$ 306,561</u>	<u>\$ 306,561</u>	<u>\$ 317,278</u>	<u>\$ 10,717</u>
Net change in fund balances	\$ -	\$ -	\$ 15,040	\$ 15,040
Fund balances - beginning	-	-	116,760	116,760
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,800</u>	<u>\$ 131,800</u>

SUPPORTING SCHEDULES

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County of Northumberland, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 11,644,500	\$ 11,644,500	\$ 12,000,964	\$ 356,464
Real and personal public service corporation taxes	115,000	115,000	130,600	15,600
Personal property taxes	2,016,000	2,016,000	2,017,167	1,167
Custom house boat taxes	378,000	378,000	423,647	45,647
Mobile home taxes	26,000	26,000	25,466	(534)
Machinery and tools taxes	100,000	100,000	82,866	(17,134)
Merchant's capital taxes	46,000	46,000	45,398	(602)
Penalties	100,000	100,000	103,529	3,529
Interest	50,000	50,000	66,512	16,512
Total general property taxes	<u>\$ 14,475,500</u>	<u>\$ 14,475,500</u>	<u>\$ 14,896,149</u>	<u>\$ 420,649</u>
Other local taxes:				
Local sales and use taxes	\$ 746,000	\$ 746,000	\$ 672,441	\$ (73,559)
Consumers' utility taxes	345,836	345,836	333,977	(11,859)
Consumption tax	52,000	52,000	54,911	2,911
Motor vehicle licenses	330,000	330,000	365,754	35,754
Bank stock taxes	160,000	160,000	167,498	7,498
Taxes on recordation and wills	300,000	300,000	162,156	(137,844)
Total other local taxes	<u>\$ 1,933,836</u>	<u>\$ 1,933,836</u>	<u>\$ 1,756,737</u>	<u>\$ (177,099)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 28,835	\$ 28,835	\$ 18,661	\$ (10,174)
Land use application fees	500	500	460	(40)
Transfer fees	1,000	1,000	647	(353)
Permits and other licenses	159,100	159,100	117,878	(41,222)
Total permits, privilege fees, and regulatory licenses	<u>\$ 189,435</u>	<u>\$ 189,435</u>	<u>\$ 137,646</u>	<u>\$ (51,789)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 20,000	\$ 20,000	\$ 29,883	\$ 9,883
Revenue from use of money and property:				
Revenue from use of money	\$ 280,000	\$ 280,000	\$ 225,567	\$ (54,433)
Revenue from use of property	2,300	2,300	4,938	2,638
Total revenue from use of money and property	<u>\$ 282,300</u>	<u>\$ 282,300</u>	<u>\$ 230,505</u>	<u>\$ (51,795)</u>
Charges for services:				
Sheriff's fees	\$ 539	\$ 539	\$ 539	\$ -
Court costs	9,900	9,900	20,003	10,103
Charges for Commonwealth's Attorney	400	400	514	114
Charges for correction and detention	2,000	2,000	2,883	883
Charges for other public works	-	-	286	286
Street light reimbursement	16,000	16,000	15,783	(217)
Charges for other protection	50	50	135	85
Charges for community development	-	-	284	284
Total charges for services	<u>\$ 28,889</u>	<u>\$ 28,889</u>	<u>\$ 40,427</u>	<u>\$ 11,538</u>

County of Northumberland, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 237,525	\$ 237,525	\$ 285,293	\$ 47,768
Recovered costs:				
Regional jail	\$ 82,277	\$ 82,277	\$ 82,277	\$ -
DMV License Agent fee	16,100	16,100	21,561	5,461
Total recovered costs	\$ 98,377	\$ 98,377	\$ 103,838	\$ 5,461
Total revenue from local sources	\$ 17,265,862	\$ 17,265,862	\$ 17,480,478	\$ 214,616
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 7,100	\$ 7,100	\$ -	\$ (7,100)
Wine taxes	7,500	7,500	-	(7,500)
Communications tax	445,000	445,000	401,078	(43,922)
Motor vehicle carriers' tax	200	200	176	(24)
Mobile home titling tax	22,000	22,000	7,857	(14,143)
Recordation and grantors tax	118,000	118,000	29,824	(88,176)
Personal property tax relief funds	945,000	945,000	945,659	659
Additional tax on deeds	-	-	70,326	70,326
Reduction in state aid to local governments	-	-	(60,018)	(60,018)
Total noncategorical aid	\$ 1,544,800	\$ 1,544,800	\$ 1,394,902	\$ (149,898)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 213,453	\$ 213,453	\$ 200,800	\$ (12,653)
Sheriff	776,087	776,087	688,644	(87,443)
Commissioner of revenue	103,939	103,939	96,155	(7,784)
Treasurer	138,810	138,810	122,599	(16,211)
Medical examiner	60	60	(40)	(100)
Registrar/electoral board	50,000	50,000	42,365	(7,635)
Social Services State Reimbursement	414,639	414,639	-	(414,639)
Clerk of the Circuit Court	175,000	175,000	207,795	32,795
Total shared expenses	\$ 1,871,988	\$ 1,871,988	\$ 1,358,318	\$ (513,670)
Other categorical aid:				
Public assistance and welfare administration	\$ 345,181	\$ 345,181	\$ 374,751	\$ 29,570
Animal friendly plates	-	-	106	106
Victim witness program	22,748	22,748	18,294	(4,454)
DMV grant	24,000	24,000	-	(24,000)
EMS - Two for life	23,553	23,553	-	(23,553)
EMS - Four for life	-	-	14,557	14,557
School resource officer	42,885	42,885	-	(42,885)
Comprehensive services act	707,000	707,000	91,578	(615,422)
Forfeited assets	-	-	35,616	35,616
PSAP grant	-	-	21,396	21,396
Fire programs fund	35,000	35,000	33,689	(1,311)

County of Northumberland, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Wireless grant	\$ 42,000	\$ 42,000	\$ 34,585	\$ (7,415)
Local law enforcement block grant	-	-	686	686
E911 mapping grant	150,000	150,000	-	(150,000)
Other grants	46,033	46,033	781	(45,252)
Total other categorical aid	<u>\$ 1,438,400</u>	<u>\$ 1,438,400</u>	<u>\$ 626,039</u>	<u>\$ (812,361)</u>
Total categorical aid	<u>\$ 3,310,388</u>	<u>\$ 3,310,388</u>	<u>\$ 1,984,357</u>	<u>\$ (1,326,031)</u>
Total revenue from the Commonwealth	<u>\$ 4,855,188</u>	<u>\$ 4,855,188</u>	<u>\$ 3,379,259</u>	<u>\$ (1,475,929)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 587,819	\$ 587,819	\$ 628,507	\$ 40,688
Ground transportation	-	-	33,365	33,365
Byrne Justice Assistance Grant	-	-	29,842	29,842
Homeland security	-	-	25,550	25,550
Rural development grant	-	-	57,690	57,690
Total categorical aid	<u>\$ 587,819</u>	<u>\$ 587,819</u>	<u>\$ 774,954</u>	<u>\$ 187,135</u>
Total revenue from the federal government	<u>\$ 587,819</u>	<u>\$ 587,819</u>	<u>\$ 774,954</u>	<u>\$ 187,135</u>
Total General Fund	<u>\$ 22,708,869</u>	<u>\$ 22,708,869</u>	<u>\$ 21,634,691</u>	<u>\$ (1,074,178)</u>
Special Revenue Funds:				
Economic Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,171	\$ 1,171
Total Economic Development Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,171</u>	<u>\$ 1,171</u>
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 2,444	\$ 2,444
Total County Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,444</u>	<u>\$ 2,444</u>
Total Primary Government	<u>\$ 22,708,869</u>	<u>\$ 22,708,869</u>	<u>\$ 21,638,306</u>	<u>\$ (1,070,563)</u>

County of Northumberland, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ 36,050	\$ 36,050	\$ 222,245	\$ 186,195
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Northumberland, Virginia	\$ 9,506,999	\$ 9,690,494	\$ 8,979,597	\$ (710,897)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,367,306	\$ 1,367,306	\$ 1,304,838	\$ (62,468)
Basic school aid	1,805,066	1,805,066	1,640,392	(164,674)
Primary class size	61,786	61,786	59,318	(2,468)
At risk payments	57,532	57,532	55,878	(1,654)
Early reading intervention	4,133	4,133	4,133	-
English as a second language	11,824	11,824	8,620	(3,204)
Enrollment loss	3,909	3,909	8,160	4,251
Foster care	52,719	52,719	44,047	(8,672)
GED funding	-	-	42,333	42,333
Gifted and talented	17,163	17,163	17,020	(143)
Homebound	6,705	6,705	4,355	(2,350)
Career Technical Education	12,083	12,083	-	(12,083)
Lottery proceeds	-	-	42,716	42,716
Mentor teacher program	1,113	1,113	742	(371)
Preschool Initiative	-	-	46,500	46,500
Remedial education	58,580	58,580	58,089	(491)
Remedial summer education	26,866	26,866	24,229	(2,637)
Adult education	-	-	83,270	83,270
School food program	-	-	6,364	6,364
School fringes	229,842	229,842	195,358	(34,484)
Special education	186,560	186,560	184,997	(1,563)
Supplemental school construction	33,905	33,905	-	(33,905)
Standards of Learning algebra readiness	8,443	8,443	7,616	(827)
Textbook payment	44,222	44,222	-	(44,222)
Technology VPSA	128,000	128,000	128,000	-
Virginia preschool initiative	123,000	123,000	-	(123,000)
Vocational education	49,998	49,998	66,481	16,483
Total categorical aid	\$ 4,290,755	\$ 4,290,755	\$ 4,033,456	\$ (257,299)
Total revenue from the Commonwealth	\$ 4,290,755	\$ 4,290,755	\$ 4,033,456	\$ (257,299)

County of Northumberland, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Adult literacy	\$ -	\$ -	\$ 95,128	\$ 95,128
Fiscal Stabilization	-	-	89,894	89,894
Title I	379,543	379,543	345,474	(34,069)
Technology	-	-	11,669	11,669
Vocational education	32,000	32,000	70,557	38,557
Title IV	8,522	8,522	-	(8,522)
Title V	3,956	3,956	-	(3,956)
Title VIB	240,886	240,886	519,009	278,123
Virginia federal stimulus funds	577,869	577,869	-	(577,869)
School food program	306,561	306,561	310,914	4,353
Title II Part A	90,461	90,461	155,287	64,826
Title II Part D	3,768	3,768	8,959	5,191
Drug free	-	-	6,701	6,701
JROTC grant	37,000	37,000	65,717	28,717
Total categorical aid	<u>\$ 1,680,566</u>	<u>\$ 1,680,566</u>	<u>\$ 1,679,309</u>	<u>\$ (1,257)</u>
Total revenue from the federal government	<u>\$ 1,680,566</u>	<u>\$ 1,680,566</u>	<u>\$ 1,679,309</u>	<u>\$ (1,257)</u>
Total School Operating Fund	<u>\$ 15,514,370</u>	<u>\$ 15,697,865</u>	<u>\$ 14,914,607</u>	<u>\$ (783,258)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 346	\$ 346	\$ 114	\$ (232)
Charges for services:				
Cafeteria sales	\$ 219,946	\$ 219,946	\$ 233,756	\$ 13,810
Miscellaneous revenue:				
Miscellaneous	\$ 12,045	\$ 12,045	\$ -	\$ (12,045)
Total revenue from local sources	<u>\$ 232,337</u>	<u>\$ 232,337</u>	<u>\$ 233,870</u>	<u>\$ 1,533</u>
Intergovernmental revenues:				
Revenue from the federal government:				
Categorical aid:				
Commodities	\$ -	\$ -	\$ 30,369	\$ 30,369
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,369</u>	<u>\$ 30,369</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,369</u>	<u>\$ 30,369</u>
Total School Cafeteria Fund	<u>\$ 232,337</u>	<u>\$ 232,337</u>	<u>\$ 264,239</u>	<u>\$ 31,902</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 15,746,707</u>	<u>\$ 15,930,202</u>	<u>\$ 15,178,846</u>	<u>\$ (751,356)</u>

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County of Northumberland, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<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	\$ 284,862	\$ 284,862	\$ 221,649	\$ 63,213
General and financial administration:				
County administrator	\$ 215,915	\$ 215,915	\$ 211,590	\$ 4,325
Information Technology	84,660	84,660	65,343	19,317
Legal services	15,000	15,000	20,825	(5,825)
Commissioner of revenue	270,702	270,702	262,698	8,004
Independent Auditor	37,800	37,800	36,912	888
Treasurer	308,317	308,317	311,537	(3,220)
Reassessment	30,000	30,000	-	30,000
Total general and financial administration	\$ 962,394	\$ 962,394	\$ 908,905	\$ 53,489
Board of elections:				
Electoral board and officials	\$ 31,517	\$ 31,517	\$ 25,634	\$ 5,883
Registrar	77,404	77,404	71,338	6,066
Total board of elections	\$ 108,921	\$ 108,921	\$ 96,972	\$ 11,949
Total general government administration	\$ 1,356,177	\$ 1,356,177	\$ 1,227,526	\$ 128,651
Judicial administration:				
Courts:				
Circuit court	\$ 16,482	\$ 16,482	\$ 17,422	\$ (940)
General district court	3,700	3,700	3,118	582
Victim witness protection program	27,344	27,344	24,572	2,772
Juvenile and domestic relations district court	66,674	66,674	78,021	(11,347)
Clerk of the circuit court	306,378	306,378	397,798	(91,420)
Total courts	\$ 420,578	\$ 420,578	\$ 520,931	\$ (100,353)
Commonwealth's attorney:				
Commonwealth's attorney	\$ 309,323	\$ 312,323	\$ 310,538	\$ 1,785
Total judicial administration	\$ 729,901	\$ 732,901	\$ 831,469	\$ (98,568)
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,919,567	\$ 1,931,068	\$ 1,718,301	\$ 212,767
Fire and rescue services:				
Fire department	\$ 285,220	\$ 285,220	\$ 298,755	\$ (13,535)
Ambulance and rescue services	167,856	167,856	185,608	(17,752)
Total fire and rescue services	\$ 453,076	\$ 453,076	\$ 484,363	\$ (31,287)
Correction and detention:				
Payments to Regional Jail	\$ 390,000	\$ 390,000	\$ 390,000	\$ -
Total correction and detention	\$ 390,000	\$ 390,000	\$ 390,000	\$ -
Inspections:				
Building	\$ 173,629	\$ 173,629	\$ 172,974	\$ 655

County of Northumberland, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 2
Page 2 of 4

<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	\$ 90,097	\$ 95,697	\$ 90,869	\$ 4,828
Emergency services	218,000	218,000	213,921	4,079
Medical examiner	350	350	40	310
Total other protection	<u>\$ 308,447</u>	<u>\$ 314,047</u>	<u>\$ 304,830</u>	<u>\$ 9,217</u>
Total public safety	<u>\$ 3,244,719</u>	<u>\$ 3,261,820</u>	<u>\$ 3,070,468</u>	<u>\$ 191,352</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Streetlights	\$ 18,000	\$ 18,000	\$ 13,854	\$ 4,146
Sanitation and waste removal:				
Refuse disposal	\$ 10,000	\$ 10,000	\$ 8,830	\$ 1,170
Refuse collection	982,234	982,234	954,766	27,468
Total sanitation and waste removal	<u>\$ 992,234</u>	<u>\$ 992,234</u>	<u>\$ 963,596</u>	<u>\$ 28,638</u>
Maintenance of general buildings and grounds:				
General properties	\$ 195,605	\$ 195,605	\$ 194,349	\$ 1,256
Total public works	<u>\$ 1,205,839</u>	<u>\$ 1,205,839</u>	<u>\$ 1,171,799</u>	<u>\$ 34,040</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 180,108	\$ 180,108	\$ 161,663	\$ 18,445
Mental health and mental retardation:				
Community services board	\$ 40,933	\$ 40,933	\$ 40,933	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,646,954	\$ 1,646,954	\$ 1,365,437	\$ 281,517
Comprehensive services act	932,990	932,990	172,581	760,409
Other Social Services	260,001	271,592	208,809	62,783
Total welfare	<u>\$ 2,839,945</u>	<u>\$ 2,851,536</u>	<u>\$ 1,746,827</u>	<u>\$ 1,104,709</u>
Total health and welfare	<u>\$ 3,060,986</u>	<u>\$ 3,072,577</u>	<u>\$ 1,949,423</u>	<u>\$ 1,123,154</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 7,429	\$ 7,429	\$ 7,429	\$ -
Adult education	3,000	3,000	3,910	(910)
Contribution to County School Board	9,506,999	9,690,494	8,979,597	710,897
Total education	<u>\$ 9,517,428</u>	<u>\$ 9,700,923</u>	<u>\$ 8,990,936</u>	<u>\$ 709,987</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
Governmental Funds
For the Year Ended June 30, 2010

Schedule 2
Page 3 of 4

<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	\$ 110,000	\$ 110,000	\$ 110,000	\$ -
Total library	\$ 110,000	\$ 110,000	\$ 110,000	\$ -
Total parks, recreation, and cultural	\$ 160,000	\$ 160,000	\$ 160,000	\$ -
Community development:				
Planning and community development:				
Planning and zoning	\$ 298,232	\$ 298,232	\$ 239,264	\$ 58,968
Economic development	33,500	33,500	32,058	1,442
Planning district commission	19,000	19,000	14,125	4,875
Total planning and community development	\$ 350,732	\$ 350,732	\$ 285,447	\$ 65,285
Environmental management:				
Contribution to soil and water conservation district	\$ 10,850	\$ 10,850	\$ 10,850	\$ -
Wetlands	17,612	17,612	16,161	1,451
Forestry	5,201	5,201	5,171	30
Total environmental management	\$ 33,663	\$ 33,663	\$ 32,182	\$ 1,481
Cooperative extension program:				
Extension office	\$ 59,560	\$ 59,560	\$ 49,074	\$ 10,486
Total community development	\$ 443,955	\$ 443,955	\$ 366,703	\$ 77,252
Capital projects:				
County owned facilities	\$ 5,000	\$ 5,000	\$ 1,365	\$ 3,635
Animal shelter	-	-	115,894	(115,894)
Fleeton/Callao Sewer project	40,000	40,000	-	40,000
Total capital projects	\$ 45,000	\$ 45,000	\$ 117,259	\$ (72,259)
Debt service:				
Principal retirement	\$ 1,144,783	\$ 1,144,783	\$ 1,144,783	\$ -
Interest and other fiscal charges	1,816,305	1,816,305	1,820,711	(4,406)
Total debt service	\$ 2,961,088	\$ 2,961,088	\$ 2,965,494	\$ (4,406)
Total General Fund	\$ 22,725,093	\$ 22,940,280	\$ 20,851,077	\$ 2,089,203
Special Revenue Funds:				
Light Street Project Fund:				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Streetlights	\$ -	\$ 10,175	\$ 6,867	\$ 3,308
Total Light Street Project Fund	\$ -	\$ 10,175	\$ 6,867	\$ 3,308

County of Northumberland, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010

Schedule 2
 Page 4 of 4

<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	\$ -	\$ 572,932	\$ 572,931	\$ 1
Total capital projects	\$ -	\$ 572,932	\$ 572,931	\$ 1
 Total County Capital Projects Fund	 \$ -	 \$ 572,932	 \$ 572,931	 \$ 1
 Total Primary Government	 \$ 22,725,093	 \$ 23,523,387	 \$ 21,430,875	 \$ 2,092,512
 Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 605,926	\$ 756,592	\$ 824,045	\$ (67,453)
Instruction costs	11,968,012	11,968,012	11,062,754	905,258
Pupil transportation	1,112,607	1,131,901	1,195,643	(63,742)
Operation and maintenance of school plant	1,434,581	1,448,116	1,473,342	(25,226)
Other operating costs	\$ 15,121,126	\$ 15,304,621	\$ 14,555,784	\$ 748,837
 Total education	 \$ 15,121,126	 \$ 15,304,621	 \$ 14,555,784	 \$ 748,837
 Capital projects:				
Capital Outlay	\$ 86,683	\$ 86,683	\$ 41,545	\$ 45,138
 Total School Operating Fund	 \$ 15,207,809	 \$ 15,391,304	 \$ 14,597,329	 \$ 793,975
 School Cafeteria Fund:				
Education:				
School food services:				
School food	\$ 538,898	\$ 538,898	\$ 536,108	\$ 2,790
Commodities	-	-	30,369	(30,369)
Total school food services	\$ 538,898	\$ 538,898	\$ 566,477	\$ (27,579)
 Total School Cafeteria Fund	 \$ 538,898	 \$ 538,898	 \$ 566,477	 \$ (27,579)
 Total Discretely Presented Component Unit - School Board	 \$ 15,746,707	 \$ 15,930,202	 \$ 15,163,806	 \$ 766,396

OTHER STATISTICAL SECTION

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Table 1

County of Northumberland, Virginia
Government-Wide Expenses by Function
Last Eight 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
2007-08	1,185,448	897,658	3,325,552	1,261,074	1,963,371	10,145,703	162,433	582,207	1,906,293	725,364	22,155,103
2008-09	1,312,517	841,269	2,909,507	1,206,586	1,962,122	9,552,038	89,228	433,527	1,860,565	787,029	20,954,388
2009-10	1,284,916	925,689	3,153,464	1,165,665	1,965,340	7,882,786	160,000	249,496	1,805,133	799,163	19,391,652

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

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						
	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	Total	
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		
2007-08	569,645	2,871,605	630,311	13,447,313	1,945,289	1,801,426	345,799	1,085,298	22,696,686		
2008-09	529,047	2,945,673	66,934	14,409,617	2,188,526	486,072	341,443	1,089,447	22,056,759		
2009-10	527,391	2,759,311	-	15,020,712	1,756,737	234,120	346,648	1,394,902	22,039,821		

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

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
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
2007-08	1,283,522	714,521	3,536,111	1,272,472	1,948,819	16,010,041	160,000	427,682	3,051,646	28,404,814
2008-09	1,247,501	758,759	3,318,605	1,213,509	1,939,676	16,087,829	160,000	432,735	2,998,457	28,157,071
2009-10	1,227,526	831,469	3,070,468	1,178,666	1,949,423	15,133,600	160,000	366,703	2,965,494	26,883,349

(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
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	352,575	267,989	381,660	98,462	11,209,787	27,229,866
2007-08	13,367,097	1,945,289	206,459	16,987	285,088	272,732	527,635	247,678	11,564,983	28,433,948
2008-09	14,879,752	2,188,526	180,070	15,480	252,556	233,143	588,022	101,770	9,903,162	28,342,481
2009-10	14,896,149	1,756,737	137,646	29,883	231,790	274,183	507,538	103,838	9,897,347	27,835,111

(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		Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)		
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%	
2007-08	14,238,395	14,013,307	98.42%	179,242	14,192,549	99.68%	310,307	2.18%	
2008-09	15,889,738	15,528,432	97.73%	196,546	15,724,978	98.96%	399,253	2.51%	
2009-10	15,769,623	15,429,741	97.84%	242,026	15,671,767	99.38%	508,662	3.23%	

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

(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
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
2007-08	2,902,222,017	103,742,431	2,887,999	4,386,808	36,978,612	3,050,217,867
2008-09	2,961,160,227	111,854,782	2,530,695	4,645,795	28,020,738	3,108,212,237
2009-10	3,011,546,185	102,709,252	2,318,911	4,641,003	32,584,722	3,153,800,073

(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
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
2007-08	0.36	0.36	3.60	1.00	3.60
2008-09	0.40	0.40	3.60	1.00	3.60
2009-10	0.40	0.40	3.60	1.00	3.60

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2000-01	12,529	1,232,677,927	5,169,121	0.42%	413
2001-02	12,529	1,260,759,786	4,663,335	0.37%	372
2002-03	12,529	1,291,789,942	4,151,206	0.32%	331
2003-04	12,529	1,324,732,823	3,637,582	0.27%	290
2004-05	12,529	1,368,891,897	3,232,385	0.24%	258
2005-06	12,529	1,421,836,865	2,820,509	0.20%	225
2006-07	12,529	2,975,432,010	2,406,843	0.08%	192
2007-08	12,529	3,050,217,867	2,036,268	0.07%	163
2008-09	12,529	3,108,212,237	1,693,657	0.05%	135
2009-10	12,529	3,153,800,073	1,353,874	0.04%	108

(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 SECTION

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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 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, 2010, which collectively comprise the County of Northumberland, Virginia's basic financial statements and have issued our report thereon dated January 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *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 opinions 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 of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (2010-01).

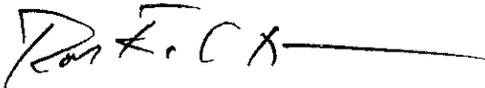
Compliance and Other Matters

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 certain matters that we reported to the management of the County of Northumberland, Virginia, in a separate letter dated January 13, 2011.

The County of Northumberland, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County of Northumberland, Virginia's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity 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.

A handwritten signature in black ink, appearing to read "Dan F. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia
January 13, 2011

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 Independent Auditors' Report

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

Compliance

We have audited County of Northumberland, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Northumberland, Virginia's major federal programs for the year ended June 30, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

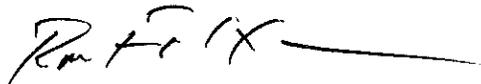
Internal Control Over Compliance

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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a control deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 management, and Board of Supervisors, others within the entity, 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.



Richmond, Virginia
January 13, 2011

County of Northumberland, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 14,893
Temporary Assistance for Needy Families	93.558	0400109/0400110	94,963
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	391
Low-income Home Energy Assistance	93.568	0600409/00600410	7,444
CCDF Cluster:			
Child Care and Development Block Grant	93.575	0770109/0770110	51,426
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	30,516
ARRA - Child Care and Development Block Grant	93.713	0740109/0780109	15,858
Adoption Incentive Payments	93.603	1120109/11201110	1,468
Child Welfare Services - State Grants	93.645	0900109/090110	345
Foster Care - Title IV-E	93.658	1100109/1100110	57,918
ARRA - Foster Care - Title IV-E	93.658	1100109/1100110	2,734
Adoption Assistance	93.659	1120109/11201110	14,665
ARRA - Adoption Assistance	93.659	1120109/11201110	1,377
Social Services Block Grant	93.667	1000109/1000110	42,459
Chafee Foster Care Independence Program	93.674	9150109/9150110	3,047
Children's Health Insurance Program	93.767	0540109/0540110	7,978
Medical Assistance Program	93.778	1200109/1200110	101,517
Total Department of Health and Human Services			<u>\$ 448,999</u>
Department of Defense:			
Direct payments:			
Jr ROTC	12.xxx	N/A	<u>\$ 65,717</u>
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and community highway safety	20.600	60507-50159/59255	<u>\$ 33,366</u>
Department of Agriculture:			
Direct Payments:			
Rural Business Enterprise Grants	10.769	N/A	<u>\$ 57,690</u>
Total Department of Agriculture - direct payments			<u>\$ 57,690</u>
Pass Through Payments:			
<i>Department of Agriculture:</i>			
Child Nutrition Cluster:			
Food Distribution	10.555	17901-45707	\$ 30,017
Summer Food Service Program for Children	10.559	17901-40591	352
<i>Department of Education:</i>			
School breakfast program	10.553	17901-40591	74,404
National school lunch program	10.555	17901-40623	236,510
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/0010110	173,759
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0040109/0040110	5,748
Total Department of Agriculture - pass-through payments			<u>\$ 520,790</u>
Total Department of Agriculture			<u>\$ 578,480</u>

County of Northumberland, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Criminal Justice:			
Pass Through Payments:			
<i>Department of Criminal Justice</i>			
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	30712	\$ 29,842
U.S. Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Homeland Security</i>			
State Homeland Security Program	97.079	77501-52707	\$ 25,550
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Adult Education - Basic Grants to State	84.002	17901-42801/61111	\$ 95,128
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	147,325
ARRA - Title I Grants to Local Educational Agencies	84.389	17901-42913	198,149
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071	342,495
ARRA - Special Education - Grants to States	84.391	17901-61245	176,514
Career and Technical Education - Basic Grants to States	84.048	17901-61095	70,557
ARRA - Education Technology State Grants, Recovery Act	84.386	17901-60897	11,669
Safe and Drug-Free Schools and Communities - State Grants	84.186	17901-60511	6,701
Education Technology State Grants	84.318	17901-61600	8,959
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	17901-62532	89,894
Improving Teacher Quality State Grants	84.367	17901-61480	155,287
Total Department of Education			\$ 1,302,678
Total Expenditures of Federal Awards			\$ 2,484,632

See accompanying notes to schedule of expenditures of federal awards.

County of Northumberland, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Northumberland, Virginia under programs of the federal government for the year ended June 30, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Northumberland, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Northumberland, Virginia.

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note C - 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	\$ 774,954
Total primary government	\$ 774,954

Component Unit Public Schools:

School Operating Fund	\$ 1,679,309
School Cafeteria Fund	30,369
Total component unit public schools	\$ 1,709,678

Total federal expenditures per basic financial statements	\$ 2,484,632
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 2,484,632
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**County of Northumberland, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

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 deficiency(ies) identified? yes ✓ none reported
 Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? yes ✓ no
 Significant deficiency(ies) identified? yes ✓ none reported

Type of 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
84.010/84.389	Title I, Part A Cluster
84.027/84.391	Special Education Cluster (IDEA)
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance Program (SNAP Cluster)

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, 2010

Section II-Financial Statement Findings

2010-01

Financial Reporting

Condition:	Inadequate internal controls over financial statement reporting.
Criteria:	Internal controls should be in place that provides assurance that audited financial statements reconcile to the County's internal documents.
Effect:	Audited financial statements, including related footnotes, may contain an undetected material misstatement.
Cause:	Procedures have not been fully implemented to provide the necessary internal controls over financial reporting.
Recommendation:	Procedures should be implemented providing for the posting of all year-end adjusting entries to allow for reconciliation between the audited financial statements and the County's general ledger reports. It should be noted that significant efforts have been made since FY07 to address this weakness including maintaining capital assets, reporting accrual based general government expenditures and gathering revenue accrual data for posting to the general ledger. In order to take the next step in addressing this issue, the County should consider employing a governmental accounting consultant, that is independent of the County's Auditor, to assist with the preparation of year end working trial balances.
Management's Response:	The County is considering corrective action for FY11.

Section III-Federal Award Findings and Questioned Costs

None

County of Northumberland, Virginia
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2010

There were no prior year Federal Award Findings and Questioned Costs. There were Financial Statement Findings in the prior year. A description of the prior year Financial Statement Findings is included in the Audited Annual Financial Report for the fiscal year ended June 30, 2009.