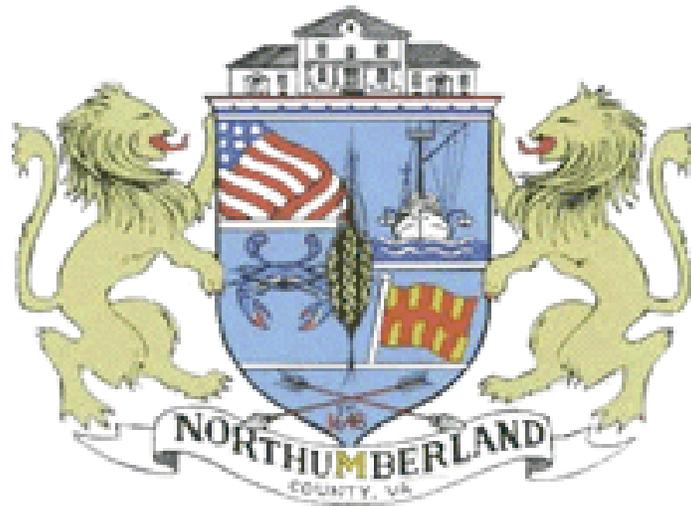


COUNTY OF NORTHUMBERLAND,  
VIRGINIA



ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012



COUNTY OF NORTHUMBERLAND, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2012

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# COUNTY OF NORTHUMBERLAND, VIRGINIA

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## Board of Supervisors

---

Ronald L. Jett, Chairperson

Richard F. Haynie  
Thomas H. Tomlin

Arthur J. Self, Sr.  
James M. Long

## School Board

---

Betty Christopher, Chairperson

Dick Saxer  
Susan Saunders

Myrtle Phillips  
Dean Sumner

## Board of Social Services

---

John Jordon, Chairperson

Thomas Tomlin

Nancy Valandingham

## 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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COUNTY OF NORTHUMBERLAND, VIRGINIA  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

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	Page
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
<b><u>Basic Financial Statements</u></b>	
<b>Government-wide Financial Statements:</b>	
Exhibit 1    Statement of Net Assets	10
Exhibit 2    Statement of Activities	11
<b>Fund Financial Statements:</b>	
Exhibit 3    Balance Sheet–Governmental Funds	12
Exhibit 4    Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	13
Exhibit 5    Statement of Revenues, Expenditures and Changes in Fund Balances–Governmental Funds	14
Exhibit 6    Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Exhibit 7    Statement of Net Assets – Proprietary Funds	16
Exhibit 8    Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	17
Exhibit 9    Statement of Cash Flows – Proprietary Funds	18
Exhibit 10   Statement of Fiduciary Net Assets - Fiduciary Funds	19
Notes to Financial Statements	20-50



COUNTY OF NORTHUMBERLAND, VIRGINIA  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

---

Supporting Schedules:	Page
Schedule 1 Schedule of Revenues–Budget and Actual–Governmental Funds	67-72
Schedule 2 Schedule of Expenditures–Budget and Actual–Governmental Funds	73-76

**Statistical Information**

Table 1 Government-Wide Expenses by Function – Last Ten Fiscal Years	77
Table 2 Government-Wide Revenues – Last Ten Fiscal Years	78
Table 3 General Governmental Expenditures by Function – Last Ten Fiscal Years	79
Table 4 General Governmental Revenues by Source – Last Ten Fiscal Years	80
Table 5 Property Tax Levies and Collections – Last Ten Fiscal Years	81
Table 6 Assessed Value of Taxable Property – Last Ten Fiscal Years	82
Table 7 Property Tax Rates – Last Ten Fiscal Years	83
Table 8 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita – Last Ten Fiscal Years	84

**Compliance**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	85-86
Independent Auditors' 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	87-88
Schedule of Expenditures of Federal Awards	89-90
Notes to Schedule of Expenditures of Federal Awards	91
Schedule of Findings and Questioned Costs	92-93
Schedule of Prior Findings and Questioned Costs	94

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## *Independent Auditors' 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, 2012, 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, 2012, 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 22, 2013, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Northumberland, Virginia's financial statements as a whole. The other supplementary information and statistical information are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Richmond, Virginia  
January 22, 2013

## 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, 2012. 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 \$20,045,988 (net assets).

#### Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other uses in excess of revenues and other financing sources of \$575,443 (Exhibit 5) after making contributions totaling \$10,073,337 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$9,209,257, a decrease of \$575,443 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,083,755, or 36% of total general fund expenditures and other uses.
- < The combined long-term obligations decreased \$284,458 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 \$20,045,988 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	
	2012	2011	2012	2011	2012	2011
Current and other assets \$	11,445,497	\$ 11,945,055	\$ 1,128,294	\$ 130,169	\$ 12,573,791	\$ 12,075,224
Capital assets	42,979,805	42,845,956	5,688,900	5,867,931	48,668,705	48,713,887
<b>Total assets</b>	<b>\$ 54,425,302</b>	<b>\$ 54,791,011</b>	<b>\$ 6,817,194</b>	<b>\$ 5,998,100</b>	<b>\$ 61,242,496</b>	<b>\$ 60,789,111</b>
Current liabilities \$	1,560,755	\$ 1,405,702	\$ 100,746	\$ 19,689	\$ 1,661,501	\$ 1,425,391
Long-term liabilities outstanding	36,687,470	37,947,557	2,847,537	2,012,224	39,535,007	39,959,781
<b>Total liabilities</b>	<b>\$ 38,248,225</b>	<b>\$ 39,353,259</b>	<b>\$ 2,948,283</b>	<b>\$ 2,031,913</b>	<b>\$ 41,196,508</b>	<b>\$ 41,385,172</b>
Net assets:						
Invested in capital assets, net of related debt \$	6,551,593	\$ 5,144,441	\$ 2,740,617	\$ 3,855,707	\$ 9,292,210	\$ 9,000,148
Restricted	262,210	263,022	-	-	262,210	263,022
Unrestricted	9,363,274	10,030,289	1,128,294	110,480	10,491,568	10,140,769
<b>Total net assets</b>	<b>\$ 16,177,077</b>	<b>\$ 15,437,752</b>	<b>\$ 3,868,911</b>	<b>\$ 3,966,187</b>	<b>\$ 20,045,988</b>	<b>\$ 19,403,939</b>

**Government-wide Financial Analysis (Continued)**

The County's net assets increased \$623,610 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	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 194,793	\$ 204,776	\$ 366,913	\$ 329,545	\$ 561,706	\$ 534,321
Operating grants and contributions	2,605,285	2,948,734	-	-	2,605,285	2,948,734
Capital grants and contributions	560,885	-	-	-	560,885	-
General revenues:						
General property taxes	15,443,129	15,295,156	-	-	15,443,129	15,295,156
Other local taxes	1,731,687	1,693,183	-	-	1,731,687	1,693,183
Grants and other contributions not restricted	1,379,120	1,430,443	-	-	1,379,120	1,430,443
Other general revenues	319,072	447,644	33,875	30,895	352,947	478,539
Transfers	(307,013)	(339,316)	307,013	339,316	-	-
<b>Total revenues</b>	<b>\$ 21,926,958</b>	<b>\$ 21,680,620</b>	<b>\$ 707,801</b>	<b>\$ 699,756</b>	<b>\$ 22,634,759</b>	<b>\$ 22,380,376</b>
Expenses:						
General government administration	\$ 1,575,956	\$ 1,410,042	\$ -	\$ -	\$ 1,575,956	\$ 1,410,042
Judicial administration	809,001	1,885,783	-	-	809,001	1,885,783
Public safety	3,192,554	3,133,928	-	-	3,192,554	3,133,928
Public works	1,197,769	1,239,359	-	-	1,197,769	1,239,359
Health and welfare	2,108,697	2,113,100	-	-	2,108,697	2,113,100
Education	9,613,564	10,152,027	-	-	9,613,564	10,152,027
Parks, recreation, and cultural	160,000	160,000	-	-	160,000	160,000
Community development	866,569	356,559	-	-	866,569	356,559
Interest and other fiscal charges	1,681,962	1,747,492	-	-	1,681,962	1,747,492
Utilities	-	-	805,077	804,516	805,077	804,516
<b>Total expenses</b>	<b>\$ 21,206,072</b>	<b>\$ 22,198,290</b>	<b>\$ 805,077</b>	<b>\$ 804,516</b>	<b>\$ 22,011,149</b>	<b>\$ 23,002,806</b>
<b>Change in net assets</b>	<b>\$ 720,886</b>	<b>\$ (517,670)</b>	<b>\$ (97,276)</b>	<b>\$ (104,760)</b>	<b>\$ 623,610</b>	<b>\$ (622,430)</b>
Beginning of year	15,456,191	15,973,861	3,966,187	4,070,947	19,422,378	20,044,808
<b>End of year</b>	<b>\$ 16,177,077</b>	<b>\$ 15,456,191</b>	<b>\$ 3,868,911</b>	<b>\$ 3,966,187</b>	<b>\$ 20,045,988</b>	<b>\$ 19,422,378</b>

## **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 \$9,209,257, a decrease of \$575,443 in comparison with the prior year. Approximately 88% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

**Proprietary Funds** - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets at the end of the year amounted to \$1,128,294. The total decrease in net assets was \$97,276. 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 \$291,355 and can be briefly summarized as follows:

- < \$ 14,015 increase in capital projects expenditures
- < \$ 58,013 increase in public safety expenditures
- < \$ 401,423 increase in interest and other fiscal charges expenditures
- < \$ 186,495 decrease in education expenditures
- < \$ 4,399 increase in various other expenditures

During the year, revenues and other sources were less than budgetary estimates by \$994,887. Expenditures and other uses were less than budgetary estimates by \$804,616, resulting in a negative variance of \$190,271.

## **Capital Asset and Debt Administration**

- < **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2012 amounts to \$42,979,805 (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 \$38,963,283 (excludes bond premium). Of this amount, \$615,000 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).

The County's total debt outstanding decreased by \$281,146 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 7.3 percent at June 30, 2012. The Commonwealth of Virginia's unemployment rate was 5.7 percent 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 2013 fiscal year.

The fiscal year 2013 budget increased approximately 3%. The real estate tax rate increased from \$.40 per \$100 of assessed value to \$.42. All other 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, 2012

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit School Board
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,845,706	\$ 1,065,495	\$ 9,911,201	\$ 162,267
Cash in custody of others	-	-	-	147,013
Receivables (net of allowance for uncollectibles):				
Taxes receivable	709,747	-	709,747	-
Accounts receivable	51,852	70,799	122,651	-
Notes receivable	4,719	-	4,719	-
Internal balances	8,000	(8,000)	-	-
Due from other governmental units	642,114	-	642,114	1,382,569
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents for School Construction	635,879	-	635,879	-
Other assets:				
Unamortized bond issue costs	547,480	-	547,480	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	894,628	98,924	993,552	23,929
Buildings and improvements	41,569,417	5,568,097	47,137,514	5,977,162
Machinery and equipment	440,882	21,879	462,761	754,537
Construction in progress	74,878	-	74,878	-
Total assets	<u>\$ 54,425,302</u>	<u>\$ 6,817,194</u>	<u>\$ 61,242,496</u>	<u>\$ 8,447,477</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 25,742	\$ -	\$ 25,742	\$ 28,021
Accrued liabilities	-	-	-	1,354,548
Accrued interest payable	424,236	-	424,236	-
Due to other governmental units	1,076,473	-	1,076,473	-
Unearned revenue	34,304	-	34,304	-
Long-term liabilities:				
Due within one year	1,095,033	100,746	1,195,779	34,693
Due in more than one year	35,592,437	2,847,537	38,439,974	463,853
Total liabilities	<u>\$ 38,248,225</u>	<u>\$ 2,948,283</u>	<u>\$ 41,196,508</u>	<u>\$ 1,881,115</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 6,551,593	\$ 2,740,617	\$ 9,292,210	\$ 6,755,628
Restricted	262,210	-	262,210	-
Unrestricted (deficit)	9,363,274	1,128,294	10,491,568	(189,266)
Total net assets	<u>\$ 16,177,077</u>	<u>\$ 3,868,911</u>	<u>\$ 20,045,988</u>	<u>\$ 6,566,362</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, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating	Capital	Primary Government		Component Unit	
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General government administration	\$ 1,575,956	\$ -	\$ 232,208	\$ -	\$ (1,343,748)		\$ (1,343,748)	
Judicial administration	809,001	41,170	449,237	-	(318,594)		(318,594)	
Public safety	3,192,554	136,978	824,925	86,686	(2,143,965)		(2,143,965)	
Public works	1,197,769	16,437	-	-	(1,181,332)		(1,181,332)	
Health and welfare	2,108,697	-	1,098,915	-	(1,009,782)		(1,009,782)	
Education	9,613,564	-	-	-	(9,613,564)		(9,613,564)	
Parks, recreation, and cultural	160,000	-	-	-	(160,000)		(160,000)	
Community development	866,569	208	-	474,199	(392,162)		(392,162)	
Interest on long-term debt	1,681,962	-	-	-	(1,681,962)		(1,681,962)	
Total governmental activities	\$ 21,206,072	\$ 194,793	\$ 2,605,285	\$ 560,885	\$ (17,845,109)		\$ (17,845,109)	
Business-type activities:								
Sanitary District	\$ 805,077	\$ 366,913	\$ -	\$ -		\$ (438,164)	\$ (438,164)	
Total business-type activities	\$ 805,077	\$ 366,913	\$ -	\$ -		\$ (438,164)	\$ (438,164)	
Total primary government	\$ 22,011,149	\$ 561,706	\$ 2,605,285	\$ 560,885			\$ (18,283,273)	
<b>COMPONENT UNIT:</b>								
School Board	\$ 15,705,184	\$ 186,109	\$ 5,167,307	\$ -			\$ (10,351,768)	
Total component unit	\$ 15,705,184	\$ 186,109	\$ 5,167,307	\$ -			\$ (10,351,768)	
General revenues:								
General property taxes					\$ 15,443,129	\$ -	\$ 15,443,129	\$ -
Other local taxes:								
Local sales and use taxes					679,761	-	679,761	-
Motor vehicle licenses					356,883	-	356,883	-
Taxes on recordation and wills					151,240	-	151,240	-
Consumer's utility taxes					334,653	-	334,653	-
Bank stock taxes					157,534	-	157,534	-
Other local taxes					51,616	-	51,616	-
Unrestricted revenues from use of money and property					181,973	475	182,448	360
Miscellaneous					137,099	33,400	170,499	139,058
Payments from Northumberland County					-	-	-	8,508,233
Grants and contributions not restricted to specific programs					1,379,120	-	1,379,120	-
Transfers					(307,013)	307,013	-	-
Total general revenues and transfers					\$ 18,565,995	\$ 340,888	\$ 18,906,883	\$ 8,647,651
Change in net assets					\$ 720,886	\$ (97,276)	\$ 623,610	\$ (1,704,117)
Net assets - beginning, as restated					15,456,191	3,966,187	19,422,378	8,270,479
Net assets - ending					\$ 16,177,077	\$ 3,868,911	\$ 20,045,988	\$ 6,566,362

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, 2012

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,460,048	\$ 150,056	\$ 235,602	\$ 8,845,706
Receivables (net of allowance for uncollectibles):				
Taxes receivable	709,747	-	-	709,747
Accounts receivable	50,855	-	997	51,852
Notes receivable	-	-	4,719	4,719
Due from other funds	8,000	-	-	8,000
Due from other governmental units	546,574	95,540	-	642,114
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents for school construction	-	635,879	-	635,879
Total assets	<u>\$ 9,775,224</u>	<u>\$ 881,475</u>	<u>\$ 241,318</u>	<u>\$ 10,898,017</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 25,742	\$ -	\$ -	\$ 25,742
Due to other governmental units	1,076,473	-	-	1,076,473
Deferred revenue	586,545	-	-	586,545
Total liabilities	<u>\$ 1,688,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,688,760</u>
Fund balances:				
Restricted	\$ 2,709	\$ 656,771	\$ 241,318	900,798
Committed	-	224,704	-	224,704
Unassigned	8,083,755	-	-	8,083,755
Total fund balances	<u>\$ 8,086,464</u>	<u>\$ 881,475</u>	<u>\$ 241,318</u>	<u>\$ 9,209,257</u>
Total liabilities and fund balances	<u>\$ 9,775,224</u>	<u>\$ 881,475</u>	<u>\$ 241,318</u>	<u>\$ 10,898,017</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, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	9,209,257
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		42,979,805
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds: Deferred property taxes		552,241
Bond issuance costs are reported as expenditures in governmental funds. However, the statement of net assets includes these issuance costs among the assets of the County as a whole.		547,480
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
Lease revenue bond	\$ (35,400,000)	
General obligation bond	(615,000)	
Bond premium	(413,212)	
OPEB liability	(58,930)	
Accrued interest payable	(424,236)	
Compensated absences	(200,328)	(37,111,706)
Net assets of governmental activities	\$	16,177,077

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, 2012

	<u>General</u>	County Capital Projects <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 15,503,870	\$ -	\$ -	\$ 15,503,870
Other local taxes	1,731,687	-	-	1,731,687
Permits, privilege fees, and regulatory licenses	134,362	-	-	134,362
Fines and forfeitures	30,603	-	-	30,603
Revenue from the use of money and property	181,867	64	42	181,973
Charges for services	18,024	-	11,804	29,828
Miscellaneous	137,099	-	-	137,099
Recovered costs	102,261	-	-	102,261
Intergovernmental revenues:				
Commonwealth	3,336,380	-	4,462	3,340,842
Federal	785,204	419,244	-	1,204,448
Total revenues	<u>\$ 21,961,357</u>	<u>\$ 419,308</u>	<u>\$ 16,308</u>	<u>\$ 22,396,973</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,303,952	\$ -	\$ -	\$ 1,303,952
Judicial administration	799,970	-	-	799,970
Public safety	3,197,603	-	16,620	3,214,223
Public works	1,212,832	-	-	1,212,832
Health and welfare	2,094,948	-	-	2,094,948
Education	10,085,382	-	-	10,085,382
Parks, recreation, and cultural	160,000	-	-	160,000
Community development	398,877	-	500	399,377
Capital projects	15,085	461,235	-	476,320
Debt service:				
Principal retirement	1,217,205	-	-	1,217,205
Interest and other fiscal charges	1,701,194	-	-	1,701,194
Total expenditures	<u>\$ 22,187,048</u>	<u>\$ 461,235</u>	<u>\$ 17,120</u>	<u>\$ 22,665,403</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (225,691)</u>	<u>\$ (41,927)</u>	<u>\$ (812)</u>	<u>\$ (268,430)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 255,000	\$ -	\$ 255,000
Transfers out	(562,013)	-	-	(562,013)
Total other financing sources (uses)	<u>\$ (562,013)</u>	<u>\$ 255,000</u>	<u>\$ -</u>	<u>\$ (307,013)</u>
Net change in fund balances	\$ (787,704)	\$ 213,073	\$ (812)	\$ (575,443)
Fund balances - beginning, as restated	8,874,168	668,402	242,130	9,784,700
Fund balances - ending	<u>\$ 8,086,464</u>	<u>\$ 881,475</u>	<u>\$ 241,318</u>	<u>\$ 9,209,257</u>

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

County of Northumberland, Virginia  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 For the Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds \$ (575,443)

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	\$ 121,887	
Depreciation expense	(1,553,142)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>1,565,104</u>	133,849

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (60,741)

The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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	740,000	
Decrease on landfill post closure care	15,207	
Principal retired on school general obligations	352,205	
Decrease in bond premium on lease revenue bonds	<u>16,528</u>	1,248,940

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

The following is a summary of items supporting this adjustment:

(Increase) decrease in compensated absences	\$ (6,372)	
(Increase) decrease in OPEB liability	(22,051)	
(Increase) decrease in accrued interest payable	<u>2,704</u>	(25,719)

Change in net assets of governmental activities \$ 720,886

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, 2012

	Enterprise Fund <u>Sanitary District</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,065,495
Accounts receivable, net of allowance for uncollectibles	70,799
Total current assets	<u>\$ 1,136,294</u>
Noncurrent assets:	
Capital assets:	
Land	\$ 98,924
Utility plant in service	7,552,780
Machinery and equipment	389,994
Less accumulated depreciation	(2,352,798)
Total capital assets	<u>\$ 5,688,900</u>
Total noncurrent assets	<u>\$ 5,688,900</u>
Total assets	<u>\$ 6,825,194</u>
<b>LIABILITIES</b>	
Current liabilities:	
Due to other funds	\$ 8,000
Bonds payable - current portion	100,746
Total current liabilities	<u>\$ 108,746</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 2,847,537
Total noncurrent liabilities	<u>\$ 2,847,537</u>
Total liabilities	<u>\$ 2,956,283</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$ 2,740,617
Unrestricted	1,128,294
Total net assets	<u><u>\$ 3,868,911</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, 2012

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	Enterprise Fund <u>Sanitary District</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Sanitary district fees	\$ 366,913
Total operating revenues	<u>\$ 366,913</u>
<b>OPERATING EXPENSES</b>	
Personal services	\$ 120,497
Fringe benefits	39,792
Other supplies and expenses	315,825
Depreciation	179,031
Total operating expenses	<u>\$ 655,145</u>
Operating income (loss)	<u>\$ (288,232)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	\$ 475
Connection fees	33,400
Interest and other fiscal charges	<u>(149,932)</u>
Total nonoperating revenues (expenses)	<u>\$ (116,057)</u>
Income before transfers	<u>\$ (404,289)</u>
Transfers in	307,013
Change in net assets	<u>\$ (97,276)</u>
Total net assets - beginning	3,966,187
Total net assets - ending	<u><u>\$ 3,868,911</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, 2012

	Enterprise Fund Sanitary <u>District</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 349,953
Payments to suppliers	(331,102)
Payments to and for employees	(160,289)
Net cash provided by (used for) operating activities	<u>\$ (141,438)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Connection fees	\$ 33,400
Transfers from other funds	307,013
Net cash provided by (used for) noncapital financing activities	<u>\$ 340,413</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal payments on bonds	\$ (2,093,941)
Proceeds from indebtedness	3,030,000
Interest and other fiscal charges payments	(154,344)
Net cash provided by (used for) capital and related financing activities	<u>\$ 781,715</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	\$ 475
Net cash provided by (used for) investing activities	<u>\$ 475</u>
Net increase (decrease) in cash and cash equivalents	\$ 981,165
Cash and cash equivalents - beginning	84,330
Cash and cash equivalents - ending	<u>\$ 1,065,495</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ (288,232)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	\$ 179,031
(Increase) decrease in accounts receivable	(16,960)
Increase (decrease) in accounts payable	(15,277)
Total adjustments	<u>\$ 146,794</u>
Net cash provided by (used for) operating activities	<u>\$ (141,438)</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, 2012

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,652,802
Due from other governmental units	30,565
Total assets	\$ 1,683,367
 <b>LIABILITIES</b>	
Amounts held for others	\$ 1,549,236
Amounts held for social services clients	134,131
Total liabilities	\$ 1,683,367

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, 2012

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### Note 1—Summary of Significant Accounting Policies:

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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, 2012

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

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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, 2012

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

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**B. Individual Component Unit Disclosures**

*Blended Component Unit.* The County has no blended component units at June 30, 2012.

*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, 2012.

**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.

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

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**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.

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

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

1. Governmental Funds

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

a. General Fund

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

b. Capital Projects Funds

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

c. Special Revenue Funds

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

2. Proprietary Funds

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

Enterprise Funds

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2012

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

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3. Fiduciary Funds (Trust and Agency Funds)

Fiduciary Funds account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds and Private Purpose Trust Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. Agency funds consist of the following funds: Special Welfare, Road Improvement Bond, 350<sup>th</sup> Anniversary, Tornado Relief, Fallen Heroes, Regional Special Education, Animal Shelter, and School Board Employee Escrow.

E. Cash and Cash Equivalents

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

F. Investments

Investments are 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.

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

G. Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$49,931 at June 30, 2012 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2012

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

**H. Capital Assets**

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

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.

Assets	Years
Buildings	40
Building Improvements	40
Plant, equipment, and systems	35-45
Motor vehicles	5-10
Machinery and equipment	2-15

**I. Compensated Absences**

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net 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.

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

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**L. 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.

**M. Long-term Obligations**

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

**N. 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 \$635,879 are to be used for future school construction.

**O. Fund Equity**

Beginning with fiscal year 2011, the County implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2012

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

**O. Fund Equity (Continued)**

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

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

	<u>General</u>	County Capital Projects <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
Fund balances:				
Restricted:				
School construction (unspent bond proceeds)	\$ 2,709	\$ -	\$ -	\$ 2,709
Construction	-	656,771	-	656,771
Law library	-	-	769	769
Forfeited assets	-	-	169,804	169,804
Economic development	-	-	24,339	24,339
Courthouse security	-	-	46,406	46,406
Total restricted fund balance	<u>\$ 2,709</u>	<u>\$ 656,771</u>	<u>\$ 241,318</u>	<u>\$ 900,798</u>
Committed:				
Light Street rehab project	\$ -	\$ 224,704	\$ -	\$ 224,704
Total committed fund balance	<u>\$ -</u>	<u>\$ 224,704</u>	<u>\$ -</u>	<u>\$ 224,704</u>
Unassigned fund balance	<u>\$ 8,083,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,083,755</u>
Total fund balances	<u>\$ 8,086,464</u>	<u>\$ 881,475</u>	<u>\$ 241,318</u>	<u>\$ 9,209,257</u>

**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 30<sup>th</sup>, 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.

## COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)  
As of June 30, 2012

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

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3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each department or category can be revised only by the Board of Supervisors. The Board of Supervisors is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

#### Expenditures and Appropriations

Expenditures exceeded appropriations in the Forfeited Assets Fund, Economic Development Fund, and School Cafeteria Fund at June 30, 2012.

### ***Note 3—Deposits and Investments:***

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#### Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. Seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

#### Investments

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2012

**Note 3—Deposits and Investments: (Continued)**

**Credit Risk of Debt Securities**

The County's rated debt investments as of June 30, 2012 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale. The County's investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio.

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 11,857
U.S. Government Money Market Fund	635,895
Virginia State Non-Arbitrage Pool	2,709
Total	\$ 650,461

**Interest Rate Risk**

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

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
U.S. Government Money Market Fund	\$ 635,895	\$ 635,895
Total	\$ 635,895	\$ 635,895

**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, 2012

**Note 4—Due to/from Other Governments:**

At June 30, 2012, the County has amounts due from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Northumberland	\$ -	\$ 1,076,473
Commonwealth of Virginia:		
Local sales tax	135,039	-
Welfare	42,852	-
Rolling stock tax	91	-
State Sales Tax	-	229,868
Constitutional officer reimbursements	110,391	-
DMV license agent	1,683	-
Recordation tax	13,501	-
Mobile home titling tax	5,591	-
Fire programs fund	4,658	-
Wireless grant	3,333	-
Victim witness grant	5,910	-
Disaster assistance	13,181	-
Communications tax	66,655	-
Comprehensive services act	14,111	-
Federal Government:		
School fund grants	-	76,228
CDBG	95,540	-
Welfare	58,966	-
Disaster assistance	70,612	-
Total due from other governments	<u>\$ 642,114</u>	<u>\$ 1,382,569</u>

At June 30, 2012, amounts due to other local governments are as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Northumberland County School Board	<u>\$ 1,076,473</u>	<u>\$ -</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2012

**Note 5—Capital Assets:**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2012:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
<i>Primary Government:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 894,628	\$ -	\$ -	\$ 894,628
Construction in progress	141,188	13,930	80,240	74,878
Total capital assets not subject to depreciation	<u>\$ 1,035,816</u>	<u>\$ 13,930</u>	<u>\$ 80,240</u>	<u>\$ 969,506</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 5,831,855	\$ 80,240	\$ (1,629,557)	\$ 7,541,652
Machinery and equipment	1,796,994	107,957	82,292	1,822,659
Jointly owned assets	43,271,108	-	1,843,149	41,427,959
Total capital assets subject to depreciation	<u>\$ 50,899,957</u>	<u>\$ 188,197</u>	<u>\$ 295,884</u>	<u>\$ 50,792,270</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 2,122,927	\$ 277,520	\$ -	\$ 2,400,447
Machinery and equipment	1,272,298	191,771	82,292	1,381,777
Jointly owned assets	5,694,592	1,083,851	1,778,696	4,999,747
Total accumulated depreciation	<u>\$ 9,089,817</u>	<u>\$ 1,553,142</u>	<u>\$ 1,860,988</u>	<u>\$ 8,781,971</u>
Total capital assets subject to depreciation, net	<u>\$ 41,810,140</u>	<u>\$ (1,364,945)</u>	<u>\$ (1,565,104)</u>	<u>\$ 42,010,299</u>
Governmental activities capital assets, net	<u>\$ 42,845,956</u>	<u>\$ (1,351,015)</u>	<u>\$ (1,484,864)</u>	<u>\$ 42,979,805</u>
	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
<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	<u>\$ 98,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,924</u>
Capital assets subject to depreciation:				
Utility plant in service	\$ 7,552,780	\$ -	\$ -	\$ 7,552,780
Machinery and equipment	389,994	-	-	389,994
Total capital assets subject to depreciation	<u>\$ 7,942,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,942,774</u>
Less: accumulated depreciation for:				
Utility plant in service	\$ 1,814,859	\$ 169,824	\$ -	\$ 1,984,683
Machinery and equipment	358,908	9,207	-	368,115
Total accumulated depreciation	<u>\$ 2,173,767</u>	<u>\$ 179,031</u>	<u>\$ -</u>	<u>\$ 2,352,798</u>
Total capital assets subject to depreciation, net	<u>\$ 5,769,007</u>	<u>\$ (179,031)</u>	<u>\$ -</u>	<u>\$ 5,589,976</u>
Proprietary fund capital assets, net	<u>\$ 5,867,931</u>	<u>\$ (179,031)</u>	<u>\$ -</u>	<u>\$ 5,688,900</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2012

**Note 5—Capital Assets: (Continued)**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2012:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 23,929	\$ -	\$ -	\$ 23,929
Capital assets subject to depreciation:				
Machinery and equipment	\$ 2,394,150	\$ 204,620	\$ 63,000	\$ 2,535,770
Jointly owned assets	8,890,060	-	2,092,537	6,797,523
Total capital assets subject to depreciation	\$ 11,284,210	\$ 204,620	\$ 2,155,537	\$ 9,333,293
Less: accumulated depreciation for:				
Machinery and equipment	\$ 1,692,055	\$ 152,178	\$ 63,000	\$ 1,781,233
Jointly owned assets	1,169,955	177,839	527,433	820,361
Total accumulated depreciation	\$ 2,862,010	\$ 330,017	\$ 590,433	\$ 2,601,594
Total capital assets subject to depreciation, net	\$ 8,422,200	\$ (125,397)	\$ 1,565,104	\$ 6,731,699
Component unit school board capital assets, net	\$ 8,446,129	\$ (125,397)	\$ 1,565,104	\$ 6,755,628

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 289,682
Judicial administration	5,638
Public safety	151,397
Public works	999
Health and welfare	1,676
Education	1,083,851
Community development	19,899
Total depreciation expense - governmental activities	<u>\$ 1,553,142</u>
Business type activities:	
Sanitary District	<u>\$ 179,031</u>
Total depreciation expense - primary government	<u>\$ 1,732,173</u>
Component Unit School Board:	
Depreciation expense	<u>\$ 330,017</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2012

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**Note 6—Interfund Transfers:**

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Interfund transfers for the year ended June 30, 2012, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ -	\$ 562,013
County Capital Projects	255,000	-
Sanitary District	<u>307,013</u>	<u>-</u>
Total Primary Government	<u>\$ 562,013</u>	<u>\$ 562,013</u>
Component Unit-School Board:		
School Operating	\$ -	\$ 393,544
School Cafeteria	<u>393,544</u>	<u>-</u>
Total Component Unit - School Board	<u>\$ 393,544</u>	<u>\$ 393,544</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, 2012

**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, 2012:

	Balance at July 1, 2011	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2012	Amounts Due Within One Year
Primary Government Obligations:					
General Fund Obligations:					
Incurred by County:					
Compensated absences	\$ 193,956	\$ 31,469	\$ 25,097	\$ 200,328	\$ 20,033
Lease revenue bond	125,000	-	125,000	-	-
OPEB liability	36,879	23,051	1,000	58,930	-
Landfill post closure care	15,207	-	15,207	-	-
Total incurred by County	\$ 371,042	\$ 54,520	\$ 166,304	\$ 259,258	\$ 20,033
Incurred by School Board:					
General obligation bond	\$ 967,205	\$ -	\$ 352,205	\$ 615,000	\$ 305,000
Lease revenue bond	36,140,000	-	740,000	35,400,000	770,000
Bond premium	429,740	-	16,528	413,212	-
Total incurred by School Board	\$ 37,536,945	\$ -	\$ 1,108,733	\$ 36,428,212	\$ 1,075,000
Total General Fund Obligations	\$ 37,907,987	\$ 54,520	\$ 1,275,037	\$ 36,687,470	\$ 1,095,033
Incurred by Enterprise Fund:					
Revenue bonds	\$ 2,012,224	\$ 3,030,000	\$ 2,093,941	\$ 2,948,283	\$ 100,746
Total Primary Government Obligations	\$ 39,920,211	\$ 3,084,520	\$ 3,368,978	\$ 39,635,753	\$ 1,195,779

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2012

**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	School Board Obligations			
	Lease Revenue Bond		General Obligation Bond	
	Principal	Interest	Principal	Interest
2013	\$ 770,000	\$ 1,610,930	\$ 305,000	\$ 31,834
2014	800,000	1,579,530	310,000	9,765
2015	840,000	1,542,530	-	-
2016	880,000	1,499,531	-	-
2017	925,000	1,454,406	-	-
2018	970,000	1,411,881	-	-
2019	1,010,000	1,372,281	-	-
2020	1,055,000	1,325,706	-	-
2021	1,105,000	1,277,231	-	-
2022	1,155,000	1,226,256	-	-
2023	1,215,000	1,167,006	-	-
2024	1,275,000	1,104,756	-	-
2025	1,340,000	1,039,381	-	-
2026	1,410,000	970,631	-	-
2027	1,480,000	898,381	-	-
2028	1,555,000	826,522	-	-
2029	1,625,000	755,225	-	-
2030	1,700,000	680,662	-	-
2031	1,775,000	602,725	-	-
2032	1,860,000	521,193	-	-
2033	1,945,000	435,712	-	-
2034	2,035,000	346,163	-	-
2035	2,125,000	252,562	-	-
2036	2,225,000	154,688	-	-
2037	2,325,000	52,312	-	-
Total	<u>\$ 35,400,000</u>	<u>\$ 24,108,201</u>	<u>\$ 615,000</u>	<u>\$ 41,599</u>

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2012

**Note 7—Long-Term Obligations: (Continued)**

**Primary Government: (continued)**

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

Year Ending June 30	Enterprise Fund Obligations	
	Revenue Bonds	
	Principal	Interest
2013	\$ 100,746	\$ 97,941
2014	101,537	94,451
2015	98,000	91,167
2016	102,000	87,914
2017	105,000	84,527
2018	108,000	81,041
2019	112,000	77,456
2020	117,000	73,737
2021	119,000	69,853
2022	125,000	65,902
2023	127,000	61,752
2024	132,000	57,536
2025	136,000	53,153
2026	142,000	48,638
2027	248,000	43,924
2028	256,000	35,690
2029	264,000	27,191
2030	273,000	18,426
2031	282,000	9,362
Total	<u>\$ 2,948,283</u>	<u>\$ 1,179,661</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2012

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

Long-Term Obligations:

	<u>Total Amount</u>
<u>General Fund:</u>	
<u>Incurred by County:</u>	
OPEB liability (payable by General Fund)	\$ 58,930
Compensated absences (payable by General Fund)	\$ 200,328
Total Incurred by County	<u>\$ 259,258</u>
 <u>General Fund:</u>	
<u>Incurred by School Board:</u>	
<u>Lease Revenue Bond:</u>	
\$38,815,000 lease revenue bond issued October 1, 2006, due in varying annual principal installments through October 1, 2036, interest payable semi-annually at varying interest rates.	<u>\$ 35,400,000</u>
<u>General Obligation Bond:</u>	
\$6,000,000 Virginia Public School Authority Bonds issued May 15, 1994, maturing annually through July 15, 2013; interest payable semi-annually at rates ranging from 6.10% to 6.30%.	<u>\$ 615,000</u>
Bond premium	<u>\$ 413,212</u>
Total incurred by School Board	<u>\$ 36,428,212</u>
Total Long-Term Obligations, General Fund	<u>\$ 36,687,470</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2012

**Note 7—Long-Term Obligations: (Continued)**

**Primary Government: (Continued)**

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

	<u>Total Amount</u>
<i>Enterprise Fund:</i>	
<i>Revenue Bonds:</i>	
\$150,000 Revenue Bond, due in monthly installments of \$776 through January, 2015, interest at 5%.	\$ 15,283
\$3,030,000 Revenue Bond issued February 16, 2012, principal due in annual installments each July 1, interest due semi-annually through January, 2027 at 3.32%, interest rate may reset on January 1, 2027.	<u>2,933,000</u>
Total Revenue Bonds	\$ <u>2,948,283</u>
Total Long-Term Obligations, Enterprise Fund	\$ <u>2,948,283</u>
Total Long-Term Obligations, Primary Government	\$ <u><u>39,635,753</u></u>

**Component Unit - School Board:**

The following is a summary of changes in long-term obligation transactions for the fiscal year ended June 30, 2012:

	Balance at July 1, 2011	Increases	Decreases	Balance at June 30, 2012	Amounts Due Within One Year
<i>Component Unit-School Board:</i>					
Compensated absences	\$ 387,196	\$ -	\$ 40,269	\$ 346,927	\$ 34,693
OPEB liability	<u>118,419</u>	<u>69,700</u>	<u>36,500</u>	<u>151,619</u>	<u>-</u>
Total Component Unit-School Board	<u>\$ 505,615</u>	<u>\$ 69,700</u>	<u>\$ 76,769</u>	<u>\$ 498,546</u>	<u>\$ 34,693</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)  
As of June 30, 2012

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***Note 8—Deferred/Unearned Revenue:***

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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 \$586,545 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$552,241 at June 30, 2012.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2012 but paid in advance by the taxpayers totaled \$34,304 at June 30, 2012.

***Note 9—Contingent Liabilities:***

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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.

***Note 10—Litigation:***

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At June 30, 2012, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

***Note 11 —Risk Management:***

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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.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2012

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**Note 11 –Risk Management: (Continued)**

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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:**

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**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 (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with a least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the members plan apply.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2012

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**Note 12 – Defined Benefit Pension Plan: (Continued)**

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**A. Plan Description (Continued)**

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1, of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. 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 most recent includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Website at: <http://varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% 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 its 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's contribution rates for the fiscal year ended 2012 were 10.07% and 9.24% of annual covered payroll, respectively.

The School Board's professional employees contributed \$422,937, \$260,787 and \$459,062 to the teacher cost-sharing pool for the fiscal years ended June 30, 2012, 2011, and 2010 respectively and these contributions represented 6.33%, 3.93% and 8.81% for 2012, 2011, and July 2009 through March 2010 and 0.00% for April through June 2010, respectively, of current covered payroll.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2012

**Note 12 – Defined Benefit Pension Plan: (Continued)**

**C. Annual Pension Cost**

For fiscal year 2012, the County’s annual pension cost of \$466,400 (which includes the portion of the employee share assumed by the employer which was \$154,745) was equal to the County’s required and actual contributions.

For fiscal year 2012, the County School Board’s annual pension cost for the Board’s non-professional employees was \$87,959 (which includes the employees share assumed by the School Board of \$30,884) 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, 2012	\$ 311,655	100%	\$ -
June 30, 2011	305,392	100%	-
June 30, 2010	223,420	100%	-
School Board:			
Non-Professional:			
June 30, 2012	\$ 57,075	100%	\$ -
June 30, 2011	58,876	100%	-
June 30, 2010	67,782	100%	-

(1) Employer portion only

The fiscal year 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 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 the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board’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. The County and School Board’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, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2012

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**Note 12 – Defined Benefit Pension Plan: (Continued)**

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**D. Funded Status and Funding Progress**

As of June 30, 2011, the most recent actuarial valuation date, the County's plan was 76.08% funded. The actuarial accrued liability for benefits was \$14,778,214, and the actuarial value of assets was \$11,242,749, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,535,465. The covered payroll (annual payroll of active employees covered by the plan) was \$3,057,420, and ratio of the UAAL to the covered payroll was 115.64%.

As of June 30, 2011, the most recent actuarial valuation date, the School Board's Non-Professional plan was 75.96% funded. The actuarial accrued liability for benefits was \$3,867,081 and the actuarial value of assets was \$2,937,341, resulting in an unfunded actuarial accrued liability (UAAL) of \$929,740. The covered payroll (annual payroll of active employees covered by the plan) was \$645,709 and ratio of the UAAL to the covered payroll was 143.99%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) 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 (AAL) for benefits.

**Note 13 – Surety Bonds:**

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

**Note 14 – Commitments:**

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The County of Northumberland entered into a financing lease agreement dated June 29, 2000 with the Counties of Westmoreland and Richmond to lease a portion of the two counties interest in the Northern Neck Regional Jail located in the Town of Warsaw, Virginia. Annual rental payments of \$345,838 are to be made through December 15, 2015 with 64% payable to the Northern Neck Regional Jail Board and 36% payable to Richmond County. Annual rental payments are subject to appropriation. After all scheduled lease payments are made Northumberland County will hold an ownership interest in the Regional Jail Facility of 25%.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)  
As of June 30, 2012

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***Note 15–Other Postemployment Benefits - Health Insurance:***

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Background

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

Plan Description

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

Funding Policy

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

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2012

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

Annual OPEB Cost and Net OPEB Obligation

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

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

	Primary Government	Component Unit School Board
	<u>          </u>	<u>          </u>
Annual required contribution	\$ 22,900	\$ 69,700
Interest on net OPEB obligation	1,475	4,737
Adjustment to annual required contribution	(1,324)	(4,737)
Annual OPEB cost (expense)	\$ 23,051	\$ 69,700
Contributions made	(1,000)	(36,500)
Increase in net OPEB obligation	\$ 22,051	\$ 33,200
Net OPEB obligation-beginning of year	36,879	118,419
Net OPEB obligation-end of year	<u>\$ 58,930</u>	<u>\$ 151,619</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2012

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

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County :			
6/30/2010	\$ 22,100	47.96%	\$ 25,800
6/30/2011	22,879	51.58%	36,879
6/30/2012	23,051	4.34%	58,930
School Board:			
6/30/2010	\$ 67,800	47.35%	\$ 77,700
6/30/2011	65,419	37.76%	118,419
6/30/2012	69,700	52.37%	151,619

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the County’s actuarial accrued liability for benefits was \$167,200, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,156,800, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.30%.

As of January 1, 2011, the most recent actuarial valuation date, the School Board’s actuarial accrued liability for benefits was \$660,900, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$7,899,500, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.37%.

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.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)  
As of June 30, 2012

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

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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.

Actuarial Methods and Assumptions

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

The 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 2012 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, 2011 and January 1, 2012, respectively, was thirty years.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)  
As of June 30, 2012

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

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**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 0.60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2012, 2011 and 2010 were \$40,089, \$39,815 and \$54,191, respectively and equaled the required contributions for each year.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2012

**Note 17 –Restatement of Beginning Fund Balance/Net Assets:**

The following adjustments were made to beginning fund balances/net assets at July 1, 2011:

	<u>General Fund</u>	<u>Primary Government Governmental Activities</u>
Fund balance/Net Assets as previously reported at June 30, 2011	\$ 8,895,299	\$ 15,437,752
To remove the following Agency Funds from the General Fund balance: Animal Shelter and Animal Shelter Yardsale Funds	(21,131)	(21,131)
To correct balance on VRS refunding bond at June 30, 2011	-	39,570
Total Fund balance/Net Assets as adjusted at July 1, 2011	<u>\$ 8,874,168</u>	<u>\$ 15,456,191</u>

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*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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
General property taxes	\$ 15,154,800	\$ 15,154,800	\$ 15,503,870	\$ 349,070
Other local taxes	1,817,900	1,817,900	1,731,687	(86,213)
Permits, privilege fees, and regulatory licenses	113,100	113,100	134,362	21,262
Fines and forfeitures	20,000	20,000	30,603	10,603
Revenue from the use of money and property	266,300	266,300	181,867	(84,433)
Charges for services	30,839	30,839	18,024	(12,815)
Miscellaneous	225,770	292,127	137,099	(155,028)
Recovered costs	70,941	78,834	102,261	23,427
Intergovernmental revenues:				
Commonwealth	4,568,040	4,570,220	3,336,380	(1,233,840)
Federal	612,124	612,124	785,204	173,080
Total revenues	<u>\$ 22,879,814</u>	<u>\$ 22,956,244</u>	<u>\$ 21,961,357</u>	<u>\$ (994,887)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,457,588	\$ 1,459,727	\$ 1,303,952	\$ 155,775
Judicial administration	765,879	766,138	799,970	(33,832)
Public safety	3,237,786	3,295,799	3,197,603	98,196
Public works	1,207,317	1,207,317	1,212,832	(5,515)
Health and welfare	3,197,277	3,197,277	2,094,948	1,102,329
Education	10,290,948	10,104,453	10,085,382	19,071
Parks, recreation, and cultural	160,000	160,000	160,000	-
Community development	388,551	390,552	398,877	(8,325)
Capital projects	175,844	189,859	15,085	174,774
Debt service:				
Principal retirement	1,217,205	1,217,205	1,217,205	-
Interest and other fiscal charges	1,163,927	1,565,350	1,701,194	(135,844)
Total expenditures	<u>\$ 23,262,322</u>	<u>\$ 23,553,677</u>	<u>\$ 22,187,048</u>	<u>\$ 1,366,629</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (382,508)</u>	<u>\$ (597,433)</u>	<u>\$ (225,691)</u>	<u>\$ 371,742</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ -	\$ (562,013)	\$ (562,013)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (562,013)</u>	<u>\$ (562,013)</u>
Net change in fund balances	\$ (382,508)	\$ (597,433)	\$ (787,704)	\$ (190,271)
Fund balances - beginning, as restated	6,300,000	6,300,000	8,874,168	2,574,168
Fund balances - ending	<u>\$ 5,917,492</u>	<u>\$ 5,702,567</u>	<u>\$ 8,086,464</u>	<u>\$ 2,383,897</u>

County of Northumberland, Virginia  
 Schedule of Pension Funding Progress  
 As of June 30, 2012

## 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
6/30/2011	\$ 11,242,749	\$ 14,778,214	\$ 3,535,465	76.08%	\$ 3,057,220	115.64%
6/30/2010	10,913,563	14,041,990	3,128,427	77.72%	3,057,420	102.32%
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%

## Discretely Presented Component Unit:

## School Board Non-Professional Retirement Plan

6/30/2011	\$ 2,937,341	\$ 3,867,081	\$ 929,740	75.96%	\$ 645,709	143.99%
6/30/2010	2,892,354	3,814,626	922,272	75.82%	640,502	143.99%
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%

County of Northumberland, Virginia  
 Schedule of OPEB Funding Progress - Retiree Health Insurance Plan  
 As of June 30, 2012

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%
1/1/2012	-	167,200	167,200	0.00%	3,156,800	5.30%

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%
1/1/2011	-	660,900	660,900	0.00%	7,899,500	8.37%

\* Only two years valuation available

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*OTHER SUPPLEMENTARY INFORMATION*

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*COMBINING AND INDIVIDUAL FUNDS 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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 64	\$ 64
Intergovernmental revenues:				
Federal	624,000	624,000	419,244	(204,756)
Total revenues	<u>\$ 624,000</u>	<u>\$ 624,000</u>	<u>\$ 419,308</u>	<u>\$ (204,692)</u>
<b>EXPENDITURES</b>				
Capital projects	\$ 589,000	\$ 593,760	\$ 461,235	\$ 132,525
Total expenditures	<u>\$ 589,000</u>	<u>\$ 593,760</u>	<u>\$ 461,235</u>	<u>\$ 132,525</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 35,000</u>	<u>\$ 30,240</u>	<u>\$ (41,927)</u>	<u>\$ (72,167)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 255,000	\$ 255,000
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,000</u>	<u>\$ 255,000</u>
Net change in fund balances	\$ 35,000	\$ 30,240	\$ 213,073	\$ 182,833
Fund balances - beginning	-	-	668,402	668,402
Fund balances - ending	<u><u>\$ 35,000</u></u>	<u><u>\$ 30,240</u></u>	<u><u>\$ 881,475</u></u>	<u><u>\$ 851,235</u></u>

County of Northumberland, Virginia  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2012

	<u>Law Library Fund</u>	<u>Forfeited Assets Fund</u>	<u>Economic Development Fund</u>	<u>Courthouse Security Fund</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 769	\$ 169,804	\$ 19,620	\$ 45,409	\$ 235,602
Receivables (net of allowance for uncollectibles):					
Accounts receivable	-	-	-	997	997
Notes receivable	-	-	4,719	-	4,719
Total assets	<u>\$ 769</u>	<u>\$ 169,804</u>	<u>\$ 24,339</u>	<u>\$ 46,406</u>	<u>\$ 241,318</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Fund balances:					
Restricted	\$ 769	\$ 169,804	\$ 24,339	\$ 46,406	\$ 241,318
Total fund balances	<u>\$ 769</u>	<u>\$ 169,804</u>	<u>\$ 24,339</u>	<u>\$ 46,406</u>	<u>\$ 241,318</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, 2012

	Law Library <u>Fund</u>	Forfeited Assets <u>Fund</u>	Economic Development <u>Fund</u>	Courthouse Security <u>Fund</u>	<u>Total</u>
<b>REVENUES</b>					
Revenue from the use of money and property	\$ 2	\$ -	\$ 40	\$ -	\$ 42
Charges for services	-	-	-	11,804	11,804
Intergovernmental revenues:					
Commonwealth	-	4,462	-	-	4,462
Total revenues	<u>\$ 2</u>	<u>\$ 4,462</u>	<u>\$ 40</u>	<u>\$ 11,804</u>	<u>\$ 16,308</u>
<b>EXPENDITURES</b>					
Current:					
Public safety	\$ -	\$ 16,620	\$ -	\$ -	\$ 16,620
Community development	-	-	500	-	500
Total expenditures	<u>\$ -</u>	<u>\$ 16,620</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 17,120</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2</u>	<u>\$ (12,158)</u>	<u>\$ (460)</u>	<u>\$ 11,804</u>	<u>\$ (812)</u>
Net change in fund balances	\$ 2	\$ (12,158)	\$ (460)	\$ 11,804	\$ (812)
Fund balances - beginning	767	181,962	24,799	34,602	242,130
Fund balances - ending	<u>\$ 769</u>	<u>\$ 169,804</u>	<u>\$ 24,339</u>	<u>\$ 46,406</u>	<u>\$ 241,318</u>

County of Northumberland, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2012

	Law Library Fund				Forfeited Assets Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)
<b>REVENUES</b>								
Revenue from the use of money and property	\$ -	\$ -	\$ 2	\$ 2	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Intergovernmental revenues:								
Commonwealth	-	-	-	-	-	-	4,462	4,462
Total revenues	\$ -	\$ -	\$ 2	\$ 2	\$ -	\$ -	\$ 4,462	\$ 4,462
<b>EXPENDITURES</b>								
Current:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,620	\$ 16,620
Community development	-	-	-	-	-	-	-	-
Total expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,620	\$ 16,620
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 2	\$ 2	\$ -	\$ -	\$ (12,158)	\$ (12,158)
Net change in fund balances	\$ -	\$ -	\$ 2	\$ 2	\$ -	\$ -	\$ (12,158)	\$ (12,158)
Fund balances - beginning	-	-	767	767	-	-	181,962	181,962
Fund balances - ending	\$ -	\$ -	\$ 769	\$ 769	\$ -	\$ -	\$ 169,804	\$ 169,804

Economic Development Fund					Courthouse Security Fund				
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		
Original	Final			Original	Final				
\$ -	\$ -	\$ 40	\$ 40	\$ -	\$ -	\$ -	\$ -		
-	-	-	-	-	-	11,804	11,804		
-	-	-	-	-	-	-	-		
\$ -	\$ -	\$ 40	\$ 40	\$ -	\$ -	\$ 11,804	\$ 11,804		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
-	-	500	(500)	-	-	-	-		
\$ -	\$ -	\$ 500	\$ (500)	\$ -	\$ -	\$ -	\$ -		
\$ -	\$ -	\$ (460)	\$ (460)	\$ -	\$ -	\$ 11,804	\$ 11,804		
\$ -	\$ -	\$ (460)	\$ (460)	\$ -	\$ -	\$ 11,804	\$ 11,804		
-	-	24,799	24,799	-	-	34,602	34,602		
\$ -	\$ -	\$ 24,339	\$ 24,339	\$ -	\$ -	\$ 46,406	\$ 46,406		

County of Northumberland, Virginia  
 Combining Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2012

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	Agency Funds			
	<u>Special Welfare</u>	<u>Road Improvement Bond</u>	<u>350th Anniversary</u>	<u>Tornado Relief</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 134,131	\$ 38,082	\$ 104	\$ 10,137
Due from other governmental units	-	-	-	-
Total assets	<u>\$ 134,131</u>	<u>\$ 38,082</u>	<u>\$ 104</u>	<u>\$ 10,137</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ -	\$ 38,082	\$ 104	\$ 10,137
Amounts held for social services clients	134,131	-	-	-
Total liabilities	<u>\$ 134,131</u>	<u>\$ 38,082</u>	<u>\$ 104</u>	<u>\$ 10,137</u>

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Agency Funds						
Northern Neck						
<u>Fallen Heroes</u>	<u>Regional Special Education</u>	<u>Animal Shelter</u>	<u>School Board Employee Escrow</u>	<u>Total</u>		
\$ 173	\$ 1,258,464	\$ 203,251	\$ 8,460	\$	\$	1,652,802
-	30,565	-	-			30,565
<u>\$ 173</u>	<u>\$ 1,289,029</u>	<u>\$ 203,251</u>	<u>\$ 8,460</u>	<u>\$</u>	<u>\$</u>	<u>1,683,367</u>
\$ 173	\$ 1,289,029	\$ 203,251	\$ 8,460	\$	\$	1,549,236
-	-	-	-			134,131
<u>\$ 173</u>	<u>\$ 1,289,029</u>	<u>\$ 203,251</u>	<u>\$ 8,460</u>	<u>\$</u>	<u>\$</u>	<u>1,683,367</u>

County of Northumberland, Virginia  
Statement of Changes in Assets and Liabilities - Agency Funds  
For the Year Ended June 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Special Welfare Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 132,451	\$ 103,056	\$ 101,376	\$ 134,131
Liabilities:				
Amounts held for social services clients	\$ 132,451	\$ 103,056	\$ 101,376	\$ 134,131
<b>Road Improvement Bond Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 40,650	\$ 30,182	\$ 32,750	\$ 38,082
Liabilities:				
Amounts held for others	\$ 40,650	\$ 30,182	\$ 32,750	\$ 38,082
<b>350th Anniversary Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 104	\$ -	\$ -	\$ 104
Liabilities:				
Amounts held for others	\$ 104	\$ -	\$ -	\$ 104
<b>Tornado Relief Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 10,137	\$ -	\$ -	\$ 10,137
Liabilities:				
Amounts held for others	\$ 10,137	\$ -	\$ -	\$ 10,137
<b>Fallen Heroes Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 172	\$ 1	\$ -	\$ 173
Liabilities:				
Amounts held for others	\$ 172	\$ 1	\$ -	\$ 173

County of Northumberland, Virginia  
Statement of Changes in Assets and Liabilities - Agency Funds  
For the Year Ended June 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Northern Neck Regional Special Education Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 1,222,491	\$ 1,722,688	\$ 1,686,715	\$ 1,258,464
Due from other governmental units	-	30,565	-	30,565
Total assets	<u>1,222,491</u>	<u>1,753,253</u>	<u>1,686,715</u>	<u>1,289,029</u>
Liabilities:				
Amounts held for others	<u>\$ 1,222,491</u>	<u>\$ 1,753,253</u>	<u>\$ 1,686,715</u>	<u>\$ 1,289,029</u>
<b>Animal Shelter Fund:</b>				
Assets:				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 300,483</u>	<u>\$ 97,232</u>	<u>\$ 203,251</u>
Liabilities:				
Amounts held for others	<u>\$ -</u>	<u>\$ 300,483</u>	<u>\$ 97,232</u>	<u>\$ 203,251</u>
<b>School Board Employee Escrow Fund:</b>				
Assets:				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 8,460</u>	<u>\$ -</u>	<u>\$ 8,460</u>
Liabilities:				
Amounts held for others	<u>\$ -</u>	<u>\$ 8,460</u>	<u>\$ -</u>	<u>\$ 8,460</u>
<b>Totals -- All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 1,406,005	\$ 2,164,870	\$ 1,918,073	\$ 1,652,802
Due from other governmental units	-	30,565	-	30,565
Total assets	<u>\$ 1,406,005</u>	<u>\$ 2,195,435</u>	<u>\$ 1,918,073</u>	<u>\$ 1,683,367</u>
Liabilities:				
Amounts held for others	\$ 1,273,554	\$ 2,092,379	\$ 1,816,697	\$ 1,549,236
Amounts held for social services clients	132,451	103,056	101,376	134,131
Total liabilities	<u>\$ 1,406,005</u>	<u>\$ 2,195,435</u>	<u>\$ 1,918,073</u>	<u>\$ 1,683,367</u>

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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, 2012

	School Operating <u>Fund</u>	Health Insurance Recovery <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,000	\$ 160,267	\$ -	\$ 162,267
Cash in custody of others	-	-	147,013	147,013
Due from other governmental units	1,382,569	-	-	1,382,569
Total assets	<u>\$ 1,384,569</u>	<u>\$ 160,267</u>	<u>\$ 147,013</u>	<u>\$ 1,691,849</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 28,021	\$ -	\$ -	\$ 28,021
Accrued liabilities	1,354,548	-	-	1,354,548
Total liabilities	<u>\$ 1,382,569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,382,569</u>
Fund balances:				
Committed:				
School Operating Fund	\$ 2,000	\$ -	\$ -	\$ 2,000
School Cafeteria Fund	-	-	147,013	147,013
Assigned				
Health Insurance Recovery Fund	-	160,267	-	160,267
Total fund balances	<u>\$ 2,000</u>	<u>\$ 160,267</u>	<u>\$ 147,013</u>	<u>\$ 309,280</u>
Total liabilities and fund balances	<u>\$ 1,384,569</u>	<u>\$ 160,267</u>	<u>\$ 147,013</u>	<u>\$ 1,691,849</u>

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

Total fund balances per above	\$ 309,280
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,755,628
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(498,546)
Net assets of governmental activities	<u>\$ 6,566,362</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, 2012

	School Operating Fund	Health Insurance Recovery Fund	School Cafeteria Fund	Total Governmental Funds
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 200	\$ -	\$ 160	\$ 360
Charges for services	-	-	186,109	186,109
Miscellaneous	138,808	-	250	139,058
Intergovernmental revenues:				
Local government	10,073,337	-	-	10,073,337
Commonwealth	3,695,732	-	-	3,695,732
Federal	1,442,756	-	28,819	1,471,575
Total revenues	<u>\$ 15,350,833</u>	<u>\$ -</u>	<u>\$ 215,338</u>	<u>\$ 15,566,171</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 14,908,177	\$ -	\$ 629,567	\$ 15,537,744
Capital projects	49,112	-	-	49,112
Total expenditures	<u>\$ 14,957,289</u>	<u>\$ -</u>	<u>\$ 629,567</u>	<u>\$ 15,586,856</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 393,544</u>	<u>\$ -</u>	<u>\$ (414,229)</u>	<u>\$ (20,685)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 393,544	\$ 393,544
Transfers out	(393,544)	-	-	(393,544)
Total other financing sources (uses)	<u>\$ (393,544)</u>	<u>\$ -</u>	<u>\$ 393,544</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ (20,685)	\$ (20,685)
Fund balances - beginning	2,000	160,267	167,698	329,965
Fund balances - ending	<u>\$ 2,000</u>	<u>\$ 160,267</u>	<u>\$ 147,013</u>	<u>\$ 309,280</u>

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

Net change in fund balances - total governmental funds - per above \$ (20,685)

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	\$ 204,620	
Depreciation expense	(330,017)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>(1,565,104)</u>	(1,690,501)

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

Decrease (increase) in compensated absences	\$ 40,269	
Decrease (increase) in OPEB liability	<u>(33,200)</u>	
		7,069

Change in net assets of governmental activities \$ (1,704,117)

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, 2012

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 10,500	\$ 10,500	\$ 200	\$ (10,300)
Miscellaneous	200,000	288,713	138,808	(149,905)
Intergovernmental revenues:				
Local government	10,280,370	10,093,875	10,073,337	(20,538)
Commonwealth	3,677,744	3,705,521	3,695,732	(9,789)
Federal	1,173,136	1,350,300	1,442,756	92,456
Total revenues	<u>\$ 15,341,750</u>	<u>\$ 15,448,909</u>	<u>\$ 15,350,833</u>	<u>\$ (98,076)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 14,487,870	\$ 14,996,452	\$ 14,908,177	\$ 88,275
Capital projects	86,683	86,683	49,112	37,571
Debt service:				
Principal retirement	197,003	-	-	-
Interest and other fiscal charges	255,194	50,774	-	50,774
Total expenditures	<u>\$ 15,026,750</u>	<u>\$ 15,133,909</u>	<u>\$ 14,957,289</u>	<u>\$ 176,620</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 315,000</u>	<u>\$ 315,000</u>	<u>\$ 393,544</u>	<u>\$ 78,544</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (315,000)	\$ (315,000)	\$ (393,544)	\$ (78,544)
Total other financing sources (uses)	<u>\$ (315,000)</u>	<u>\$ (315,000)</u>	<u>\$ (393,544)</u>	<u>\$ (78,544)</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, 2012

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 115	\$ 115	\$ 160	\$ 45
Charges for services	203,203	203,203	186,109	(17,094)
Miscellaneous	16,076	16,076	250	(15,826)
Intergovernmental revenues:				
Federal	-	-	28,819	28,819
Total revenues	<u>\$ 219,394</u>	<u>\$ 219,394</u>	<u>\$ 215,338</u>	<u>\$ (4,056)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 534,394	\$ 534,394	\$ 629,567	\$ (95,173)
Total expenditures	<u>\$ 534,394</u>	<u>\$ 534,394</u>	<u>\$ 629,567</u>	<u>\$ (95,173)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (315,000)</u>	<u>\$ (315,000)</u>	<u>\$ (414,229)</u>	<u>\$ (99,229)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 315,000	\$ 315,000	\$ 393,544	\$ 78,544
Total other financing sources (uses)	<u>\$ 315,000</u>	<u>\$ 315,000</u>	<u>\$ 393,544</u>	<u>\$ 78,544</u>
Net change in fund balances	\$ -	\$ -	\$ (20,685)	\$ (20,685)
Fund balances - beginning	-	-	167,698	167,698
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,013</u>	<u>\$ 147,013</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, 2012

<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>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 12,154,000	\$ 12,154,000	\$ 12,292,787	\$ 138,787
Real and personal public service corporation taxes	140,000	140,000	181,766	41,766
Personal property taxes	2,100,000	2,100,000	2,140,233	40,233
Custom house boat taxes	428,000	428,000	443,074	15,074
Mobile home taxes	25,800	25,800	25,180	(620)
Machinery and tools taxes	95,000	95,000	185,969	90,969
Merchant's capital taxes	52,000	52,000	48,204	(3,796)
Penalties	100,000	100,000	116,767	16,767
Interest	60,000	60,000	69,890	9,890
Total general property taxes	<u>\$ 15,154,800</u>	<u>\$ 15,154,800</u>	<u>\$ 15,503,870</u>	<u>\$ 349,070</u>
Other local taxes:				
Local sales and use taxes	\$ 700,000	\$ 700,000	\$ 679,761	\$ (20,239)
Consumers' utility taxes	345,900	345,900	334,653	(11,247)
Consumption tax	52,000	52,000	51,616	(384)
Motor vehicle licenses	350,000	350,000	356,883	6,883
Bank stock taxes	150,000	150,000	157,534	7,534
Taxes on recordation and wills	220,000	220,000	151,240	(68,760)
Total other local taxes	<u>\$ 1,817,900</u>	<u>\$ 1,817,900</u>	<u>\$ 1,731,687</u>	<u>\$ (86,213)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 18,000	\$ 18,000	\$ 17,714	\$ (286)
Land use application fees	500	500	19,280	18,780
Transfer fees	1,000	1,000	646	(354)
Permits and other licenses	93,600	93,600	96,722	3,122
Total permits, privilege fees, and regulatory licenses	<u>\$ 113,100</u>	<u>\$ 113,100</u>	<u>\$ 134,362</u>	<u>\$ 21,262</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 20,000	\$ 20,000	\$ 30,603	\$ 10,603
Revenue from use of money and property:				
Revenue from use of money	\$ 200,000	\$ 200,000	\$ 112,422	\$ (87,578)
Revenue from use of property	66,300	66,300	69,445	3,145
Total revenue from use of money and property	<u>\$ 266,300</u>	<u>\$ 266,300</u>	<u>\$ 181,867</u>	<u>\$ (84,433)</u>
Charges for services:				
Sheriff's fees	\$ 539	\$ 539	\$ 539	\$ -
Court costs	11,600	11,600	(2,258)	(13,858)
Charges for Commonwealth's Attorney	400	400	1,021	621
Charges for correction and detention	2,000	2,000	2,002	2
Street light reimbursement	16,000	16,000	16,437	437
Charges for other protection	150	150	75	(75)
Charges for community development	150	150	208	58
Total charges for services	<u>\$ 30,839</u>	<u>\$ 30,839</u>	<u>\$ 18,024</u>	<u>\$ (12,815)</u>

County of Northumberland, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2012

Schedule 1  
 Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 225,770	\$ 292,127	\$ 137,099	\$ (155,028)
Recovered costs:				
Regional jail	\$ 70,941	\$ 70,941	\$ 70,941	\$ -
Summer youth employment	-	7,893	8,440	547
DMV License Agent fee	-	-	22,880	22,880
Total recovered costs	\$ 70,941	\$ 78,834	\$ 102,261	\$ 23,427
Total revenue from local sources	\$ 17,699,650	\$ 17,773,900	\$ 17,839,773	\$ 65,873
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 445,000	\$ 445,000	\$ 390,287	\$ (54,713)
Motor vehicle carriers' tax	200	200	91	(109)
Mobile home titling tax	22,000	22,000	14,568	(7,432)
Auto rental tax	16,100	16,100	-	(16,100)
Recordation and grantors tax	-	-	33,746	33,746
Personal property tax relief funds	950,000	950,000	948,423	(1,577)
Additional tax on deeds	75,000	75,000	59,079	(15,921)
Section 8	14,880	14,880	-	(14,880)
Reduction in state aid to local governments	-	-	(67,074)	(67,074)
Total noncategorical aid	\$ 1,523,180	\$ 1,523,180	\$ 1,379,120	\$ (144,060)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 197,194	\$ 197,194	\$ 196,839	\$ (355)
Sheriff	711,262	711,262	684,171	(27,091)
Commissioner of revenue	84,275	84,275	84,375	100
Treasurer	105,730	105,730	106,023	293
Medical examiner	-	-	(60)	(60)
Registrar/electoral board	42,400	42,400	41,656	(744)
Social Services State Reimbursement	509,572	509,572	-	(509,572)
Clerk of the Circuit Court	207,751	207,751	218,387	10,636
Total shared expenses	\$ 1,858,184	\$ 1,858,184	\$ 1,331,391	\$ (526,793)
Other categorical aid:				
Public assistance and welfare administration	\$ 370,876	\$ 370,876	\$ 374,595	\$ 3,719
Animal friendly plates	-	-	154	154
Victim witness program	19,000	19,000	29,549	10,549
Disaster assistance	-	-	16,181	16,181
EMS - Four for life	24,000	24,000	14,661	(9,339)
Burn building	-	2,180	9,531	7,351
Comprehensive services act	707,000	707,000	106,057	(600,943)
Juvenile grant	150	150	-	(150)
Fire programs fund	35,000	35,000	35,141	141

County of Northumberland, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2012

Schedule 1  
 Page 3 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Wireless grant	\$ 30,000	\$ 30,000	\$ 40,000	\$ 10,000
Local law enforcement block grant	650	650	-	(650)
Total other categorical aid	<u>\$ 1,186,676</u>	<u>\$ 1,188,856</u>	<u>\$ 625,869</u>	<u>\$ (562,987)</u>
Total categorical aid	<u>\$ 3,044,860</u>	<u>\$ 3,047,040</u>	<u>\$ 1,957,260</u>	<u>\$ (1,089,780)</u>
Total revenue from the Commonwealth	<u>\$ 4,568,040</u>	<u>\$ 4,570,220</u>	<u>\$ 3,336,380</u>	<u>\$ (1,233,840)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 612,124	\$ 612,124	\$ 618,263	\$ 6,139
Ground transportation	-	-	19,300	19,300
Rural development business enterprise grant	-	-	54,955	54,955
Disaster assistance	-	-	86,686	86,686
Homeland security	-	-	6,000	6,000
Total categorical aid	<u>\$ 612,124</u>	<u>\$ 612,124</u>	<u>\$ 785,204</u>	<u>\$ 173,080</u>
Total revenue from the federal government	<u>\$ 612,124</u>	<u>\$ 612,124</u>	<u>\$ 785,204</u>	<u>\$ 173,080</u>
Total General Fund	<u><u>\$ 22,879,814</u></u>	<u><u>\$ 22,956,244</u></u>	<u><u>\$ 21,961,357</u></u>	<u><u>\$ (994,887)</u></u>
<b>Special Revenue Funds:</b>				
<b>Forfeited Assets Fund:</b>				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Forfeited assets	\$ -	\$ -	\$ 4,462	\$ 4,462
Total Forfeited Assets Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,462</u>	<u>\$ 4,462</u>
<b>Law Library Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 2	\$ 2
Total Law Library Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>
<b>Economic Development Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 40	\$ 40
Total Economic Development Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40</u>	<u>\$ 40</u>

County of Northumberland, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2012

<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>
<b>Special Revenue Funds: (Continued)</b>				
<b>Courthouse Security Fund:</b>				
Revenue from local sources:				
Charges for services:				
Courthouse security fees	\$ -	\$ -	\$ 11,804	\$ 11,804
Total Courthouse Security Fund	\$ -	\$ -	\$ 11,804	\$ 11,804
<b>Capital Projects Fund:</b>				
<b>County Capital Projects Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 64	\$ 64
Total revenue from local sources	\$ -	\$ -	\$ 64	\$ 64
Intergovernmental revenues:				
Revenue from the federal government:				
Categorical aid:				
Community Development Block Grant	\$ 624,000	\$ 624,000	\$ 419,244	\$ (204,756)
Total revenue from the federal government	\$ 624,000	\$ 624,000	\$ 419,244	\$ (204,756)
Total County Capital Projects Fund	\$ 624,000	\$ 624,000	\$ 419,308	\$ (204,692)
Total Primary Government	\$ 23,503,814	\$ 23,580,244	\$ 22,396,973	\$ (1,183,271)
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 10,500	\$ 10,500	\$ 200	\$ (10,300)
Miscellaneous revenue:				
Miscellaneous	\$ 200,000	\$ 288,713	\$ 138,808	\$ (149,905)
Total revenue from local sources	\$ 210,500	\$ 299,213	\$ 139,008	\$ (160,205)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Northumberland, Virginia	\$ 10,280,370	\$ 10,093,875	\$ 10,073,337	\$ (20,538)

County of Northumberland, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2012

<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>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,403,199	\$ 1,403,199	\$ 1,402,943	\$ (256)
Basic school aid	1,202,848	1,202,848	1,247,871	45,023
Primary class size	44,132	44,132	42,700	(1,432)
At risk payments	36,858	36,858	38,121	1,263
Career Technical Education	16,902	16,902	10,130	(6,772)
Composite index Hold Harmless	268,079	268,079	268,132	53
Early reading intervention	4,861	4,861	3,038	(1,823)
English as a second language	5,946	5,946	6,387	441
GED funding	-	25,277	33,136	7,859
Gifted and talented	12,240	12,240	12,681	441
Homebound	5,092	5,092	1,437	(3,655)
Preschool initiative	123,000	123,000	46,500	(76,500)
Foster children	-	-	6,551	6,551
Board certification	-	2,500	2,500	-
Mentor teacher program	1,077	1,077	1,970	893
Prevention, Intervention and Remediation	36,720	36,720	-	(36,720)
Remedial education	-	-	38,042	38,042
Remedial summer education	20,060	20,060	27,663	7,603
School food program	-	-	6,526	6,526
School fringes	138,176	138,176	143,149	4,973
Special education	133,552	133,552	138,359	4,807
Standards of Learning algebra readiness	4,982	4,982	5,590	608
Textbook payment	20,550	20,550	11,429	(9,121)
Technology VPSA	128,000	128,000	128,000	-
School construction	36,382	36,382	36,526	144
Virginia preschool initiative	-	-	-	-
Vocational education	35,088	35,088	36,351	1,263
Total categorical aid	<u>\$ 3,677,744</u>	<u>\$ 3,705,521</u>	<u>\$ 3,695,732</u>	<u>\$ (9,789)</u>
Total revenue from the Commonwealth	<u>\$ 3,677,744</u>	<u>\$ 3,705,521</u>	<u>\$ 3,695,732</u>	<u>\$ (9,789)</u>
Revenue from the federal government:				
Categorical aid:				
Fiscal Stabilization - ARRA	\$ -	\$ -	\$ 68,266	\$ 68,266
Title I	379,543	379,543	546,266	166,723
Title V (Innovative Programs)	3,956	3,956	-	(3,956)
Vocational education	32,000	32,000	33,389	1,389
Title VIB	240,886	240,886	75,000	(165,886)
Title VIB - ARRA	-	-	44,904	44,904
School food program	315,000	315,000	387,018	72,018
Adult basic education	50,000	50,000	-	(50,000)
Title II Part A	90,461	90,461	38,680	(51,781)
Title II Part D	3,768	3,768	-	(3,768)
Drug free	8,522	8,522	6,748	(1,774)

County of Northumberland, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2012

<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>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental revenues: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
JROTC grant	\$ 49,000	\$ 49,000	\$ 62,835	\$ 13,835
Education jobs fund - ARRA	-	177,164	179,650	2,486
Total categorical aid	<u>\$ 1,173,136</u>	<u>\$ 1,350,300</u>	<u>\$ 1,442,756</u>	<u>\$ 92,456</u>
Total revenue from the federal government	<u>\$ 1,173,136</u>	<u>\$ 1,350,300</u>	<u>\$ 1,442,756</u>	<u>\$ 92,456</u>
Total School Operating Fund	<u><u>\$ 15,341,750</u></u>	<u><u>\$ 15,448,909</u></u>	<u><u>\$ 15,350,833</u></u>	<u><u>\$ (98,076)</u></u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special Revenue Fund:</b>				
<b>School Cafeteria Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 115	\$ 115	\$ 160	\$ 45
Charges for services:				
Cafeteria sales	\$ 203,203	\$ 203,203	\$ 186,109	\$ (17,094)
Miscellaneous revenue:				
Miscellaneous	\$ 16,076	\$ 16,076	\$ 250	\$ (15,826)
Total revenue from local sources	<u>\$ 219,394</u>	<u>\$ 219,394</u>	<u>\$ 186,519</u>	<u>\$ (32,875)</u>
Intergovernmental revenues:				
Revenue from the federal government:				
Categorical aid:				
Commodities	\$ -	\$ -	\$ 28,819	\$ 28,819
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,819</u>	<u>\$ 28,819</u>
Total School Cafeteria Fund	<u>\$ 219,394</u>	<u>\$ 219,394</u>	<u>\$ 215,338</u>	<u>\$ (4,056)</u>
Total Discretely Presented Component Unit - School Board	<u><u>\$ 15,561,144</u></u>	<u><u>\$ 15,668,303</u></u>	<u><u>\$ 15,566,171</u></u>	<u><u>\$ (102,132)</u></u>

County of Northumberland, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

Schedule 2  
Page 1 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>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 287,657	\$ 287,657	\$ 210,093	\$ 77,564
General and financial administration:				
County administrator	\$ 223,472	\$ 225,611	\$ 226,341	\$ (730)
Information Technology	79,384	79,384	73,591	5,793
Legal services	15,000	15,000	15,000	-
Commissioner of revenue	281,825	281,825	283,111	(1,286)
Independent Auditor	39,800	39,800	38,218	1,582
Treasurer	318,128	318,128	333,659	(15,531)
Reassessment	94,956	94,956	3,627	91,329
Total general and financial administration	<u>\$ 1,052,565</u>	<u>\$ 1,054,704</u>	<u>\$ 973,547</u>	<u>\$ 81,157</u>
Board of elections:				
Electoral board and officials	\$ 30,817	\$ 30,817	\$ 41,977	\$ (11,160)
Registrar	86,549	86,549	78,335	8,214
Total board of elections	<u>\$ 117,366</u>	<u>\$ 117,366</u>	<u>\$ 120,312</u>	<u>\$ (2,946)</u>
Total general government administration	<u>\$ 1,457,588</u>	<u>\$ 1,459,727</u>	<u>\$ 1,303,952</u>	<u>\$ 155,775</u>
Judicial administration:				
Courts:				
Circuit court	\$ 16,482	\$ 16,482	\$ 17,673	\$ (1,191)
General district court	3,590	3,590	2,346	1,244
Victim witness protection program	26,709	26,709	26,075	634
Juvenile and domestic relations district court	70,274	70,274	143,131	(72,857)
Clerk of the circuit court	323,554	323,555	315,877	7,678
Total courts	<u>\$ 440,609</u>	<u>\$ 440,610</u>	<u>\$ 505,102</u>	<u>\$ (64,492)</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 325,270	\$ 325,528	\$ 294,868	\$ 30,660
Total judicial administration	<u>\$ 765,879</u>	<u>\$ 766,138</u>	<u>\$ 799,970</u>	<u>\$ (33,832)</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,994,389	\$ 2,014,435	\$ 1,916,820	\$ 97,615
Fire and rescue services:				
Fire department	\$ 351,184	\$ 362,364	\$ 403,534	\$ (41,170)
Ambulance and rescue services	183,808	183,808	143,941	39,867
Total fire and rescue services	<u>\$ 534,992</u>	<u>\$ 546,172</u>	<u>\$ 547,475</u>	<u>\$ (1,303)</u>
Correction and detention:				
Payments to Regional Jail	\$ 345,838	\$ 345,838	\$ 345,838	\$ -
Total correction and detention	<u>\$ 345,838</u>	<u>\$ 345,838</u>	<u>\$ 345,838</u>	<u>\$ -</u>
Inspections:				
Building	\$ 184,541	\$ 184,540	\$ 183,503	\$ 1,037

County of Northumberland, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2012

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>
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 103,676	\$ 130,464	\$ 121,768	\$ 8,696
Emergency services	74,000	74,000	82,199	(8,199)
Medical examiner	350	350	-	350
Total other protection	<u>\$ 178,026</u>	<u>\$ 204,814</u>	<u>\$ 203,967</u>	<u>\$ 847</u>
Total public safety	<u>\$ 3,237,786</u>	<u>\$ 3,295,799</u>	<u>\$ 3,197,603</u>	<u>\$ 98,196</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Streetlights	\$ 16,300	\$ 16,300	\$ 17,667	\$ (1,367)
Sanitation and waste removal:				
Refuse disposal	\$ 10,000	\$ 10,000	\$ 6,420	\$ 3,580
Refuse collection	970,791	970,791	984,049	(13,258)
Total sanitation and waste removal	<u>\$ 980,791</u>	<u>\$ 980,791</u>	<u>\$ 990,469</u>	<u>\$ (9,678)</u>
Maintenance of general buildings and grounds:				
General properties	\$ 210,226	\$ 210,226	\$ 204,696	\$ 5,530
Total public works	<u>\$ 1,207,317</u>	<u>\$ 1,207,317</u>	<u>\$ 1,212,832</u>	<u>\$ (5,515)</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 164,082	\$ 164,082	\$ 164,082	\$ -
Mental health and mental retardation:				
Community services board	\$ 40,933	\$ 40,933	\$ 40,933	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,828,962	\$ 1,828,962	\$ 1,487,863	\$ 341,099
Comprehensive services act	932,990	932,990	197,545	735,445
Other Social Services	230,310	230,310	204,525	25,785
Total welfare	<u>\$ 2,992,262</u>	<u>\$ 2,992,262</u>	<u>\$ 1,889,933</u>	<u>\$ 1,102,329</u>
Total health and welfare	<u>\$ 3,197,277</u>	<u>\$ 3,197,277</u>	<u>\$ 2,094,948</u>	<u>\$ 1,102,329</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 7,578	\$ 7,578	\$ 7,578	\$ -
Adult education	3,000	3,000	4,467	(1,467)
Contribution to County School Board	10,280,370	10,093,875	10,073,337	20,538
Total education	<u>\$ 10,290,948</u>	<u>\$ 10,104,453</u>	<u>\$ 10,085,382</u>	<u>\$ 19,071</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, 2012

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>
<b>General Fund: (Continued)</b>				
Parks, recreation, and cultural: (Continued)				
Library:				
Contribution to county library	\$ 110,000	\$ 110,000	\$ 110,000	\$ -
Total library	<u>\$ 110,000</u>	<u>\$ 110,000</u>	<u>\$ 110,000</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 160,000</u>	<u>\$ 160,000</u>	<u>\$ 160,000</u>	<u>\$ -</u>
Community development:				
Planning and community development:				
Planning and zoning	\$ 244,178	\$ 244,178	\$ 284,516	\$ (40,338)
Economic development	33,500	35,500	29,855	5,645
Planning district commission	18,500	18,500	14,000	4,500
Total planning and community development	<u>\$ 296,178</u>	<u>\$ 298,178</u>	<u>\$ 328,371</u>	<u>\$ (30,193)</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Wetlands	17,612	17,613	13,693	3,920
Forestry	5,201	5,201	5,171	30
Total environmental management	<u>\$ 32,813</u>	<u>\$ 32,814</u>	<u>\$ 28,864</u>	<u>\$ 3,950</u>
Cooperative extension program:				
Extension office	\$ 59,560	\$ 59,560	\$ 41,642	\$ 17,918
Total community development	<u>\$ 388,551</u>	<u>\$ 390,552</u>	<u>\$ 398,877</u>	<u>\$ (8,325)</u>
Capital projects:				
County owned facilities	\$ 3,500	\$ 3,500	\$ 1,155	\$ 2,345
Pavilion grant	-	14,015	13,930	85
Fleeton/Callao Sewer project	40,000	40,000	-	40,000
New court facility	132,344	132,344	-	132,344
Total capital projects	<u>\$ 175,844</u>	<u>\$ 189,859</u>	<u>\$ 15,085</u>	<u>\$ 174,774</u>
Debt service:				
Principal retirement	\$ 1,217,205	\$ 1,217,205	\$ 1,217,205	\$ -
Interest and other fiscal charges	1,163,927	1,565,350	1,701,194	(135,844)
Total debt service	<u>\$ 2,381,132</u>	<u>\$ 2,782,555</u>	<u>\$ 2,918,399</u>	<u>\$ (135,844)</u>
Total General Fund	<u>\$ 23,262,322</u>	<u>\$ 23,553,677</u>	<u>\$ 22,187,048</u>	<u>\$ 1,366,629</u>
<b>Special Revenue Funds:</b>				
<b>Forfeited Assets Fund:</b>				
Public safety:				
Sheriff:				
Forfeited assets	\$ -	\$ -	\$ 16,620	\$ (16,620)
Total Forfeited Assets Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,620</u>	<u>\$ (16,620)</u>

County of Northumberland, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

**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>
<b>Special Revenue Funds: (Continued)</b>				
<b>Economic Development Fund:</b>				
Community Development:				
Economic Development:				
Economic development	\$ -	\$ -	\$ 500	\$ (500)
Total Economic Development Fund	\$ -	\$ -	\$ 500	\$ (500)
<b>Capital Projects Fund:</b>				
<b>County Capital Projects Fund:</b>				
Capital projects expenditures:				
Light street project	\$ 589,000	\$ 593,760	\$ 451,800	\$ 141,960
Construction projects	-	-	9,435	(9,435)
Total capital projects	\$ 589,000	\$ 593,760	\$ 461,235	\$ 132,525
Total County Capital Projects Fund	\$ 589,000	\$ 593,760	\$ 461,235	\$ 132,525
Total Primary Government	\$ 23,851,322	\$ 24,147,437	\$ 22,665,403	\$ 1,482,034
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration, health, and attendance	\$ 599,856	\$ 599,856	\$ 634,648	\$ (34,792)
Instruction costs	11,271,034	11,779,616	11,366,550	413,066
Pupil transportation	1,129,081	1,129,081	1,277,723	(148,642)
Operation and maintenance of school plant	1,487,899	1,487,899	1,629,256	(141,357)
Other operating costs	\$ 14,487,870	\$ 14,996,452	\$ 14,908,177	\$ 88,275
Total education	\$ 14,487,870	\$ 14,996,452	\$ 14,908,177	\$ 88,275
Capital projects:				
Capital Outlay	\$ 86,683	\$ 86,683	\$ 49,112	\$ 37,571
Debt service:				
Principal retirement	\$ 197,003	\$ -	\$ -	\$ -
Interest and other fiscal charges	255,194	50,774	-	50,774
Total debt service	\$ 452,197	\$ 50,774	\$ -	\$ 50,774
Total School Operating Fund	\$ 15,026,750	\$ 15,133,909	\$ 14,957,289	\$ 176,620
<b>Special Revenue Fund:</b>				
<b>School Cafeteria Fund:</b>				
Education:				
School food services:				
School food	\$ 534,394	\$ 534,394	\$ 600,748	\$ (66,354)
Commodities	-	-	28,819	(28,819)
Total school food services	\$ 534,394	\$ 534,394	\$ 629,567	\$ (95,173)
Total School Cafeteria Fund	\$ 534,394	\$ 534,394	\$ 629,567	\$ (95,173)
Total Discretely Presented Component Unit - School Board	\$ 15,561,144	\$ 15,668,303	\$ 15,586,856	\$ 81,447

*STATISTICAL INFORMATION*

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Table 1

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

Fiscal Year	General Government Administration										Interest on Long-Term Debt	Sanitary District	Total
	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Sanitary District	Interest on Long-Term Debt			
2002-03	\$ 998,389	\$ 427,647	\$ 2,122,218	\$ 763,472	\$ 1,488,152	\$ 6,788,667	\$ 124,754	\$ 260,126	\$ 172,120	\$ 334,898	\$ 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	343,489	298,574	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	435,471	259,361	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	554,693	227,386	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	641,660	1,757,383	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	725,364	1,906,293	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	787,029	1,860,565	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	799,163	1,805,133	19,391,652		
2010-11	1,449,612	1,885,783	3,112,797	1,239,359	2,113,100	10,152,027	160,000	356,559	804,516	1,747,492	23,021,245		
2011-12	1,575,956	809,001	3,192,554	1,197,769	2,108,697	9,613,564	160,000	866,569	805,077	1,681,962	22,011,149		

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General 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		
2010-11	534,321	2,948,734	-	15,295,156	1,693,183	232,707	245,832	1,430,443	22,380,376		
2011-12	561,706	2,605,285	560,885	15,443,129	1,731,687	182,448	170,499	1,379,120	22,634,759		

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
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
2010-11	1,449,459	750,685	3,183,692	1,258,125	2,110,973	14,929,147	160,000	365,561	2,945,797	27,153,439
2011-12	1,303,952	799,970	3,214,223	1,212,832	2,094,948	15,549,789	160,000	399,377	2,918,399	27,653,490

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

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

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
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
2010-11	15,151,420	1,693,183	138,534	23,951	232,690	251,972	353,815	115,436	9,935,375	27,896,376
2011-12	15,503,870	1,731,687	134,362	30,603	182,269	215,937	276,157	102,261	9,293,353	27,470,499

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent 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)		
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%	
2010-11	16,041,437	15,693,936	97.83%	256,693	15,950,629	99.43%	560,820	3.50%	
2011-12	16,275,738	15,971,392	98.13%	294,244	16,265,636	99.94%	561,257	3.45%	

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Machinery and Tools	Merchant's Capital	Public Utility (2)	Total
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
2010-11	3,047,497,890	106,808,354	2,688,648	5,243,876	36,317,490	3,198,556,258
2011-12	3,080,451,758	106,163,570	5,161,162	4,939,229	45,441,422	3,242,157,141

(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
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
2010-11	0.40	0.40	3.60	1.00	3.60
2011-12	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
2002-03	12,259	1,291,789,942	4,151,206	0.32%	339
2003-04	12,259	1,324,732,823	3,637,582	0.27%	297
2004-05	12,259	1,368,891,897	3,232,385	0.24%	264
2005-06	12,259	1,421,836,865	2,820,509	0.20%	230
2006-07	12,259	2,975,432,010	2,406,843	0.08%	196
2007-08	12,259	3,050,217,867	2,036,268	0.07%	166
2008-09	12,259	3,108,212,237	1,693,657	0.05%	138
2009-10	12,330	3,153,800,073	1,353,874	0.04%	110
2010-11	12,330	3,198,556,258	1,006,775	0.03%	82
2011-12	12,330	3,242,157,141	615,000	0.02%	50

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

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

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

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

*COMPLIANCE*

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## 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*

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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, 2012, which collectively comprise the County of Northumberland, Virginia's basic financial statements and have issued our report thereon dated January 22, 2013. 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*

Management of County of Northumberland, Virginia is responsible for establishing and maintaining effective 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 (2012-01).

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 management of the County of Northumberland, Virginia, in a separate letter dated January 22, 2013.

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 "R. F. Clark", followed by a horizontal line extending to the right.

Richmond, Virginia  
January 22, 2013

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' 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

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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, 2012. 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, 2012.

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 22, 2013

County of Northumberland, Virginia  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Department of Health and Human Services:</b>			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 11,604
Temporary Assistance for Needy Families	93.558	0400109/0400110	92,240
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	266
Low-income Home Energy Assistance	93.568	0600409/00600410	10,655
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	0770109/0770110	39,815
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	21,628
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/090110	267
Foster Care - Title IV-E	93.658	1100109/1100110	80,516
Adoption Assistance	93.659	1120109/11201110	30,758
Social Services Block Grant	93.667	1000109/1000110	65,028
Chafee Foster Care Independence Program	93.674	9150109/9150110	1,477
Children's Health Insurance Program	93.767	0540109/0540110	4,638
Medical Assistance Program	93.778	1200109/1200110	97,905
Total Department of Health and Human Services			<u>\$ 456,797</u>
<b>Department of Homeland Security:</b>			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	7760200-155	\$ 86,686
Emergency Management Performance Grants	97.042	7750100-52741	6,000
Total Department of Homeland Security			<u>\$ 92,686</u>
<b>Department of Housing and Urban Development:</b>			
Pass Through Payments:			
<i>Department of Housing and Community Development:</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	53305-50799	\$ 419,244
<b>Department of Defense:</b>			
Direct payments:			
Jr ROTC	12.xxx	N/A	\$ 62,835
<b>Department of Transportation:</b>			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and Community Highway Safety	20.600	60507-50159/59255	\$ 19,300

County of Northumberland, Virginia  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Department of Agriculture:</b>			
Direct Payments:			
Rural Business Enterprise Grants	10.769	N/A	\$ 54,955
Total Department of Agriculture - direct payments			<u>\$ 54,955</u>
Pass Through Payments:			
Child Nutrition Cluster:			
<i>Department of Agriculture:</i>			
Summer Food Service Program for Children	10.559	17901-40591	\$ 12,222
Food Distribution	10.555	17901-45707	\$ 28,480
<i>Department of Education:</i>			
National school lunch program	10.555	17901-40623	<u>278,368</u>
School breakfast program	10.553	17901-40591	306,848
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/0010110	<u>161,466</u>
Total Department of Agriculture - pass-through payments			<u>\$ 577,303</u>
Total Department of Agriculture			<u>\$ 632,258</u>
<b>Department of Education:</b>			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 546,266
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071	75,000
ARRA - Special Education - Grants to States	84.391	17901-61245	44,904
Career and Technical Education - Basic Grants to States	84.048	17901-61095	33,389
Safe and Drug-Free Schools and Communities - State Grants	84.186	17901-60511	6,748
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	17901-62532	68,266
Improving Teacher Quality State Grants	84.367	17901-61480	38,680
ARRA - Education Jobs Fund	84.410	17901-62700	<u>179,650</u>
Total Department of Education			<u>\$ 992,903</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,676,023</u></u>

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, 2012

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Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Northumberland, Virginia under programs of the federal government for the year ended June 30, 2012. 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 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 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 3 - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received or disbursed.

Note 4 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 785,204
Capital Projects Funds:	
County Capital Projects Fund	419,244
Total primary government	\$ 1,204,448
Component Unit School Board:	
School Operating Fund	\$ 1,442,756
School Cafeteria Fund	28,819
Total component unit School Board	\$ 1,471,575
Total federal expenditures per basic financial statements	\$ 2,676,023
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 2,676,023

County of Northumberland, Virginia  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2012

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**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>
84.410	ARRA Education Jobs Fund
84.010	Title I, Grants to Local Educational Agencies
14.228	Community Development Block Grants/ State's Program and non-Entitlement Grants in Hawaii
10.553/10.555/10.559	Child Nutrition 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, 2012

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**Section II-Financial Statement Findings**

2012-01

Financial Reporting

**Criteria:** Internal controls should be in place that provides assurance that audited financial statements reconcile to the County's internal documents.

**Condition:** Inadequate internal controls over financial statement reporting.

**Effect of Condition:** Audited financial statements, including related footnotes, may contain an undetected material misstatement.

**Cause of Condition:** 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 FY13.

**Section III-Federal Award Findings and Questioned Costs**

None

County of Northumberland, Virginia  
Schedule of Prior Findings and Questioned Costs  
For the Year Ended June 30, 2012

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2011-1

Financial Reporting:

Condition:	Inadequate internal controls over the preparation of the financial statements being audited.
Criteria:	Internal controls should be in place that provide assurance that the audited financial statements are materially correct.
Effect:	Audited financial statements, including the related footnotes, may contain an undetected material misstatement.
Corrective Action:	Not Available