

COUNTY *of* CUMBERLAND VIRGINIA

F O U N D E D • 1 7 4 9

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

County of Cumberland, Virginia

Financial Report

Year Ended June 30, 2010

County of Cumberland, Virginia

Financial Report
June 30, 2010

BOARD OF SUPERVISORS

Timothy Kennell, Chair
Elbert Womack, Vice Chair
Van Petty,
William F. Osl, Jr.
Robert Oertel

COUNTY SCHOOL BOARD

Dr. Christine Ross, Chairman

Doris Seal
Ginger Sanderson

George Lee Dowdy
George Reid, Jr.

OTHER OFFICIALS

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

Richard S. Blanton, Jr.
Leslie Osborn
Joel C. Cunningham
Carol Ownby
Robert G. Woodson, Jr.
Marvin Dunkun
Patricia D. Scales
Anita H. French
L.O. Pfeiffer, Jr.
Darrell Hodges
Jim Thornton
Karen Blackwell
Judy Ownby

COUNTY OF CUMBERLAND, VIRGINIA

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Year Ended June 30, 2010

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

**The Honorable Members of
The Board of Supervisors
County of Cumberland, Virginia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Cumberland, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Cumberland, 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 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 units, each major fund, and the aggregate remaining fund information of the County of Cumberland, Virginia, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2010, on our consideration of the County of Cumberland, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Cumberland, Virginia's basic financial statements. The combining and individual fund financial statements, supporting schedules and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Cumberland, Virginia. The combining and individual fund financial statements, supporting schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
September 20, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the Board of Supervisors
To the Citizens of Cumberland County
County of Cumberland, Virginia

As management of the County of Cumberland, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2010.

Financial Highlights

Government-wide Financial Statements

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$6,859,603 (net assets).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other financing (uses) in excess of revenues by \$414,302 (Exhibit 4). General Fund contributions to the School Board totaled \$3,712,387 for the current fiscal year.

- As of the close of the current fiscal year; the County's governmental funds reported ending fund balances of \$3,055,698 a decrease of \$414,302 in comparison with the prior year.
- At the end of the current fiscal year, unreserved undesignated fund balance for the general fund was \$1,710,253 or 11% of total general fund expenditures.
- Our combined long-term obligations decreased \$1,474,797 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements 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.

Overview of the Financial Statements: (Continued)

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 Cumberland, Virginia itself (known as the primary government), but also a legally separate school district and a service authority for which the County of Cumberland, Virginia is financially accountable. Financial information for these component units 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 Cumberland, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds—Governmental funds are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided 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 three major governmental funds—the General Fund, the County Capital Projects Fund, and the School 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 Sewer Fund provides a centralized source for sewer services to County residents.

The Water Fund provides a centralized source for water 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.

Overview of the Financial Statements: (Continued)

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

Other information—In addition to the basic financial 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 units - School Board and IDA. The School Board and IDA do 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 \$5,142,427 at the close of the most recent fiscal year.

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Current and other assets | \$ 4,162,227 | \$ 4,870,757 | \$ 441,200 | \$ 483,827 | \$ 4,603,427 | \$ 5,354,584 |
| Capital assets | <u>38,960,408</u> | <u>41,328,662</u> | <u>8,139,928</u> | <u>8,355,937</u> | <u>47,100,336</u> | <u>49,684,599</u> |
| Total assets | <u>\$ 43,122,635</u> | <u>\$ 46,199,419</u> | <u>\$ 8,581,128</u> | <u>\$ 8,839,764</u> | <u>\$ 51,703,763</u> | <u>\$ 55,039,183</u> |
| Long-term liabilities outstanding | \$ 42,425,576 | \$ 39,348,497 | \$ 1,523,812 | \$ 1,557,267 | \$ 43,949,388 | \$ 40,905,764 |
| Current liabilities | <u>2,515,318</u> | <u>7,232,124</u> | <u>43,930</u> | <u>41,692</u> | <u>2,559,248</u> | <u>7,273,816</u> |
| Total liabilities | <u>\$ 44,940,894</u> | <u>\$ 46,580,621</u> | <u>\$ 1,567,742</u> | <u>\$ 1,598,959</u> | <u>\$ 46,508,636</u> | <u>\$ 48,179,580</u> |
| Net assets: | | | | | | |
| Invested in capital , assets net of related debt | \$ 523,813 | \$ 1,438,828 | \$ 6,580,651 | \$ 6,766,555 | \$ 7,104,464 | \$ 8,205,383 |
| Restricted | 776,401 | 786,223 | - | - | 776,401 | 786,223 |
| Unrestricted | <u>(3,171,173)</u> | <u>(2,606,253)</u> | <u>432,735</u> | <u>474,250</u> | <u>(2,738,438)</u> | <u>(2,132,003)</u> |
| Total net assets | <u>\$ (1,870,959)</u> | <u>\$ (381,202)</u> | <u>\$ 7,013,386</u> | <u>\$ 7,240,805</u> | <u>\$ 5,142,427</u> | <u>\$ 6,859,603</u> |

The County's net assets decreased \$1,717,176 during the current fiscal year.

Overview of the Financial Statements: (Continued)

Government-wide Financial Analysis: (Continued)

Governmental Activities—Governmental activities decreased the County's net assets by \$1,489,757. Key elements of this decrease are as follows:

County of Cumberland, Virginia's Changes in Net Assets For the Years Ended June 30, 2010 and 2009

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|----------------------------|----------------|-----------------------------|--------------|----------------|----------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 773,847 | \$ 224,623 | \$ 355,807 | \$ 310,333 | \$ 1,129,654 | \$ 534,956 |
| Operating grants and contributions | 2,528,839 | 2,452,522 | - | 27,345 | 2,528,839 | 2,479,867 |
| Capital grants and contributions | 2,076,773 | 618,820 | - | - | 2,076,773 | 618,820 |
| General revenues: | | | | | | |
| General property taxes | 7,390,476 | 6,989,867 | - | - | 7,390,476 | 6,989,867 |
| Other local taxes | 1,363,354 | 1,321,181 | - | - | 1,363,354 | 1,321,181 |
| Grants and other contributions not restricted | 1,020,737 | 928,274 | - | - | 1,020,737 | 928,274 |
| Other general revenues | 198,934 | 275,334 | 2,397 | 9,138 | 201,331 | 284,472 |
| Total revenues | \$ 15,352,960 | \$ 12,810,621 | \$ 358,204 | \$ 346,816 | \$ 15,711,164 | \$ 13,157,437 |
| Expenses: | | | | | | |
| General government administration | \$ 1,581,085 | \$ 1,556,822 | \$ - | \$ - | \$ 1,581,085 | \$ 1,556,822 |
| Judicial administration | 438,445 | 425,338 | - | - | 438,445 | 425,338 |
| Public safety | 2,186,375 | 2,354,306 | - | - | 2,186,375 | 2,354,306 |
| Public works | 1,445,732 | 1,212,922 | - | - | 1,445,732 | 1,212,922 |
| Health and welfare | 1,907,322 | 2,080,940 | - | - | 1,907,322 | 2,080,940 |
| Education | 6,066,332 | 6,339,648 | - | - | 6,066,332 | 6,339,648 |
| Parks, recreation, and cultural | 177,854 | 190,112 | - | - | 177,854 | 190,112 |
| Community development | 427,487 | 746,629 | - | - | 427,487 | 746,629 |
| Interest and other fiscal charges | 2,535,022 | 2,141,701 | - | - | 2,535,022 | 2,141,701 |
| Sewer | - | - | 419,816 | 353,001 | 419,816 | 353,001 |
| Water | - | - | 242,870 | 257,001 | 242,870 | 257,001 |
| Total expenses | \$ 16,765,654 | \$ 17,048,418 | \$ 662,686 | \$ 610,002 | \$ 17,428,340 | \$ 17,658,420 |
| Increase(decrease) in net assets before transfers | \$ (1,412,694) | \$ (4,237,797) | \$ (304,482) | \$ (263,186) | \$ (1,717,176) | \$ (4,500,983) |
| Transfers | (77,063) | (64,221) | 77,063 | 64,221 | - | - |
| Change in net assets | \$ (1,489,757) | \$ (4,302,018) | \$ (227,419) | \$ (198,965) | \$ (1,717,176) | \$ (4,500,983) |
| Net assets, July 1, 2009 | (381,202) | 3,920,816 | 7,240,805 | 7,439,770 | 6,859,603 | 11,360,586 |
| Net assets, June 30, 2010 | \$ (1,870,959) | \$ (381,202) | \$ 7,013,386 | \$ 7,240,805 | \$ 5,142,427 | \$ 6,859,603 |

Overview of the Financial Statements: (Continued)

Government-wide Financial Analysis: (Continued)

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

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$3,055,698, a decrease of \$414,302 in comparison with the prior year. Approximately 43% of this total amount constitutes unreserved undesignated fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that is not available for new spending because it has already been committed:

Proprietary funds

The County's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$1,193,327 and can be briefly summarized as follows:

- \$861,533 in increases for debt service
- \$227,109 in increases for public safety
- \$107,882 in increases for health and welfare

Of this increase, \$261,349 was to be funded from state and federal revenues and \$417,235 from increases in general property taxes. The remaining \$678,784 was to be budgeted from available fund balance and other revenue increases.

Capital Asset and Debt Administration

- Capital assets—The County's investment in capital assets for its governmental and enterprise operations as of June 30, 2010 totals \$47,100,336 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. During the year the County sold the Community Center for \$2,000,000.

Capital Asset and Debt Administration: (Continued)

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

Long-term debt—At the end of the current fiscal year, the County had total bonded debt outstanding of \$45,229,792. Of this amount \$43,674,733 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., revenue bonds).

The County's total debt decreased \$1,486,742 during the current fiscal year. During the year the County obtained permanent financing with VACO/VML in the amount of \$5,000,000 and is repaying this over 20 years at 3.3975%.

Additional information on the County of Cumberland, Virginia's long-term debt can be found in Note 10 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the County was 8.4 percent in July 2010, which is an increase from the rate of 7.5 percent a year ago. This compares unfavorably to the state's average unemployment rate of 7.1 percent and favorably to the national rate of 9.7 percent.

- Inflationary trends in the region compare favorably to national indices.

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

The fiscal year 2011 General Fund's budget decreased from \$13,351,898 to \$13,267,820. The real estate and mobile home tax rate increased from \$.59 to \$.70 while the personal property rate increased from \$4.40 to \$4.50 and the personal property for emergency services increased from \$2.20 to \$4.50. Other tax rates remained the same.

Requests for Information

This financial report is designed to provide a general overview of the County of Cumberland, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, P.O. Box 110, Cumberland, Virginia 23040.

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
At June 30, 2010

| | Primary Government | | | Component Units | |
|---|---------------------------------|----------------------------------|---------------|-----------------|--------------|
| | Govern- mental Activities | Business - Type Activities | Total | School Board | IDA |
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 1,312,203 | \$ 500,779 | \$ 1,812,982 | \$ 745,762 | \$ 1,704 |
| Restricted assets | 776,401 | - | 776,401 | - | - |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Property taxes | 1,051,605 | - | 1,051,605 | - | - |
| Accounts receivable | 64,437 | 10,421 | 74,858 | - | - |
| Notes receivable | - | - | - | - | 177,777 |
| Due from component units | 456,206 | - | 456,206 | - | - |
| Due from other governments | 431,375 | - | 431,375 | 319,734 | - |
| Internal balances | 70,000 | (70,000) | - | - | - |
| Total Current Assets | \$ 4,162,227 | \$ 441,200 | \$ 4,603,427 | \$ 1,065,496 | \$ 179,481 |
| Noncurrent Assets: | | | | | |
| Capital assets: | | | | | |
| Land | \$ 142,089 | \$ 22,458 | \$ 164,547 | \$ 121,421 | \$ 338,444 |
| Construction in progress | 281,098 | 72,871 | 353,969 | - | - |
| Buildings and equipment, net of depreciation | 38,537,221 | 8,044,599 | 46,581,820 | 7,630,161 | 1,661,556 |
| Total Noncurrent Assets | \$ 38,960,408 | \$ 8,139,928 | \$ 47,100,336 | \$ 7,751,582 | \$ 2,000,000 |
| Total Assets | \$ 43,122,635 | \$ 8,581,128 | \$ 51,703,763 | \$ 8,817,078 | \$ 2,179,481 |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 58,512 | \$ 8,465 | \$ 66,977 | \$ 710,583 | \$ - |
| Due to primary government | - | - | - | 278,429 | 177,777 |
| Unearned revenue | 112,502 | - | 112,502 | - | - |
| Accrued interest payable | 470,499 | - | 470,499 | - | - |
| Long-term liabilities: | | | | | |
| Due within one year | 1,926,505 | 35,465 | 1,961,970 | 93,157 | 20,256 |
| Due in more than one year | 43,289,533 | 1,523,812 | 44,813,345 | 1,683,375 | 1,976,448 |
| Total Liabilities | \$ 45,857,551 | \$ 1,567,742 | \$ 47,425,293 | \$ 2,765,544 | \$ 2,174,481 |
| DEFERRED OUTFLOW OF RESOURCES | (863,957) | - | (863,957) | - | - |
| Total Liabilities Net of Deferred Outflow of Resources | \$ 44,993,594 | \$ 1,567,742 | \$ 46,561,336 | \$ 2,765,544 | \$ 2,174,481 |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | \$ 523,813 | \$ 6,580,651 | \$ 7,104,464 | \$ 6,352,071 | \$ 4,116 |
| Restricted for: | | | | | |
| Debt Service | 776,401 | - | 776,401 | - | - |
| Unrestricted assets | (3,171,173) | 432,735 | (2,738,438) | (300,537) | 884 |
| Total Net Assets | \$ (1,870,959) | \$ 7,013,386 | \$ 5,142,427 | \$ 6,051,534 | \$ 5,000 |
| Total Liabilities and Net Assets | \$ 43,122,635 | \$ 8,581,128 | \$ 51,703,763 | \$ 8,817,078 | \$ 2,179,481 |

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

COUNTY OF CUMBERLAND, VIRGINIA

Statement of Activities
Year Ended June 30, 2010

| Functions/Programs | Expenses | Program Revenues | | |
|--|----------------------|----------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT: | | | | |
| Governmental activities: | | | | |
| General government administration | \$ 1,581,085 | \$ 660 | \$ 214,288 | \$ - |
| Judicial administration | 438,445 | 157,939 | 214,647 | - |
| Public safety | 2,186,375 | 101,549 | 685,994 | - |
| Public works | 1,445,732 | 508,135 | 29,593 | 80,733 |
| Health and welfare | 1,907,322 | - | 1,384,204 | - |
| Education | 6,066,332 | - | - | 1,988,500 |
| Parks, recreation, and cultural | 177,854 | 4,364 | - | - |
| Community development | 427,487 | 1,200 | - | 7,540 |
| Interest on long-term debt | 2,535,022 | - | - | - |
| Total governmental activities | <u>\$ 16,765,654</u> | <u>\$ 773,847</u> | <u>\$ 2,528,726</u> | <u>\$ 2,076,773</u> |
| Business-type activities: | | | | |
| Sewer | \$ 419,816 | \$ 247,946 | \$ - | \$ - |
| Water | 242,870 | 107,861 | - | - |
| Total business-type activities | <u>\$ 662,686</u> | <u>\$ 355,807</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total primary government | <u>\$ 17,428,340</u> | <u>\$ 1,129,654</u> | <u>\$ 2,528,726</u> | <u>\$ 2,076,773</u> |
| COMPONENT UNITS: | | | | |
| School Board | \$ 19,373,863 | \$ 253,037 | \$ 12,902,161 | \$ - |
| IDA | 13,744 | - | - | - |
| Total component units | <u>\$ 19,387,607</u> | <u>\$ 253,037</u> | <u>\$ 12,902,161</u> | <u>\$ -</u> |
| General revenues: | | | | |
| General property taxes | | | | |
| Local sales and use taxes | | | | |
| Communication taxes | | | | |
| Consumers' utility taxes | | | | |
| Motor vehicle licenses | | | | |
| Business license taxes | | | | |
| E-911 taxes | | | | |
| Other local taxes | | | | |
| Unrestricted revenues from use of money and property | | | | |
| Miscellaneous | | | | |
| Grants and contributions not restricted to specific programs | | | | |
| IDA contribution to County | | | | |
| County contribution to School Board | | | | |
| Transfers | | | | |
| Change in net assets | | | | |
| Net assets - beginning | | | | |
| Net assets - ending | | | | |

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

| Changes in Net Assets | | | | | |
|---|---------------------------------|------------------------|-----------------------|--------------------|--|
| Net (Expense) Revenue and Changes in Net Assets | | | | | |
| Primary Government | | | Component Units | | |
| Governmental Activities | Business- Type Activities | Total | School Board | IDA | |
| \$ (1,366,137) | \$ - | \$ (1,366,137) | \$ - | \$ - | |
| (65,859) | - | (65,859) | - | - | |
| (1,398,832) | - | (1,398,832) | - | - | |
| (827,271) | - | (827,271) | - | - | |
| (523,118) | - | (523,118) | - | - | |
| (4,077,832) | - | (4,077,832) | - | - | |
| (173,490) | - | (173,490) | - | - | |
| (418,747) | - | (418,747) | - | - | |
| (2,535,022) | - | (2,535,022) | - | - | |
| <u>\$ (11,386,308)</u> | <u>\$ -</u> | <u>\$ (11,386,308)</u> | <u>\$ -</u> | <u>\$ -</u> | |
| \$ - | \$ (171,870) | \$ (171,870) | \$ - | \$ - | |
| - | (135,009) | (135,009) | - | - | |
| <u>\$ -</u> | <u>\$ (306,879)</u> | <u>\$ (306,879)</u> | <u>\$ -</u> | <u>\$ -</u> | |
| <u>\$ (11,386,308)</u> | <u>\$ (306,879)</u> | <u>\$ (11,693,187)</u> | <u>\$ -</u> | <u>\$ -</u> | |
| \$ - | \$ - | \$ - | \$ (6,218,665) | \$ - | |
| - | - | - | - | (13,744) | |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (6,218,665)</u> | <u>\$ (13,744)</u> | |
| \$ 7,390,476 | \$ - | \$ 7,390,476 | \$ - | \$ - | |
| 396,368 | - | 396,368 | - | - | |
| 400,643 | - | 400,643 | - | - | |
| 153,640 | - | 153,640 | - | - | |
| 223,414 | - | 223,414 | - | - | |
| 115,804 | - | 115,804 | - | - | |
| 1,893 | - | 1,893 | - | - | |
| 71,592 | - | 71,592 | - | - | |
| 59,441 | 2,397 | 61,838 | - | 10,616 | |
| 136,590 | - | 136,590 | 420,428 | - | |
| 1,020,737 | - | 1,020,737 | - | - | |
| 3,016 | - | 3,016 | - | 8,128 | |
| - | - | - | 4,938,479 | - | |
| (77,063) | 77,063 | - | - | - | |
| <u>\$ (1,489,757)</u> | <u>\$ (227,419)</u> | <u>\$ (1,717,176)</u> | <u>\$ (859,758)</u> | <u>\$ 5,000</u> | |
| (381,202) | 7,240,805 | 6,859,603 | 6,911,292 | - | |
| <u>\$ (1,870,959)</u> | <u>\$ 7,013,386</u> | <u>\$ 5,142,427</u> | <u>\$ 6,051,534</u> | <u>\$ 5,000</u> | |

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Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2010

| | General | County Capital Projects | Total Governmental Funds |
|--|---------------------|-------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,012,467 | \$ 299,736 | \$ 1,312,203 |
| Restricted assets | 776,401 | - | 776,401 |
| Receivables (Net of allowance for uncollectibles): | | | |
| Taxes, including penalties | 1,051,605 | - | 1,051,605 |
| Accounts receivable | 64,437 | - | 64,437 |
| Due from component units | 456,206 | - | 456,206 |
| Due from other funds | 70,000 | - | 70,000 |
| Due from other governmental units | 406,375 | 25,000 | 431,375 |
| Total | <u>\$ 3,837,491</u> | <u>\$ 324,736</u> | <u>\$ 4,162,227</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 58,376 | \$ 136 | \$ 58,512 |
| Deferred revenue | 1,048,017 | - | 1,048,017 |
| Total liabilities | <u>\$ 1,106,393</u> | <u>\$ 136</u> | <u>\$ 1,106,529</u> |
| FUND BALANCES | | | |
| Reserved: | | | |
| Advance to IDA | \$ 244,444 | \$ - | \$ 244,444 |
| Unreserved: | | | |
| Designated: | | | |
| Debt service | 776,401 | - | 776,401 |
| Capital projects | - | 324,600 | 324,600 |
| Undesignated | 1,710,253 | - | 1,710,253 |
| Total fund balances | <u>\$ 2,731,098</u> | <u>\$ 324,600</u> | <u>\$ 3,055,698</u> |
| Total liabilities and fund balances | <u>\$ 3,837,491</u> | <u>\$ 324,736</u> | <u>\$ 4,162,227</u> |

Detailed explanation of adjustments from fund statements to government-wide statement of net assets:

Total Fund Balances per Balance Sheet \$ 3,055,698

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the County as a whole. \$ 38,960,408

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (470,499)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance. 935,515

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net assets. (44,352,081)

Net assets of general government activities \$ (1,870,959)

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

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2010

| | General | County Capital Projects | Total Governmental Funds |
|--|----------------|-------------------------------|--------------------------------|
| Revenues: | | | |
| General property taxes | \$ 7,348,317 | \$ - | \$ 7,348,317 |
| Other local taxes | 1,363,354 | - | 1,363,354 |
| Permits, privilege fees and regulatory licenses | 59,063 | - | 59,063 |
| Fines and forfeitures | 113,623 | - | 113,623 |
| Revenue from use of money and property | 58,300 | 1,141 | 59,441 |
| Charges for services | 601,161 | - | 601,161 |
| Miscellaneous | 26,590 | 110,000 | 136,590 |
| Intergovernmental: | | | |
| IDA contribution to County | 3,016 | - | 3,016 |
| School Board contribution to County | 98,223 | - | 98,223 |
| Commonwealth | 2,886,248 | 25,000 | 2,911,248 |
| Federal | 663,215 | 63,273 | 726,488 |
| Total revenues | \$ 13,221,110 | \$ 199,414 | \$ 13,420,524 |
| Expenditures: | | | |
| Current: | | | |
| General government administration | \$ 1,511,818 | \$ 75,048 | \$ 1,586,866 |
| Judicial administration | 348,507 | - | 348,507 |
| Public safety | 2,008,047 | 28,494 | 2,036,541 |
| Public works | 1,351,732 | 100,167 | 1,451,899 |
| Health and welfare | 1,923,523 | - | 1,923,523 |
| Education | 3,715,096 | 233,275 | 3,948,371 |
| Parks, recreation, and cultural | 175,255 | - | 175,255 |
| Community development | 414,839 | 28,446 | 443,285 |
| Nondepartmental | 67,912 | - | 67,912 |
| Debt service: | | | |
| Principal retirement | 1,653,239 | - | 1,653,239 |
| Interest and other fiscal charges | 2,287,120 | 23,745 | 2,310,865 |
| Total expenditures | \$ 15,457,088 | \$ 489,175 | \$ 15,946,263 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (2,235,978) | \$ (289,761) | \$ (2,525,739) |
| Other financing sources (uses): | | | |
| Transfers in | \$ 328,645 | \$ 76,820 | \$ 405,465 |
| Retirement of VACO / VML note | (4,800,000) | - | (4,800,000) |
| Sale of property | 1,988,500 | - | 1,988,500 |
| Issuance of long-term debt | 5,000,000 | - | 5,000,000 |
| Transfers (out) | (76,820) | (405,708) | (482,528) |
| Total other financing sources (uses) | \$ 2,440,325 | \$ (328,888) | \$ 2,111,437 |
| Net change in fund balances | \$ 204,347 | \$ (618,649) | \$ (414,302) |
| Fund balances at beginning of year | 2,526,751 | 943,249 | 3,470,000 |
| Fund balances at end of year | \$ 2,731,098 | \$ 324,600 | \$ 3,055,698 |

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Year Ended June 30, 2010

| | | <u>Primary Government Governmental Funds</u> |
|---|--------------------|--|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net change in fund balances - total governmental funds | \$ | (414,302) |
| 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 details support this adjustment. | | |
| Capital outlay | \$ 230,007 | |
| Depreciation expense | <u>(1,273,946)</u> | (1,043,939) |
| Transfer of joint tenancy assets from Primary Government to the Component Unit | | (1,324,315) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of deferred taxes. | | 42,159 |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items the treatment of long-term debt and related items. A summary of items supporting this adjustment is as follows: | | |
| Principal retired on note payable and general obligation bonds | \$ 6,209,076 | |
| Issuance of note payable | (5,000,000) | |
| Principal retired on state literary fund loans | <u>244,163</u> | 1,453,239 |
| 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: | | |
| Change in accrued leave | \$ 21,557 | |
| Change in interest payable | <u>(224,156)</u> | (202,599) |
| Change in net assets of governmental activities | \$ | <u>(1,489,757)</u> |

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

Statement of Net Assets - Proprietary Funds
At June 30, 2010

| | <u>Sewer Fund</u> | <u>Water Fund</u> | <u>Totals</u> |
|---|----------------------------|----------------------------|----------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 146,636 | \$ 354,143 | \$ 500,779 |
| Accounts receivable | <u>7,972</u> | <u>2,449</u> | <u>10,421</u> |
| Total current assets | <u>\$ 154,608</u> | <u>\$ 356,592</u> | <u>\$ 511,200</u> |
| Noncurrent assets: | | | |
| Capital Assets: | | | |
| Land | \$ 22,458 | \$ - | \$ 22,458 |
| Construction in progress | - | 72,871 | 72,871 |
| Buildings and equipment, net of depreciation | <u>4,458,719</u> | <u>3,585,880</u> | <u>8,044,599</u> |
| Total noncurrent assets | <u>\$ 4,481,177</u> | <u>\$ 3,658,751</u> | <u>\$ 8,139,928</u> |
| Total Assets | <u><u>\$ 4,635,785</u></u> | <u><u>\$ 4,015,343</u></u> | <u><u>\$ 8,651,128</u></u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 8,214 | \$ 251 | \$ 8,465 |
| Due to other funds | 70,000 | - | 70,000 |
| Current portion of long-term obligations | <u>35,465</u> | <u>-</u> | <u>35,465</u> |
| Total current liabilities | <u>\$ 113,679</u> | <u>\$ 251</u> | <u>\$ 113,930</u> |
| Noncurrent liabilities: | | | |
| Noncurrent portion of long-term obligations | <u>\$ 1,523,812</u> | <u>\$ -</u> | <u>\$ 1,523,812</u> |
| Total Liabilities | <u>\$ 1,637,491</u> | <u>\$ 251</u> | <u>\$ 1,637,742</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | \$ 2,922,720 | \$ 3,658,751 | \$ 6,580,651 |
| Unrestricted assets | <u>75,574</u> | <u>356,341</u> | <u>432,735</u> |
| Total Net Assets | <u>\$ 2,998,294</u> | <u>\$ 4,015,092</u> | <u>\$ 7,013,386</u> |
| Total Liabilities and Net Assets | <u><u>\$ 4,635,785</u></u> | <u><u>\$ 4,015,343</u></u> | <u><u>\$ 8,651,128</u></u> |

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

Statement of Revenues, Expenses and Changes in Net Assets -
 Proprietary Funds
 Year Ended June 30, 2010

| | Sewer Fund | Water Fund | Totals |
|--|---------------|---------------|--------------|
| Operating revenues: | | | |
| Charges for services | \$ 247,946 | \$ 107,861 | \$ 355,807 |
| Total revenues | \$ 247,946 | \$ 107,861 | \$ 355,807 |
| Operating expenses: | | | |
| Salaries | \$ 48,436 | \$ 66,262 | \$ 114,698 |
| Fringe benefits | 14,680 | 23,278 | 37,958 |
| Contracted services | 5,227 | 2,839 | 8,066 |
| Other operating expenses | 97,146 | 44,578 | 141,724 |
| Depreciation | 183,212 | 105,913 | 289,125 |
| Total operating expenses | \$ 348,701 | \$ 242,870 | \$ 591,571 |
| Operating income (loss) | \$ (100,755) | \$ (135,009) | \$ (235,764) |
| Non-operating revenues (expenses): | | | |
| Interest income | \$ 545 | \$ 1,852 | \$ 2,397 |
| Interest expense | (71,115) | - | (71,115) |
| Total nonoperating revenues (expenses) | \$ (70,570) | \$ 1,852 | \$ (68,718) |
| Income (loss) before contributions and transfers | \$ (171,325) | \$ (133,157) | \$ (304,482) |
| Transfers in | 68,413 | 8,650 | 77,063 |
| Change in net assets | \$ (102,912) | \$ (124,507) | \$ (227,419) |
| Net assets at beginning of year | 3,101,206 | 4,139,599 | 7,240,805 |
| Net assets at end of year | \$ 2,998,294 | \$ 4,015,092 | \$ 7,013,386 |

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

Statement of Cash Flows -
 Proprietary Funds
 Year Ended June 30, 2010

| | Sewer Fund | Water Fund | Totals |
|---|---------------|---------------|--------------|
| Cash flows from operating activities: | | | |
| Receipts from customers and users | \$ 249,917 | \$ 109,662 | \$ 359,579 |
| Payments for salaries and fringe benefits | (59,718) | (89,540) | (149,258) |
| Payments for operating activities | (103,511) | (47,391) | (150,902) |
| Net cash provided by (used in) operating activities | \$ 86,688 | \$ (27,269) | \$ 59,419 |
| Cash flows from capital and related financing activities: | | | |
| Retirement of indebtedness | \$ (33,503) | \$ - | \$ (33,503) |
| Purchase of capital assets | (64,466) | (8,650) | (73,116) |
| Interest paid on loans | (71,115) | - | (71,115) |
| Net cash provided by (used in) capital and related financing activities | \$ (169,084) | \$ (8,650) | \$ (177,734) |
| Cash flows from noncapital financing activities: | | | |
| Transfers in | \$ 68,413 | \$ 8,650 | \$ 77,063 |
| Net cash provided by (used in) noncapital financing activities | \$ 68,413 | \$ 8,650 | \$ 77,063 |
| Cash flows from investing activities: | | | |
| Interest earned | \$ 545 | \$ 1,852 | \$ 2,397 |
| Net cash provided by (used in) investing activities | \$ 545 | \$ 1,852 | \$ 2,397 |
| Increase (decrease) in cash and cash equivalents | \$ (13,438) | \$ (25,417) | \$ (38,855) |
| Cash and cash equivalents at beginning of year | 160,074 | 379,560 | 539,634 |
| Cash and cash equivalents at end of year | \$ 146,636 | \$ 354,143 | \$ 500,779 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Operating income (loss) | \$ (100,755) | \$ (135,009) | \$ (235,764) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operations: | | | |
| Depreciation | 183,212 | 105,913 | 289,125 |
| Changes in operating assets and liabilities: | | | |
| (Increase)/decrease in accounts receivable | 1,971 | 1,801 | 3,772 |
| Increase/(decrease) in accounts payable and accrued expenses | 2,260 | 26 | 2,286 |
| Net cash provided by (used in) operating activities | \$ 86,688 | \$ (27,269) | \$ 59,419 |

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

Statement of Fiduciary Net Assets
At June 30, 2010

| | <u>Agency Funds</u> |
|---------------------------|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ <u>594,592</u> |
| LIABILITIES | |
| Amounts held for others | \$ <u>594,592</u> |

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

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Financial Statements As of June 30, 2010

Note 1—Summary of Significant Accounting Policies:

The County of Cumberland, Virginia was formed in 1749 and it is governed by an elected five member Board of Supervisors. The Board of Supervisors is responsible for appointing the County Administrator. The County provides a full range of services for its citizens. These services include police and volunteer fire protection; sanitation services; recreational activities; cultural events; education and social services.

The financial statements of the County of Cumberland, 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.

Financial Statement Presentation

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

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, 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 units. 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.

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).

COUNTY OF CUMBERLAND, VIRGINIA

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many government's revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget, final budget and actual results.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for 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 Cumberland, Virginia (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.

Blended Component Units—The County has no blended component units.

Discretely Presented Component Units—The School Board members are appointed by a School Board Selection Committee whose members are appointed by the Circuit Court and are responsible for the operations of the County's School System. 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 and does not have separate taxing powers. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2010.

COUNTY OF CUMBERLAND, VIRGINIA

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

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

B. Individual Component Unit Disclosures

The Industrial Development Authority of Cumberland County was established to promote industry and develop trade by inducing manufacturing, industrial government, and commercial enterprises to locate in Cumberland County. The Authority draws its corporate powers from the Virginia Code section 15.1-1376 which defines it as a body corporate. The Authority consists of 7 directors all of which are appointed by the Primary Government for limited terms. The primary Government can impose its will on the Authority by approving its annual operating budget. In summary, the Authority is a body corporate, appointed by the Primary Government. These factors warrant its inclusion in the County of Cumberland's reporting entity as a discretely presented component unit.

C. Other Related Organizations

The County's officials are also responsible for appointing the members of the board of other organizations, but the County's accountability for these organizations do not extend beyond making the appointment.

Included in the County's Annual Financial Report

None

Excluded from the County's Annual Financial Report

Crossroads Community Services Board

The Board was created by resolution pursuant to state statute and is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The board's service area includes the counties of Amelia, Buckingham, Charlotte, Cumberland, Lunenburg, Nottoway and Cumberland. The Board is governed by a 15 member Board of Directors. One elected official and one consumer appointed by the County Board of Supervisors represents each County. The 15th member rotates between the Counties. Amelia County serves as the fiscal agent for the Board. The County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

Piedmont Regional Jail Board—The Board was created in 1986 to develop, construct, operate and maintain the regional jail known as the Piedmont Regional Jail. The Jail's service area includes the counties of Amelia, Buckingham, Cumberland, Lunenburg, Nottoway, and Prince Edward. The Board is governed by a Board of Directors appointed by the Board of Supervisors of each of the involved counties. The Board of Directors has appointed the Treasurer of the County of Nottoway to serve as fiscal agent. The Board is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

COUNTY OF CUMBERLAND, VIRGINIA

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

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

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 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 proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as soon as all eligibility requirements imposed by the provided have been met.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 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.

COUNTY OF CUMBERLAND, VIRGINIA

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

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

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

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

1. Governmental Funds

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

a. General Fund

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

b. County Capital Projects Fund

The County Capital Projects Fund accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds. The County Capital Projects Fund is considered a major fund for government-wide reporting purposes.

c. School Capital Projects Fund

The School Capital Projects Fund accounts for all financial resources used for the acquisition or construction of major capital facilities for schools. The School Capital Projects Fund is considered a major fund for government-wide reporting purposes.

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

COUNTY OF CUMBERLAND, VIRGINIA

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

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

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

Enterprise Funds

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The County reports the following major enterprise funds:

Sewer Fund—This fund is used to account for sewage treatment plant, sewage pumping stations and collection systems as well as the water distribution system.

Water Fund—This fund is used to account for the County's water system.

3. Fiduciary Funds (Trust and Agency Funds) account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. The County's agency funds include the Special Welfare Fund, Sheriff's Forfeiture Fund, and Landfill Escrow Fund.

E. Budgets and Budgetary Accounting

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

1. Prior to March 15, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator 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. Formal budgetary integration is employed as a management control device during the year for the General Fund, School Fund, and the Capital Projects Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. Several supplemental appropriations were necessary during the year and at year-end.
8. All budget data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

COUNTY OF CUMBERLAND, VIRGINIA

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

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

F. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County government and the School Board to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

G. 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. Investments consist of assets held by a trustee.

H. 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 portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$247,283 at June 30, 2010 and is comprised of property taxes in the amount of \$233,671 and utility accounts in the amount of \$13,612.

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are due in two installments, the first on June 15th and the second on November 15th. Personal property taxes are payable November 15th. The County bills and collects its own property taxes.

I. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, road registered vehicles, 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

COUNTY OF CUMBERLAND, VIRGINIA

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

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

I. Capital Assets: (Continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed.

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

| <u>Assets</u> | <u>Years</u> |
|-------------------------------|--------------|
| Buildings | 40 |
| Building Improvements | 20-40 |
| Vehicles | 5 |
| Office and computer equipment | 5 |
| Buses | 12 |

J. Compensated Absences

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

K. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

COUNTY OF CUMBERLAND, VIRGINIA

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

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

L. Fund Equity

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

M. Retirement Plan

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

N. 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.

O. 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.

Note 2—Deposits and Investments:

Deposits

All cash of the County and Component Unit School Board is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

Investments

Statutes authorize the County and Component Unit School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia of 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 CUMBERLAND, VIRGINIA

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

Note 2—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The County does not have a policy related to credit risk of debt securities.

The County's rated debt investments as of June 30, 2010 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

| Locality's Rate Debt Investments' Values | | |
|--|----------------------|------------|
| Rated Debt Investments | Fair Quality Ratings | |
| | AAA | A-1+ |
| Local Government Investment Pool | \$ 205,929 | \$ - |
| U.S. Treasury Money Market | 88,944 | - |
| Allied Irish Bank Na C P | - | 302,832 |
| Bear Stearns Fund | 384,625 | - |
| Total | \$ 679,498 | \$ 302,832 |

Interest Rate Risk:

The County does not have a policy related to interest rate risk.

| Investment Maturities (in years) | | | | | |
|----------------------------------|------------|------------------|-----------|------------|-----------------------|
| Investment Type | Fair Value | Less Than 1 Year | 1-5 Years | 6-10 Years | Greater Than 10 Years |
| Allied Irish Bank Na C P | \$ 302,832 | \$ 302,832 | \$ - | \$ - | \$ - |
| Bear Stearns Fund | 384,625 | - | - | - | 384,625 |
| | \$ 687,457 | \$ 302,832 | \$ - | \$ - | \$ 384,625 |

External Investment Pools:

The fair value of the positions in the Local Government Investment Pool (LGIP) are 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 CUMBERLAND, VIRGINIA

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

Note 3—Due From Other Governmental Units:

At June 30, 2010 the County and School Board had receivables from other governments as follows:

| | <u>Primary Government</u> | <u>Component Unit - School Board</u> |
|---------------------------|-------------------------------|--|
| Commonwealth of Virginia: | | |
| State sales taxes | \$ - | \$ 237,282 |
| Local sales taxes | 36,500 | - |
| Communication taxes | 67,625 | - |
| Public assistance | 33,616 | - |
| Comprehensive services | 84,550 | - |
| Shared expenses | 79,253 | - |
| Other | 56,941 | - |
| Federal Government: | | |
| School funds | - | 82,452 |
| Other | 25,000 | - |
| Public assistance | 47,890 | - |
| Total | \$ <u>431,375</u> | \$ <u>319,734</u> |

Note 4—Interfund Obligations/Due to/From Primary Government/Component Units:

Primary Government:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|-------------|---------------------------------|------------------------------|
| General | \$ 70,000 | \$ - |
| Sewer | - | 70,000 |
| Total | \$ <u>70,000</u> | \$ <u>70,000</u> |

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 4—Interfund Obligations/Due to/From Primary Government/Component Units: (Continued)

Details of obligations between the primary government and its component units as of June 30, 2009 are as follows:

| | <u>Due from Primary Government/ Component Unit</u> | <u>Due to Primary Government/ Component Unit</u> |
|--|--|--|
| Primary Government: | | |
| General | \$ 456,206 | \$ - |
| Component Unit-School Board: | | |
| School Operating | - | 278,429 |
| Component Unit-Industrial Development Authority: | | |
| Industrial Development Authority | - | 177,777 |
| Total | <u>\$ 456,206</u> | <u>\$ 456,206</u> |

Note 5—Interfund Transfers:

Inter-fund transfers for the year ended June 30, 2009 consisted of the following:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------|---------------------|----------------------|
| General | \$ 328,645 | \$ 76,820 |
| County Capital Projects | 76,820 | 405,708 |
| Water and Sewer | 77,063 | - |
| Total | <u>\$ 482,528</u> | <u>\$ 482,528</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.

Note 6—Note Receivable:

\$1,000,000 note from the Component Unit IDA dated March 1, 1998 to be repaid in monthly installments of \$5,556 through March 2013, interest at no stated rate. At June 30, 2010, the note balance is \$177,777.

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 7—Capital Assets:

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

| | Balance July 1, 2009 | Additions | Deletions | Balance June 30, 2010 |
|---|-------------------------|-----------------------|---------------------|--------------------------|
| Governmental Activities: | | | | |
| County: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 142,089 | \$ - | \$ - | \$ 142,089 |
| Construction in progress | 141,951 | 139,147 | | 281,098 |
| Total capital assets not being depreciated | <u>\$ 284,040</u> | <u>\$ 139,147</u> | <u>\$ -</u> | <u>\$ 423,187</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 6,619,050 | \$ - | \$ - | \$ 6,619,050 |
| Equipment including vehicles | 2,235,762 | 90,860 | - | 2,326,622 |
| Jointly owned assets | 37,172,972 | - | 1,498,243 | 35,674,729 |
| Total capital assets being depreciated | <u>\$ 46,027,784</u> | <u>\$ 90,860</u> | <u>\$ 1,498,243</u> | <u>\$ 44,620,401</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | \$ 1,605,073 | \$ 174,026 | \$ - | \$ 1,779,099 |
| Equipment | 1,716,531 | 208,052 | - | 1,924,583 |
| Jointly owned assets | 1,661,558 | 891,868 | 173,928 | 2,379,498 |
| Total accumulated depreciation | <u>\$ 4,983,162</u> | <u>\$ 1,273,946</u> | <u>\$ 173,928</u> | <u>\$ 6,083,180</u> |
| Total capital assets being depreciated, net | <u>\$ 41,044,622</u> | <u>\$ (1,183,086)</u> | <u>\$ 1,324,315</u> | <u>\$ 38,537,221</u> |
| Governmental activities capital assets, net | <u>\$ 41,328,662</u> | <u>\$ (1,043,939)</u> | <u>\$ 1,324,315</u> | <u>\$ 38,960,408</u> |
| Component Unit - School Board: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 275,687 | \$ - | \$ 154,266 | \$ 121,421 |
| Total capital assets not being depreciated | <u>\$ 275,687</u> | <u>\$ -</u> | <u>\$ 154,266</u> | <u>\$ 121,421</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 7,620,067 | \$ - | \$ 1,829,911 | \$ 5,790,156 |
| Equipment including vehicles | 3,023,224 | - | - | 3,023,224 |
| Jointly owned assets | 3,751,226 | 1,498,243 | - | 5,249,469 |
| Total capital assets being depreciated | <u>\$ 14,394,517</u> | <u>\$ 1,498,243</u> | <u>\$ 1,829,911</u> | <u>\$ 14,062,849</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | \$ 2,938,601 | \$ 253,981 | \$ 167,358 | \$ 3,025,224 |
| Equipment | 2,293,630 | 100,020 | - | 2,393,650 |
| Jointly owned assets | 839,886 | 173,928 | - | 1,013,814 |
| Total accumulated depreciation | <u>\$ 6,072,117</u> | <u>\$ 527,929</u> | <u>\$ 167,358</u> | <u>\$ 6,432,688</u> |
| Total capital assets being depreciated, net | <u>\$ 8,322,400</u> | <u>\$ 970,314</u> | <u>\$ 1,662,553</u> | <u>\$ 7,630,161</u> |
| Governmental activities capital assets, net | <u>\$ 8,598,087</u> | <u>\$ 970,314</u> | <u>\$ 1,816,819</u> | <u>\$ 7,751,582</u> |

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 7—Capital Assets: (Continued)

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

| | Balance July 1, 2009 | Additions | Deletions | Balance June 30, 2010 |
|--|-------------------------|---------------------|-------------|--------------------------|
| Business-type activities: | | | | |
| Sewer Fund: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 22,458 | \$ - | \$ - | \$ 22,458 |
| Capital assets being depreciated: | | | | |
| Equipment | \$ 64,106 | \$ - | \$ - | \$ 64,106 |
| Sewer lines | 5,295,086 | - | - | 5,295,086 |
| Buildings | 1,447,348 | 64,466 | - | 1,511,814 |
| Total capital assets being depreciated | \$ 6,806,540 | \$ 64,466 | \$ - | \$ 6,871,006 |
| Less accumulated depreciation: | | | | |
| Equipment | \$ 56,959 | \$ 3,573 | \$ - | \$ 60,532 |
| Sewer lines | 1,619,622 | 132,378 | - | 1,752,000 |
| Buildings | 552,494 | 47,261 | - | 599,755 |
| Total accumulated depreciation | \$ 2,229,075 | \$ 183,212 | \$ - | \$ 2,412,287 |
| Total capital assets being depreciated, net | \$ 4,577,465 | \$ (118,746) | \$ - | \$ 4,458,719 |
| Net capital assets | <u>\$ 4,780,986</u> | <u>\$ (118,746)</u> | <u>\$ -</u> | <u>\$ 4,481,177</u> |
| Water Fund: | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ 64,221 | \$ 8,650 | \$ - | \$ 72,871 |
| Capital assets being depreciated: | | | | |
| Equipment | \$ 33,010 | \$ - | \$ - | \$ 33,010 |
| Reservoir | 1,932,398 | - | - | 1,932,398 |
| Water lines | 2,040,042 | - | - | 2,040,042 |
| Total capital assets being depreciated | \$ 4,005,450 | \$ - | \$ - | \$ 4,005,450 |
| Less accumulated depreciation: | | | | |
| Equipment | \$ 15,724 | \$ 6,602 | \$ - | \$ 22,326 |
| Reservoir | 144,930 | 48,310 | - | 193,240 |
| Water lines | 153,003 | 51,001 | - | 204,004 |
| Total accumulated depreciation | \$ 313,657 | \$ 105,913 | \$ - | \$ 419,570 |
| Total capital assets being depreciated, net | \$ 3,691,793 | \$ (105,913) | \$ - | \$ 3,585,880 |
| Net capital assets | <u>\$ 3,756,014</u> | <u>\$ (97,263)</u> | <u>\$ -</u> | <u>\$ 3,658,751</u> |
| Business-type activities capital assets, net | <u>\$ 8,355,937</u> | <u>\$ (216,009)</u> | <u>\$ -</u> | <u>\$ 8,139,928</u> |

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 7—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|---|---------------------|
| Governmental activities: | |
| General government | \$ 21,328 |
| Judicial administration | 89,532 |
| Public safety | 169,498 |
| Public works | 86,633 |
| Health and welfare | 7,047 |
| Education | 891,869 |
| Parks, recreation and cultural | 3,640 |
| Community development | <u>4,399</u> |
| Total | \$ <u>1,273,946</u> |
| Component Unit-School Board | \$ <u>354,001</u> * |
| Sewer Fund | \$ <u>183,212</u> |
| Water Fund | \$ <u>105,913</u> |
| * Depreciation expense above | \$ 354,001 |
| Accumulated depreciation - joint tenancy assets | <u>173,928</u> |
| Total accumulated depreciation prior page | \$ <u>527,929</u> |

Note 8—Restricted Assets:

Restricted assets at June 30, 2010 consist of the following:

| | |
|---|-------------------|
| Cash reserves for debt service-school | \$ 384,625 |
| Cash reserves for debt service-courthouse | <u>391,776</u> |
| Total | \$ <u>776,401</u> |

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 9—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$1,048,017 is comprised of the following:

A. Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$935,515 at June 30, 2010.

B. Prepaid Property Taxes

Property taxes due subsequent to June 30, 2010 but paid in advance by the taxpayers totaled \$112,502 at June 30, 2010.

Note 10—Long-Term Debt:

Primary Government:

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

| Year Ending June 30, | Business-Type | | Governmental | | | | | | | |
|----------------------------|---------------|--------------|-----------------------------|--------------|---------------------|------------|----------------------------|---------------|---------------|---------------|
| | Revenue Bonds | | General Obligation Bonds | | Literary Fund Loans | | VACO/VML Note Long-Term | | IDA | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2011 | \$ 35,043 | \$ 69,261 | \$ 878,494 | \$ 804,865 | \$ 244,167 | \$ 89,432 | \$ 775,000 | \$ 1,133,463 | \$ 775,000 | \$ 1,133,463 |
| 2012 | 36,653 | 67,651 | 908,404 | 758,499 | 236,887 | 82,107 | 805,000 | 1,097,054 | 805,000 | 1,097,054 |
| 2013 | 38,337 | 65,967 | 938,834 | 710,320 | 166,667 | 75,000 | 840,000 | 1,058,483 | 840,000 | 1,058,483 |
| 2014 | 40,098 | 64,206 | 974,810 | 659,939 | 166,667 | 70,000 | 885,000 | 1,018,457 | 885,000 | 1,018,457 |
| 2015 | 41,940 | 62,364 | 1,011,360 | 607,099 | 166,667 | 65,000 | 925,000 | 975,274 | 925,000 | 975,274 |
| 2016 | 43,867 | 60,437 | 1,048,514 | 551,979 | 166,667 | 60,000 | 965,000 | 930,778 | 965,000 | 930,778 |
| 2017 | 45,882 | 58,422 | 1,096,304 | 494,256 | 166,667 | 55,000 | 1,015,000 | 884,697 | 1,015,000 | 884,697 |
| 2018 | 47,990 | 56,314 | 1,139,764 | 433,717 | 166,667 | 50,000 | 1,060,000 | 835,941 | 1,060,000 | 835,941 |
| 2019 | 50,195 | 54,109 | 803,928 | 382,681 | 166,667 | 45,000 | 1,110,000 | 785,091 | 1,110,000 | 785,091 |
| 2020 | 52,501 | 51,803 | 828,834 | 341,792 | 166,667 | 40,000 | 1,160,000 | 732,227 | 1,160,000 | 732,227 |
| 2021 | 54,913 | 49,391 | 854,518 | 299,525 | 166,667 | 35,000 | 1,215,000 | 676,436 | 1,215,000 | 676,436 |
| 2022 | 57,435 | 46,869 | 886,024 | 255,708 | 166,666 | 30,000 | 1,275,000 | 617,816 | 1,275,000 | 617,816 |
| 2023 | 60,074 | 44,230 | 915,928 | 212,628 | 166,666 | 25,000 | 1,335,000 | 556,705 | 1,335,000 | 556,705 |
| 2024 | 62,834 | 41,470 | 941,612 | 168,013 | 166,666 | 20,000 | 1,400,000 | 492,751 | 1,400,000 | 492,751 |
| 2025 | 65,720 | 38,584 | 675,584 | 126,917 | 166,666 | 15,000 | 1,460,000 | 425,824 | 1,460,000 | 425,824 |
| 2026 | 68,739 | 35,565 | 695,548 | 91,953 | 166,666 | 10,000 | 1,530,000 | 355,507 | 1,530,000 | 355,507 |
| 2027 | 71,897 | 32,407 | 716,556 | 55,944 | 166,666 | 5,000 | 1,605,000 | 281,979 | 1,605,000 | 281,979 |
| 2028 | 75,200 | 29,104 | 738,664 | 18,836 | - | - | 1,680,000 | 205,086 | 1,680,000 | 205,086 |
| 2029 | 78,655 | 25,649 | - | - | - | - | 1,755,000 | 124,600 | 1,755,000 | 124,600 |
| 2030 | 82,268 | 22,036 | - | - | - | - | 1,845,000 | 40,146 | 1,845,000 | 40,146 |
| 2031 | 86,048 | 18,256 | - | - | - | - | - | - | - | - |
| 2032 | 90,001 | 14,303 | - | - | - | - | - | - | - | - |
| 2033 | 94,135 | 10,169 | - | - | - | - | - | - | - | - |
| 2034 | 98,460 | 5,844 | - | - | - | - | - | - | - | - |
| 2035 | 70,258 | 1,531 | - | - | - | - | - | - | - | - |
| 2036 | 5,916 | 49 | - | - | - | - | - | - | - | - |
| Total | \$ 1,555,059 | \$ 1,025,991 | \$ 16,053,680 | \$ 6,974,668 | \$ 2,981,053 | \$ 771,539 | \$ 24,640,000 | \$ 13,228,315 | \$ 24,640,000 | \$ 13,228,315 |

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Long-Term Debt: (Continued)

Primary Government: (continued)

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

| | Amounts Payable at July 1, 2009 | Increases | Decreases | Amounts Payable at June 30, 2010 | Amounts Due Within One Year |
|----------------------------------|--|---------------------|---------------------|---|-----------------------------------|
| Governmental Activities: | | | | | |
| Compensated absences payable | \$ 251,383 | \$ 31,151 | \$ 52,709 | \$ 229,825 | \$ 28,844 |
| Landfill closure | 447,523 | - | - | 447,523 | - |
| General obligations bonds | 16,902,756 | - | 849,076 | 16,053,680 | 878,494 |
| VACO/VML direct loan program | 20,200,000 | 5,000,000 | 560,000 | 24,640,000 | 775,000 |
| VACO/VML temporary financing | 4,800,000 | - | 4,800,000 | - | - |
| Derivative instrument liability | - | 863,957 | - | 863,957 | - |
| Literary fund loans | 3,225,216 | - | 244,163 | 2,981,053 | 244,167 |
| Total Governmental Activities | \$ <u>45,826,878</u> | \$ <u>5,895,108</u> | \$ <u>6,505,948</u> | \$ <u>45,216,038</u> | \$ <u>1,926,505</u> |
| Business-Type Activities: | | | | | |
| Sewer Fund: | | | | | |
| Compensated absences payable | \$ 820 | \$ 3,984 | \$ 586 | \$ 4,218 | \$ 422 |
| Revenue Bonds | 1,588,562 | - | 33,503 | 1,555,059 | 35,043 |
| Total Business-Type Activities | \$ <u>1,589,382</u> | \$ <u>-</u> | \$ <u>34,089</u> | \$ <u>1,559,277</u> | \$ <u>35,465</u> |
| Total primary government | \$ <u>47,416,260</u> | \$ <u>5,895,108</u> | \$ <u>6,540,037</u> | \$ <u>46,775,315</u> | \$ <u>1,961,970</u> |

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Long-Term Debt: (Continued)

Primary Government: (continued)

Details of long-term obligation transactions of the County are as follows:

Business-Type Activities:

Revenue Bonds Payable:

\$1,548,800 series 1995 and Series A Sewer Revenue Bonds. Series A of \$772,000 and Series B of \$776,800 issued October 31, 1995 through the Commonwealth of Virginia. Interest payable for Series and Series A at 4.50% per year, interest only payable on the first and second anniversary dates of closing and thereafter payable in monthly installments of combined principal and interest of \$3,544 for Series A and \$3,566 for Series B each month for a period of thirty-eight years, until paid, each payment to be applied first to interest accrued to such payment date and then to principal, and such financial installment, if not sooner paid, to be due and payable within forty years. \$ 1,268,516

\$344,500 series 1996 Sewer Revenue Bonds issued October 9, 1996 through the Commonwealth of Virginia. Interest payable at 4.50%, interest payable on the first and second anniversary dates of closing and thereafter payable in monthly installments of combined principal and interest of \$1,582 for a period of thirty-eight years, until paid. Each payment to be applied first to interest accrued to such payment date and then to principal, and such final installment, if not sooner paid, to be due and payable within forty years. 286,543

Total Revenue Bonds \$ 1,555,059

Accrued compensated absences 4,218

Total Business-Type Activities \$ 1,559,277

VACO/VML Direct Financing:

\$20,200,000 VACO/VML public improvement note, series 2008, issued December 17, 2008, due in principal annual payments through December 1, 2029, interest payable monthly at 3.29% \$ 19,640,000

\$5,000,000 VACO/VML public improvement note, issued November 2, 2009, due in principal annual payments through November 1, 2029, interest payable monthly at 3.3975% 5,000,000

Total State Literary Fund Loans \$ 24,640,000

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Long-Term Debt: (Continued)

Primary Government: (Continued)

Governmental Activities:

State Literary Fund Loans:

| | |
|---|---------------------|
| \$1,542,720, issued May 22, 1993, due in principal annual installments of \$77,500, interest payable annually at 3% | \$ 147,720 |
| \$5,000,000, issued February 27, 1997, due in principal annual installments of \$166,667, interest payable annually at 3% | <u>2,833,333</u> |
| Total State Literary Fund Loans | \$ <u>2,981,053</u> |

General Obligation Bonds:

| | |
|--|-----------------------------|
| \$4,190,000 obligation dated June 24, 1997, payable in various principal annual installments through July 15, 2017, interest payable semi-annually at rates ranging from 4.80% to 6.375% | \$ 2,345,000 |
| \$11,620,646 obligation dated November 8, 2007, payable in various principal annual installments through July 15, 2027, interest payable semi-annually at 5.1% | 10,708,680 |
| \$3,845,000 obligation dated October 1, 2001, payable in various principal annual installments through July 1, 2023, interest payable semi-annually at 4.627% | <u>3,000,000</u> |
| Total General Obligation Bonds | \$ <u>16,053,680</u> |
| Accrued compensated absences | \$ <u>229,825</u> |
| Derivative instrument liability | \$ <u>863,957</u> |
| Landfill closure | \$ <u>447,523</u> |
| Total governmental fund long-term obligations | \$ <u><u>45,216,038</u></u> |
| Total Primary Government | \$ <u><u>46,775,315</u></u> |

During the year the County issued a derivative financial instruction in the form of an interest rate swap. The County has elected to implement Governmental Accounting Standards Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments during this fiscal year to account for this standard.

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Long-Term Debt: (Continued)

Interest rate swap

Objective of the interest rate swap.

As a means to lower its borrowing costs, when compared against fixed-rate loans at the time of issuance in November 2009 the County entered into an interest rate swap in connection with its \$4,800,000 VACO / VML short-term financing note. Also in December 2008 the County entered into a similar arrangement when it obtained permanent financing on its \$20,200,000 VACO / VML notes. The intention of the swap was to effectively change the County's variable interest rate on the bonds to a synthetic fixed rate of 3.3975% on its 2009 issue and 3.29% on its 2008 issue, respectively. Utilizing the synthetic instrument method, the County has determined that the swap is an effective hedging derivative instrument and hedge accounting applies.

Terms - November 2009 issue - The bonds and the related swap agreement mature on November 1, 2029. The swap's notional value of \$5,303,080 is more than the balance outstanding on the bonds payable of \$5,000,000. The difference of \$303,080 is reported in these financial statements as a derivative instrument liability within the long-term obligations of the County.

Terms - November 2008 issue - The bonds and the related swap agreement mature on December 1, 2029. The swap's notional value of \$20,020,877 is more than the balance outstanding on the bonds payable of \$19,640,000. The difference of \$560,877 is reported in these financial statements as a derivative instrument liability within the long-term obligations of the County.

A corresponding deferred outflow of resources is reported on the statement of net assets as a reduction to total liabilities before computing net assets. The swap was entered into at the same time as the bonds were issued.

Fair Value - The fair values and changes in fair values of the swap are as follows:

| | <u>\$5,000,000</u> | <u>\$19,640,000</u> | <u>Total</u> |
|----------------------|--------------------|---------------------|--------------|
| Fair value | \$ (303,080) | \$ (560,877) | \$ (863,957) |
| Change in fair value | (303,080) | (560,877) | (863,957) |

Component Unit School Board:

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

| | <u>Amounts Payable at July 1, 2009</u> | <u>Increases</u> | <u>Decreases</u> | <u>Amounts Payable at June 30, 2010</u> | <u>Amounts Due Within OneYear</u> |
|--|--|---------------------|-------------------|---|---|
| Compensated absences payable | \$ 299,813 | \$ 184,444 | \$ 107,236 | \$ 377,021 | \$ 37,702 |
| Ameresco Performance Contract | 1,449,150 | - | 49,639 | 1,399,511 | 55,455 |
| Total | <u>\$ 1,924,540</u> | <u>\$ 184,444</u> | <u>\$ 156,875</u> | <u>\$ 1,776,532</u> | <u>\$ 93,157</u> |
| Industrial Development Authority Rural Development Loan | <u>\$ -</u> | <u>\$ 2,000,000</u> | <u>\$ 3,296</u> | <u>\$ 1,996,704</u> | <u>\$ 20,256</u> |

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Long-Term Debt: (Continued)

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

| Year Ending June 30, | School Board | | IDA | |
|-------------------------|-------------------------------|------------|------------------------|--------------|
| | Ameresco Performance Contract | | Rural Development Loan | |
| | Principal | Interest | Principal | Interest |
| 2011 | \$ 55,455 | \$ 67,876 | \$ 20,257 | \$ 81,984 |
| 2012 | 61,651 | 65,187 | 21,108 | 81,132 |
| 2013 | 68,249 | 62,197 | 21,995 | 80,245 |
| 2014 | 75,271 | 58,887 | 22,920 | 79,320 |
| 2015 | 82,742 | 55,236 | 23,883 | 78,357 |
| 2016 | 90,685 | 51,223 | 24,887 | 77,353 |
| 2017 | 99,127 | 46,825 | 25,934 | 76,307 |
| 2018 | 108,096 | 42,017 | 27,024 | 75,216 |
| 2019 | 117,620 | 36,774 | 28,160 | 74,080 |
| 2020 | 127,730 | 31,070 | 29,343 | 72,897 |
| 2021 | 138,458 | 24,875 | 30,577 | 71,663 |
| 2022 | 149,838 | 18,160 | 31,862 | 70,378 |
| 2023 | 161,905 | 10,893 | 33,202 | 69,038 |
| 2024 | 62,684 | 3,040 | 34,598 | 67,642 |
| 2025 | - | - | 36,052 | 66,188 |
| 2026 | - | - | 37,568 | 64,672 |
| 2027 | - | - | 39,147 | 63,093 |
| 2028 | - | - | 40,793 | 61,447 |
| 2029 | - | - | 42,508 | 59,732 |
| 2030 | - | - | 44,295 | 57,945 |
| 2031 | - | - | 46,157 | 56,083 |
| 2032 | - | - | 48,097 | 54,143 |
| 2033 | - | - | 50,119 | 52,121 |
| 2034 | - | - | 52,226 | 50,014 |
| 2035 | - | - | 54,421 | 47,819 |
| 2036 | - | - | 56,709 | 45,531 |
| 2037 | - | - | 59,093 | 43,147 |
| 2038 | - | - | 61,577 | 40,663 |
| 2039 | - | - | 64,166 | 38,074 |
| 2040 | - | - | 66,863 | 35,377 |
| 2041 | - | - | 69,674 | 32,566 |
| 2042 | - | - | 72,603 | 29,637 |
| 2043 | - | - | 75,656 | 29,584 |
| 2044 | - | - | 78,836 | 23,404 |
| 2045 | - | - | 82,150 | 20,090 |
| 2046 | - | - | 85,604 | 16,636 |
| 2047 | - | - | 89,202 | 13,038 |
| 2048 | - | - | 92,952 | 9,288 |
| 2049 | - | - | 96,860 | 5,380 |
| 2050 | - | - | 77,626 | 1,380 |
| Total | \$ 1,399,511 | \$ 574,260 | \$ 1,996,704 | \$ 2,072,664 |

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 10—Long-Term Debt: (Continued)

Details of long-term obligations are as follows:

Component Unit School Board:

| | |
|---|---------------------|
| Ameresco performance contract lease, payable in various annual installments through June 2024. Interest payable at 4.85%. The total cost of the building was \$1,621,471. | \$ 1,399,511 |
| Compensated absences | <u>377,021</u> |
| Total long-term obligations | <u>\$ 1,776,532</u> |

Industrial Development Authority:

| | |
|--|---------------------|
| \$2,000,000 Rural Development loan dated April 23, 2010 payable in monthly installments of \$8,520 beginning May 23, 2010 through April 23, 2050, interest at 4.1% | <u>\$ 1,996,704</u> |
|--|---------------------|

Note 11—Landfill Closure and Postclosure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfills when closed and to perform certain maintenance and monitoring functions at the landfill sites after closure. The County will also incur the estimated total closure and postclosure cost of \$447,523 over the next eight years.

All amounts recognized are based on what it would cost to perform all closure and postclosure care at year-end. Actual cost may be higher due to inflation.

If these estimates are inadequate or additional postclosure requirements are determined (due to changes in technology or regulations, for example), these cost may need to be covered by charges to future landfill users or taxpayers.

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

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 12—Defined Benefit Pension Plan:

A. Plan Description

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

The County and School Board contribute to the Virginia Retirement System (VRS), an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service, (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2009annualreptort.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23216-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be and has been assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School's non-professional employees contribution rates for the fiscal year ended 2010 were 7.24% and 5.67% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$614,122, \$658,185, and \$787,282 to the teacher cost-sharing pool for the fiscal years ended June 30, 2010, 2009 and 2009, respectively and these contributions represented 8.81%, 8.81% and 10.30%, respectively, of current covered payroll.

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 12—Defined Benefit Pension Plan: (Continued)**C. Annual Pension Cost**

For fiscal year 2010, the County's annual pension cost of \$218,644 was equal to the County's required and actual contributions.

| Three-Year Trend Information - County | | | |
|---------------------------------------|-------------------------------------|-------------------------------------|------------------------------|
| Fiscal Year Ending | Annual Pension Cost (APC) (1) | Percentage of APC Contributed | Net Pension Obligation |
| June 30, 2010 | \$ 218,644 | 100% | \$ - |
| June 30, 2009 | 217,522 | 100% | |
| June 30, 2008 | 145,260 | 100% | - |

For fiscal year 2010, the County School Board's annual pension cost for the Board's non-professional employees was \$42,852 which was equal to the Board's required and actual contributions.

| Three-Year Trend Information - County School Board Non-Professional | | | |
|---|-------------------------------------|-------------------------------------|------------------------------|
| Fiscal Year Ending | Annual Pension Cost (APC) (1) | Percentage of APC Contributed | Net Pension Obligation |
| June 30, 2010 | \$ 42,852 | 100% | \$ - |
| June 30, 2009 | 42,009 | 100% | \$ - |
| June 30, 2008 | 33,506 | 100% | - |

(1) Employer portion

The required contribution was determined as a part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.6% for general government and 3.5% 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 2.5% 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's and the County 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's and the County 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, 2007 is 20 years.

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 12—Defined Benefit Pension Plan: (Continued)

D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the County's plan was 86.84% funded. The actuarial accrued liability for benefits was \$8,605,107, and the actuarial value of assets was \$7,472,618, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,132,489. The covered payroll (annual payroll of active employees covered by the plan) was \$2,896,185 and ratio of the UAAL to the covered payroll was 39.10%.

As of June 30, 2009 the most recent actuarial valuation date, the County School Board's plan was 103.09% funded. The actuarial accrued liability for benefits was \$2,067,259, and the actuarial value of assets was \$2,131,111 resulting in an unfunded actuarial accrued liability (UAAL) of (\$63,852). The covered payroll (annual payroll of active employees covered by the plan) was \$813,801, and ratio of UAAL to the covered payroll was (7.85%).

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

Note 13—Risk Management:

The County is exposed to various risks of loss related to tort; 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. This program is administered by a servicing contractor, which furnishes claims review and processing.

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

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

Note 14—Litigation:

At June 30, 2010, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable.

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 15—Surety Bond Information:

| | <u>Amount</u> |
|---|---------------|
| Fidelity and Deposit Company of Maryland - Surety | |
| Carol Ownby, Clerk of the Circuit Court | \$ 25,000 |
| L.O. Pfeiffer, Jr., Treasurer | 300,000 |
| Anita French, Commissioner of the Revenue | 3,000 |
| Darrell Hodges, Sheriff | 30,000 |
| All Treasurer's office employees - blanket bond | 50,000 |
| Jim Thornton, Superintendent of Schools | 10,000 |
| Clerk of the School Board | 10,000 |
| Board of Supervisors | 10,000 |

Note 16—Contingent Liabilities:

Federal programs in which the County and its component unit participate were audited in accordance with the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and 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 17—Post Employment Benefits Other Than Pensions:

The Government offers post-employment medical coverage to its retired employees, however has no employees enrolled in the program. The Government has elected not to obtain an actuarial valuation to determine liability for this benefit in accordance with the financial reporting requirements of GASB45 and believes there is no material affect on the County's financial position.

Note 18—Subsequent Event:

The County of Cumberland and County of Henrico have entered into a Memorandum of Understanding (MOU) dated August 10, 2010 which provides for the County of Cumberland to execute all documents and perform all steps necessary to transfer all reservoir permit approvals to the County of Henrico. Pursuant to the MOU Henrico County shall reimbursement Cumberland County \$2,104,646 for permitting costs related to the reservoir project and \$550,384 for wetland mitigation costs, within 30 days of Cumberland's execution of assignments of its rights under the MOU. The MOU also stipulates that Henrico County shall make an annual contractual payment to Cumberland County for 50 years from the date of the MOU in the amount of \$1,131,900, as long as Cumberland's consent remains in effect and Cumberland does not impose a service charge on the reservoir property, and as long as the reservoir remains in operation.

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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Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual -- General Fund
 Year Ended June 30, 2010

| | General Fund | | | Variance With Amended Budget Positive (Negative) |
|---|--------------------|-------------------------|----------------|---|
| | Original Budget | Budget As Amended | Actual | |
| Revenues: | | | | |
| General property taxes | \$ 6,425,600 | \$ 6,842,835 | \$ 7,348,317 | \$ 505,482 |
| Other local taxes | 1,358,800 | 1,358,800 | 1,363,354 | 4,554 |
| Permits, privilege fees and regulatory licenses | 66,400 | 66,821 | 59,063 | (7,758) |
| Fines and forfeitures | 85,000 | 110,800 | 113,623 | 2,823 |
| Revenue from use of money and property | 61,410 | 61,410 | 58,300 | (3,110) |
| Charges for services | 541,660 | 570,119 | 601,161 | 31,042 |
| Miscellaneous | 602,013 | 617,180 | 26,590 | (590,590) |
| Intergovernmental: | | | | |
| County contribution from IDA | 100,923 | 100,923 | 3,016 | (97,907) |
| School Board contribution to County | 98,223 | 98,223 | 98,223 | - |
| Commonwealth | 2,908,459 | 3,093,442 | 2,886,248 | (207,194) |
| Federal | 825,132 | 901,498 | 663,215 | (238,283) |
| Total revenues | \$ 13,073,620 | \$ 13,822,051 | \$ 13,221,110 | \$ (600,941) |
| Expenditures: | | | | |
| Current: | | | | |
| General government administration | \$ 1,526,952 | \$ 1,515,349 | \$ 1,511,818 | \$ 3,531 |
| Judicial administration | 359,527 | 357,573 | 348,507 | 9,066 |
| Public safety | 1,826,613 | 2,053,722 | 2,008,047 | 45,675 |
| Public works | 1,305,126 | 1,344,309 | 1,351,732 | (7,423) |
| Health and welfare | 2,458,648 | 2,566,530 | 1,923,523 | 643,007 |
| Education | 3,849,813 | 3,849,813 | 3,715,096 | 134,717 |
| Parks, recreation, and cultural | 181,190 | 175,290 | 175,255 | 35 |
| Community development | 451,374 | 415,433 | 414,839 | 594 |
| Nondepartmental | 55,500 | 68,518 | 67,912 | 606 |
| Debt service: | | | | |
| Principal retirement | 1,773,165 | 2,280,019 | 1,653,239 | 626,780 |
| Interest and other fiscal charges | 1,165,694 | 1,520,373 | 2,287,120 | (766,747) |
| Total expenditures | \$ 14,953,602 | \$ 16,146,929 | \$ 15,457,088 | \$ 689,841 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (1,879,982) | \$ (2,324,878) | \$ (2,235,978) | \$ 88,900 |
| Other financing sources (uses): | | | | |
| Issuance of long-term debt | \$ - | \$ 198,895 | \$ 5,000,000 | \$ 4,801,105 |
| Sale of property | 2,000,000 | 2,000,000 | 1,988,500 | (11,500) |
| Retirement of VACO / VML note | - | - | (4,800,000) | (4,800,000) |
| Transfers in | 250,000 | 706,000 | 328,645 | (377,355) |
| Transfers (out) | (76,820) | (76,820) | (76,820) | - |
| Total other financing sources (uses) | \$ 2,173,180 | \$ 2,828,075 | \$ 2,440,325 | \$ (387,750) |
| Net change in fund balance | \$ 293,198 | \$ 503,197 | \$ 204,347 | \$ (298,850) |
| Fund balance at beginning of year | (293,198) | (503,197) | 2,526,751 | 3,029,948 |
| Fund balance at end of year | \$ - | \$ - | \$ 2,731,098 | \$ 2,731,098 |

Schedule of Pension Funding Progress for the Virginia Retirement System
Last Three Fiscal Years

County:

| Valuation as of | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) (3)-(2) | Funded Ratio Assets at % of AAL (2) (3) | Annual Covered Payroll | UAAL as % of Covered Payroll (4)/(6) |
|--------------------|--|--|--------------------------------------|--|------------------------------|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 6/30/2009 | \$ 7,472,618 | \$ 8,605,107 | \$ 1,132,489 | 86.84% | \$ 2,896,185 | 39.10% |
| 6/30/2008 | 7,101,110 | 7,929,576 | 828,466 | 89.55% | 2,823,959 | 29.34% |
| 6/30/2007 | 6,316,618 | 6,682,390 | 365,772 | 94.53% | 2,724,782 | 13.42% |

School Board Non-Professional:

| Valuation as of | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) (3)-(2) | Funded Ratio Assets at % of AAL (2) (3) | Annual Covered Payroll | UAAL as % of Covered Payroll (4)/(6) |
|--------------------|--|--|--------------------------------------|--|------------------------------|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 6/30/2009 | \$ 2,131,111 | \$ 2,067,259 | \$ (63,852) | 103.09% | \$ 813,801 | (7.85%) |
| 6/30/2008 | 2,119,309 | 1,929,908 | (189,401) | 109.81% | 760,308 | (24.91%) |
| 6/30/2007 | 1,928,527 | 1,798,557 | (129,970) | 107.23% | 794,442 | (16.36%) |

OTHER SUPPLEMENTARY INFORMATION

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Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual -- Capital Projects Funds
 Year Ended June 30, 2010

| | County Capital Projects Fund | | | Variance With Amended Budget Positive (Negative) |
|--|------------------------------|-------------------------|--------------|---|
| | Original Budget | Budget As Amended | Actual | |
| Revenues: | | | | |
| Revenue from use of money and property | \$ - | \$ - | \$ 1,141 | \$ 1,141 |
| Miscellaneous | - | 84,187 | 110,000 | 25,813 |
| Intergovernmental: | | | | |
| Commonwealth | - | 8,650 | 25,000 | 16,350 |
| Federal | - | 27,114 | 63,273 | 36,159 |
| Total revenues | \$ - | \$ 119,951 | \$ 199,414 | \$ 79,463 |
| Expenditures: | | | | |
| Current: | | | | |
| General government administration | \$ 25,000 | \$ 182,737 | \$ 75,048 | \$ 107,689 |
| Public safety | 90,000 | 91,759 | 28,494 | 63,265 |
| Public works | 41,450 | 94,876 | 100,167 | (5,291) |
| Education | - | 259,520 | 233,275 | 26,245 |
| Community development | 11,820 | 28,446 | 28,446 | - |
| Debt service: | | | | |
| Interest and other fiscal charges | - | - | 23,745 | (23,745) |
| Total expenditures | \$ 168,270 | \$ 657,338 | \$ 489,175 | \$ 168,163 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (168,270) | \$ (537,387) | \$ (289,761) | \$ 247,626 |
| Other financing sources (uses): | | | | |
| Transfers in | \$ 226,820 | \$ 755,898 | \$ 76,820 | \$ (679,078) |
| Issuance of long-term debt | 91,450 | 104,450 | - | (104,450) |
| Transfers (out) | (150,000) | (322,961) | (405,708) | (82,747) |
| Total other financing sources (uses) | \$ 168,270 | \$ 537,387 | \$ (328,888) | \$ (866,275) |
| Net change in fund balances | \$ - | \$ - | \$ (618,649) | \$ (618,649) |
| Fund balance at beginning of year | - | - | 943,249 | 943,249 |
| Fund balance at end of year | \$ - | \$ - | \$ 324,600 | \$ 324,600 |

Combining Statement of Fiduciary Net Assets -
 Agency Funds
 At June 30, 2010

| | Agency Funds | | | Totals |
|--|----------------------------|-----------------------------|---------------------------------|-------------------|
| | Special Welfare Fund | Health Insurance Fund | Sheriff's Forfeiture Fund | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 18,865 | \$ 434,720 | \$ 141,007 | \$ 594,592 |
| Total assets | <u>\$ 18,865</u> | <u>\$ 434,720</u> | <u>\$ 141,007</u> | <u>\$ 594,592</u> |
| LIABILITIES | | | | |
| Amounts held for sheriff | \$ - | \$ - | \$ 141,007 | \$ 141,007 |
| Amounts held for social services clients | 18,865 | - | - | 18,865 |
| Amounts held for insurance benefits | <u>-</u> | <u>434,720</u> | <u>-</u> | <u>434,720</u> |
| Total liabilities | <u>\$ 18,865</u> | <u>\$ 434,720</u> | <u>\$ 141,007</u> | <u>\$ 594,592</u> |

Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2010

| | <u>Balance Beginning of Year</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance End of Year</u> |
|---|--|---------------------|---------------------|------------------------------------|
| Special Welfare Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ <u>17,022</u> | \$ <u>23,828</u> | \$ <u>21,985</u> | \$ <u>18,865</u> |
| Liabilities: | | | | |
| Amounts held for social service clients | \$ <u>17,022</u> | \$ <u>23,828</u> | \$ <u>21,985</u> | \$ <u>18,865</u> |
| Sheriff's Forfeiture Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ <u>118,764</u> | \$ <u>25,099</u> | \$ <u>2,856</u> | \$ <u>141,007</u> |
| Liabilities: | | | | |
| Amounts held for sheriff | \$ <u>118,764</u> | \$ <u>25,099</u> | \$ <u>2,856</u> | \$ <u>141,007</u> |
| Health Insurance Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ <u>-</u> | \$ <u>1,452,326</u> | \$ <u>1,017,606</u> | \$ <u>434,720</u> |
| Liabilities: | | | | |
| Amounts held for insurance benefits | \$ <u>-</u> | \$ <u>1,452,326</u> | \$ <u>1,017,606</u> | \$ <u>434,720</u> |
| Totals -- All agency funds | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ <u>135,786</u> | \$ <u>1,501,253</u> | \$ <u>1,042,447</u> | \$ <u>594,592</u> |
| Liabilities: | | | | |
| Amounts held for social service clients | \$ 17,022 | \$ 23,828 | \$ 21,985 | \$ 18,865 |
| Amounts held for insurance benefits | - | 1,452,326 | 1,017,606 | 434,720 |
| Amounts held for sheriff | <u>118,764</u> | <u>25,099</u> | <u>2,856</u> | <u>141,007</u> |
| Total liabilities | \$ <u>135,786</u> | \$ <u>1,501,253</u> | \$ <u>1,042,447</u> | \$ <u>594,592</u> |

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Discretely Presented Component Unit-School Board

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Combining Balance Sheet -
Discretely Presented Component Unit - School Board
At June 30, 2010

| | <u>School Operating</u> | <u>School Cafeteria</u> | <u>Total</u> |
|--|-----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 669,278 | \$ 76,484 | \$ 745,762 |
| Receivables (Net of allowance (for uncollectibles): Due from other governmental units | <u>319,734</u> | <u>-</u> | <u>319,734</u> |
| Total assets | <u>\$ 989,012</u> | <u>\$ 76,484</u> | <u>\$ 1,065,496</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 41,305 | \$ - | \$ 41,305 |
| Accrued liabilities | 669,278 | - | 669,278 |
| Due to primary government | <u>278,429</u> | <u>-</u> | <u>278,429</u> |
| Total liabilities | <u>\$ 989,012</u> | <u>\$ -</u> | <u>\$ 989,012</u> |
| FUND BALANCES | | | |
| Unreserved: | | | |
| Designated: | | | |
| Designated for subsequent expenditures | \$ - | \$ 76,484 | \$ 76,484 |
| Undesignated | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u>\$ -</u> | <u>\$ 76,484</u> | <u>\$ 76,484</u> |

Detailed explanation of adjustments from fund statements to government-wide statement of net assets:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the School Board as a whole.

7,751,582

Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net assets.

(1,776,532)

Net assets of General Government Activities

\$ 6,051,534

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2010

| | School Operating | School Cafeteria | Total |
|--|---------------------|---------------------|---------------|
| Revenues: | | | |
| Charges for services | \$ - | \$ 253,037 | \$ 253,037 |
| Miscellaneous | 416,106 | 4,322 | 420,428 |
| Intergovernmental: | | | |
| County contribution to School Board | 3,712,387 | - | 3,712,387 |
| Commonwealth | 9,108,688 | - | 9,108,688 |
| Federal | 3,793,473 | - | 3,793,473 |
| Total revenues | \$ 17,030,654 | \$ 257,359 | \$ 17,288,013 |
| Expenditures: | | | |
| Current: | | | |
| Education | \$ 16,526,628 | \$ 648,846 | \$ 17,175,474 |
| Contribution to Primary Government | 98,223 | - | 98,223 |
| Total expenditures | \$ 16,624,851 | \$ 648,846 | \$ 17,273,697 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 405,803 | \$ (391,487) | \$ 14,316 |
| Other financing sources (uses): | | | |
| Transfers in | \$ - | \$ 405,803 | \$ 405,803 |
| Transfers (out) | (405,803) | - | (405,803) |
| Total other financing sources (uses) | \$ (405,803) | \$ 405,803 | \$ - |
| Net change in fund balances | \$ - | \$ 14,316 | \$ 14,316 |
| Fund balance at beginning of year | - | 62,168 | 62,168 |
| Fund balance at end of year | \$ - | \$ 76,484 | \$ 76,484 |

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

| | School Operating Fund | | | Variance With Amended Budget Positive (Negative) |
|--|-----------------------|-------------------------|---------------|---|
| | Original Budget | Budget As Amended | Actual | |
| Revenues: | | | | |
| Revenue from use of money and property | \$ - | \$ - | \$ - | \$ - |
| Miscellaneous | - | 397,684 | 416,106 | 18,422 |
| Intergovernmental: | | | | |
| County contribution to School Board | 3,847,104 | 3,847,104 | 3,712,387 | (134,717) |
| Commonwealth | 10,505,723 | 10,505,723 | 9,108,688 | (1,397,035) |
| Federal | 1,972,986 | 2,342,986 | 3,793,473 | 1,450,487 |
| Total revenues | \$ 16,325,813 | \$ 17,093,497 | \$ 17,030,654 | \$ (62,843) |
| Expenditures: | | | | |
| Current: | | | | |
| Education | \$ 16,227,590 | \$ 16,995,274 | \$ 16,526,628 | \$ 468,646 |
| Contribution to Primary Government | 98,223 | 98,223 | 98,223 | - |
| Total expenditures | \$ 16,325,813 | \$ 17,093,497 | \$ 16,624,851 | \$ 468,646 |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ - | \$ 405,803 | \$ (531,489) |
| Other financing sources (uses): | | | | |
| Transfers (out) | - | - | (405,803) | (405,803) |
| Net change in fund balance | \$ - | \$ - | \$ - | \$ - |
| Fund balance at beginning of year | - | - | - | - |
| Fund balance at end of year | \$ - | \$ - | \$ - | \$ - |

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances
To the Statement of Activities -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2010

| | | <u>Component Unit School Board</u> |
|--|----|--|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net change in fund balances - total governmental funds | \$ | 14,316 |
| 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. | | |
| Depreciation expense | | (354,001) |
| Capital assets disposed of during the year | | (1,816,819) |
| Transfer of joint tenancy assets from Primary Government to the Component Unit | | 1,324,315 |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Principal retired on capital lease | \$ | 49,639 |
| Change in accrued leave | | <u>(77,208)</u> (27,569) |
| Change in net assets of governmental activities | \$ | <u><u>(859,758)</u></u> |

Discretely Presented Component Unit-Industrial Development Authority

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Statement of Net Assets -
Discretely Presented Component Unit - Industrial Development Authority
At June 30, 2010

| | <u>Discretely Presented Component Unit - IDA</u> |
|---|--|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 1,704 |
| Note receivable | <u>177,777</u> |
| Total current assets | \$ <u>179,481</u> |
| Noncurrent assets: | |
| Land | \$ 338,444 |
| Buildings, net of depreciation | <u>1,661,556</u> |
| Total noncurrent assets | \$ <u>2,000,000</u> |
| Total Assets | \$ <u><u>2,179,481</u></u> |
| LIABILITIES | |
| Current liabilities: | |
| Due to primary government | \$ 177,777 |
| Current portion of long-term obligations | <u>20,256</u> |
| Total current liabilities | \$ <u>198,033</u> |
| Noncurrent liabilities: | |
| Noncurrent portion of long-term obligations | \$ <u>1,976,448</u> |
| Total Liabilities | \$ <u><u>2,174,481</u></u> |
| Net Assets | |
| Invested in capital assets, net of related debt | \$ 4,116 |
| Unrestricted assets | <u>884</u> |
| Total Net Assets | \$ <u><u>5,000</u></u> |
| Total Liabilities and Net Assets | \$ <u><u><u>2,179,481</u></u></u> |

Statement of Revenues, Expenses and Changes in Fund Net Assets -
Discretely Presented Component Unit - Industrial Development Authority
Year Ended June 30, 2010

| | <u>Discretely Presented Component Unit - IDA</u> |
|--|--|
| Non-operating revenues (expenses): | |
| Interest income | \$ 3,016 |
| Rental income | 7,600 |
| Interest expense | (13,744) |
| Contribution from County of Cumberland | <u>8,128</u> |
| Total nonoperating revenues (expenses) | \$ <u>5,000</u> |
| Increase (decrease) in net assets | \$ 5,000 |
| Net assets at beginning of year | <u>-</u> |
| Net assets at end of year | \$ <u><u>5,000</u></u> |

Statement of Cash Flows -
Discretely Presented Component Unit - Industrial Development Authority
Year Ended June 30, 2010

| | Discretely Presented Component Unit - IDA |
|---|--|
| Cash Flows from Noncapital Financing Activities: | |
| Contribution to County of Cumberland | \$ 8,128 |
| Net cash provided by (used in) operating activities | \$ 8,128 |
| Cash flows from capital and related financing activities: | |
| Note repayment | \$ 66,667 |
| Retirement of indebtedness | (3,296) |
| Purchase of capital assets | (2,000,000) |
| Interest paid on loans | (13,744) |
| Proceeds from indebtedness | 2,000,000 |
| Retirement of due to primary government | (66,667) |
| Net cash provided by (used in) capital and related financing activities | \$ (17,040) |
| Cash flows from investing activities: | |
| Investment interest earned | \$ 3,016 |
| Revenue from use of property earned | 7,600 |
| Net cash provided by (used in) investing activities | \$ 10,616 |
| Increase (decrease) in cash and cash equivalents | \$ 1,704 |
| Cash and cash equivalents at beginning of year | - |
| Cash and cash equivalents at end of year | \$ 1,704 |

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Supporting Schedules

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Governmental Funds -
Statement of Revenues - Budget and Actual
Year Ended June 30, 2010

| Fund, Major and Minor Revenue Source | Original Budget | Budget As Amended | Actual | Variance From Amended Budget Positive (Negative) |
|--|--------------------|-------------------------|--------------|---|
| Primary Government: | | | | |
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 4,236,000 | \$ 4,653,235 | \$ 5,022,709 | \$ 369,474 |
| Real and personal public service corporation property taxes | 305,000 | 305,000 | 401,860 | 96,860 |
| Personal property taxes | 1,544,600 | 1,544,600 | 1,554,539 | 9,939 |
| Mobile Homes | 48,000 | 48,000 | 50,272 | 2,272 |
| Airplane taxes | 15,000 | 15,000 | 6,823 | (8,177) |
| Machinery and tools taxes | 75,000 | 75,000 | 89,481 | 14,481 |
| Penalties | 102,000 | 102,000 | 108,030 | 6,030 |
| Interest | 100,000 | 100,000 | 114,603 | 14,603 |
| Total general property taxes | \$ 6,425,600 | \$ 6,842,835 | \$ 7,348,317 | \$ 505,482 |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 353,000 | \$ 353,000 | \$ 396,368 | \$ 43,368 |
| Communication taxes | 410,000 | 410,000 | 400,643 | (9,357) |
| Consumers' utility taxes | 166,000 | 166,000 | 153,640 | (12,360) |
| Business license taxes | 119,000 | 119,000 | 115,804 | (3,196) |
| Bank franchise tax | 33,000 | 33,000 | 24,549 | (8,451) |
| Motor vehicle licenses | 216,000 | 216,000 | 223,414 | 7,414 |
| Taxes on recordation and wills | 61,800 | 61,800 | 47,043 | (14,757) |
| E-911 taxes | - | - | 1,893 | 1,893 |
| Total other local taxes | \$ 1,358,800 | \$ 1,358,800 | \$ 1,363,354 | \$ 4,554 |
| Permits, privilege fees and regulatory licenses: | | | | |
| Animal licenses | \$ 9,000 | \$ 9,000 | \$ 8,658 | \$ (342) |
| Building and related permits | 55,000 | 55,421 | 48,221 | (7,200) |
| Transfer fees | 400 | 400 | 324 | (76) |
| Land use application fees | 1,000 | 1,000 | 660 | (340) |
| Zoning fees | 1,000 | 1,000 | 1,200 | 200 |
| Total permits, privilege fees and regulatory licenses | \$ 66,400 | \$ 66,821 | \$ 59,063 | \$ (7,758) |
| Fines and Forfeitures: | | | | |
| Court fines and forfeitures | \$ 85,000 | \$ 110,800 | \$ 113,623 | \$ 2,823 |
| Total fines and forfeitures | \$ 85,000 | \$ 110,800 | \$ 113,623 | \$ 2,823 |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 40,000 | \$ 40,000 | \$ 22,759 | \$ (17,241) |
| Revenue from use of property | 21,410 | 21,410 | 35,541 | 14,131 |
| Total revenue from use of money and property | \$ 61,410 | \$ 61,410 | \$ 58,300 | \$ (3,110) |

Governmental Funds -
Statement of Revenues - Budget and Actual
Year Ended June 30, 2010 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Budget As Amended | Actual | Variance From Amended Budget Positive (Negative) |
|---|--------------------|-------------------------|--------------|---|
| Primary Government: (Continued) | | | | |
| General Fund: (Continued) | | | | |
| Revenue from local sources: (continued) | | | | |
| Charges for services: | | | | |
| Sheriff's fees | \$ 360 | \$ 360 | \$ 360 | \$ - |
| Other charges for courts | 25,200 | 30,075 | 42,807 | 12,732 |
| Law enforcement | - | 10,000 | 38,810 | 28,810 |
| Commonwealth attorney fees | 200 | 200 | 241 | 41 |
| Landfill host agreement fees | 500,000 | 500,000 | 500,000 | - |
| Recreation fees | 4,000 | 4,000 | 4,364 | 364 |
| Courthouse maintenance fees | 3,000 | 16,550 | 8,135 | (8,415) |
| Law library fees | 1,000 | 1,034 | 944 | (90) |
| Other charges for services | 7,900 | 7,900 | 5,500 | (2,400) |
| Total charges for services | \$ 541,660 | \$ 570,119 | \$ 601,161 | \$ 31,042 |
| Miscellaneous revenue: | | | | |
| Miscellaneous | \$ 602,013 | \$ 617,180 | \$ 26,590 | \$ (590,590) |
| Total miscellaneous revenue | \$ 602,013 | \$ 617,180 | \$ 26,590 | \$ (590,590) |
| Total revenue from local sources | \$ 9,140,883 | \$ 9,627,965 | \$ 9,570,408 | \$ (57,557) |
| Intergovernmental revenue: | | | | |
| IDA contribution to County | \$ 2,700 | \$ 2,700 | \$ 3,016 | \$ 316 |
| School Board contribution to County | 98,223 | 98,223 | 98,223 | - |
| Total intergovernmental revenue | \$ 100,923 | \$ 100,923 | \$ 101,239 | \$ 316 |
| Revenue from the Commonwealth: | | | | |
| Payments in lieu of taxes | \$ 50,000 | \$ 50,000 | \$ 87,846 | \$ 37,846 |
| Noncategorical aid: | | | | |
| ABC profits | \$ 5,000 | \$ 5,000 | \$ - | \$ (5,000) |
| Wine taxes | 5,000 | 5,000 | - | (5,000) |
| Rental tax - DMV | 500 | 500 | - | (500) |
| Biosolids monitoring | 1,000 | 1,000 | 9,561 | 8,561 |
| Mobile home titling taxes | 16,000 | 16,000 | 21,993 | 5,993 |
| Tax on deeds | 16,000 | 16,000 | 10,174 | (5,826) |
| PPTRA | 871,700 | 871,700 | 871,736 | 36 |
| Recordation tax | 17,000 | 17,000 | 19,116 | 2,116 |
| Other noncategorical | - | - | 311 | 311 |
| Total noncategorical aid | \$ 932,200 | \$ 932,200 | \$ 932,891 | \$ 691 |

Governmental Funds -
Statement of Revenues - Budget and Actual
Year Ended June 30, 2010 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Budget As Amended | Actual | Variance From Amended Budget Positive (Negative) |
|--|--------------------|-------------------------|---------------|---|
| Primary Government: (Continued) | | | | |
| General Fund: (Continued) | | | | |
| Revenue from the Commonwealth: (continued) | | | | |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commonwealth's attorney | \$ 72,751 | \$ 72,751 | \$ 68,011 | \$ (4,740) |
| Sheriff | 586,768 | 586,768 | 520,470 | (66,298) |
| Commissioner of the Revenue | 86,831 | 86,831 | 80,455 | (6,376) |
| Treasurer | 102,945 | 102,945 | 90,816 | (12,129) |
| Medical examiner | 180 | 180 | - | (180) |
| Registrar/electoral board | 35,133 | 35,133 | 31,578 | (3,555) |
| DMV | 10,000 | 10,000 | 11,439 | 1,439 |
| Clerk of the Circuit Court | 129,170 | 149,823 | 139,509 | (10,314) |
| Total shared expenses | \$ 1,023,778 | \$ 1,044,431 | \$ 942,278 | \$ (102,153) |
| Other categorical aid: | | | | |
| Fire programs grant | \$ - | \$ 46,801 | \$ 46,801 | \$ - |
| Litter Control | 6,337 | 11,462 | 5,125 | (6,337) |
| Records preservation grant | - | 4,080 | 7,127 | 3,047 |
| Emergency medical services | - | 9,241 | 9,241 | - |
| Emergency management grant | - | 21,900 | - | (21,900) |
| E-911 | - | - | 50,939 | 50,939 |
| Comprehensive Services Act | 765,000 | 765,000 | 417,296 | (347,704) |
| Other categorical aid | - | 20,236 | 107 | (20,129) |
| Public assistance and welfare | 131,144 | 188,091 | 386,597 | 198,506 |
| Total other categorical aid | \$ 902,481 | \$ 1,066,811 | \$ 923,233 | \$ (143,578) |
| Total categorical aid | \$ 1,926,259 | \$ 2,111,242 | \$ 1,865,511 | \$ (245,731) |
| Total revenue from the Commonwealth | \$ 2,908,459 | \$ 3,093,442 | \$ 2,886,248 | \$ (207,194) |
| Revenue from the Federal Government: | | | | |
| Categorical aid: | | | | |
| Public assistance and welfare | \$ 825,132 | \$ 899,859 | \$ 580,311 | \$ (319,548) |
| Law enforcement terror prevention grant | - | 1,639 | 16,207 | 14,568 |
| Emergency management grant | - | - | 21,900 | 21,900 |
| Edward byrne justice assistance grant | - | - | 20,329 | 20,329 |
| Highway safety grant | - | - | 24,468 | 24,468 |
| Total categorical aid | \$ 825,132 | \$ 901,498 | \$ 663,215 | \$ (238,283) |
| Total revenue from the Federal Government | \$ 825,132 | \$ 901,498 | \$ 663,215 | \$ (238,283) |
| Total General Fund | \$ 12,877,174 | \$ 13,625,605 | \$ 13,221,110 | \$ (502,718) |

Governmental Funds -
Statement of Revenues - Budget and Actual
Year Ended June 30, 2010 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Budget As Amended | Actual | Variance From Amended Budget Positive (Negative) |
|--|--------------------|-------------------------|---------------|---|
| Primary Government: (Continued) | | | | |
| County Capital Projects Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ - | \$ - | \$ 1,141 | \$ 1,141 |
| Miscellaneous revenue: | | | | |
| Host agreement fees | - | 84,187 | 110,000 | 25,813 |
| Total revenue from local sources | \$ - | \$ 84,187 | \$ 111,141 | \$ 26,954 |
| Revenue from the Commonwealth: | | | | |
| Tobacco Indemnification & Revitalization Grant | \$ - | \$ 8,650 | \$ - | \$ (8,650) |
| Water assistance grant | - | - | 25,000 | 25,000 |
| Total revenue from the Commonwealth | \$ - | \$ 8,650 | \$ 25,000 | \$ 16,350 |
| Revenue from the Federal Government: | | | | |
| Categorical aid: | | | | |
| Rural development grant | \$ - | \$ - | \$ 7,540 | \$ 7,540 |
| TEA grant | - | 27,114 | 55,733 | 28,619 |
| Total revenue from the Federal Government | \$ - | \$ 27,114 | \$ 63,273 | \$ 36,159 |
| Total County Capital Projects Fund | \$ - | \$ 119,951 | \$ 199,414 | \$ 79,463 |
| Grand Total Revenues -- Primary Government | \$ 12,877,174 | \$ 13,745,556 | \$ 13,420,524 | \$ (423,255) |
| Component Unit -- School Board: | | | | |
| Special Revenue Funds: | | | | |
| School Operating Fund: | | | | |
| Miscellaneous revenue: | | | | |
| Miscellaneous | \$ - | \$ 397,684 | \$ 416,106 | \$ 18,422 |
| Total miscellaneous | \$ - | \$ 397,684 | \$ 416,106 | \$ 18,422 |
| Total revenue from local sources | \$ - | \$ 397,684 | \$ 416,106 | \$ 18,422 |
| Intergovernmental revenue: | | | | |
| County contribution to School Board | \$ 3,847,104 | \$ 3,847,104 | \$ 3,712,387 | \$ (134,717) |

Governmental Funds and Discretely Presented Component Units
Statement of Revenues -- Budget and Actual
Year Ended June 30, 2010 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Budget As Amended | Actual | Variance From Amended Budget Positive (Negative) |
|---|--------------------|-------------------------|---------------|---|
| Component Unit -- School Board: (Continued) | | | | |
| Special Revenue Funds (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Share of state sales tax | \$ - | \$ - | \$ 1,349,980 | \$ 1,349,980 |
| Basic school aid | - | - | 4,767,828 | 4,767,828 |
| Reduced K-3 | - | - | 208,408 | 208,408 |
| School food | - | - | 14,432 | 14,432 |
| Special ed SOQ | - | - | 750,210 | 750,210 |
| Remedial education | - | - | 206,102 | 206,102 |
| Technology | - | - | 128,000 | 128,000 |
| Lottery | - | - | 118,972 | 118,972 |
| Adult literacy | - | - | 70,000 | 70,000 |
| Social security | - | - | 287,512 | 287,512 |
| Teacher retirement | - | - | 277,207 | 277,207 |
| At risk | - | - | 226,209 | 226,209 |
| At risk four year olds | - | - | 213,091 | 213,091 |
| Project graduation | - | - | 59,184 | 59,184 |
| Remedial summer school | - | - | 144,468 | 144,468 |
| Other state funds | 10,505,723 | 10,505,723 | 287,085 | (10,218,638) |
| Total categorical aid | \$ 10,505,723 | \$ 10,505,723 | \$ 9,108,688 | \$ (1,397,035) |
| Total revenue from the Commonwealth | \$ 10,505,723 | \$ 10,505,723 | \$ 9,108,688 | \$ (1,397,035) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Adult education | \$ - | \$ - | \$ 250,080 | \$ 250,080 |
| Title I | - | - | 421,976 | 421,976 |
| Title I - ARRA | - | - | 134,147 | 134,147 |
| Rural and low income | - | - | 72,702 | 72,702 |
| Title VI-B -- Special Education | - | - | 339,149 | 339,149 |
| Title VI-B -- Special Education - ARRA | - | - | 186,521 | 186,521 |
| School food | - | - | 524,442 | 524,442 |
| Vocational education | - | - | 34,487 | 34,487 |
| ROTC | - | - | 64,237 | 64,237 |
| Title II - part A | - | - | 82,002 | 82,002 |
| Reading first | - | - | 80,071 | 80,071 |
| State stabilization fund - ARRA | - | - | 1,016,098 | 1,016,098 |
| 21st century grant | - | - | 522,846 | 522,846 |
| School to work grant | - | - | 10,183 | 10,183 |
| Education technology - ARRA | - | - | 7,750 | 7,750 |
| Drug free schools | - | - | 8,188 | 8,188 |
| Other federal funds | 1,972,986 | 2,342,986 | 38,594 | (2,304,392) |
| Total categorical aid | \$ 1,972,986 | \$ 2,342,986 | \$ 3,793,473 | \$ 1,450,487 |
| Total revenue from the federal government | \$ 1,972,986 | \$ 2,342,986 | \$ 3,793,473 | \$ 1,450,487 |
| Total School Operating Fund | \$ 16,325,813 | \$ 17,093,497 | \$ 17,030,654 | \$ (62,843) |

Governmental Funds and Discretely Presented Component Units
Statement of Revenues -- Budget and Actual
Year Ended June 30, 2010 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Budget As Amended | Actual | Variance From Amended Budget Positive (Negative) |
|--|--------------------|-------------------------|---------------|---|
| Component Unit -- School Board: (Continued) | | | | |
| Special Revenue Funds: (Continued) | | | | |
| School Cafeteria Fund: | | | | |
| Revenue from local sources: | | | | |
| Charges for services: | | | | |
| Cafeteria sales | \$ - | \$ - | \$ 253,037 | \$ 253,037 |
| Total charges for services | \$ - | \$ - | \$ 253,037 | \$ 253,037 |
| Miscellaneous revenue: | | | | |
| Miscellaneous | \$ - | \$ - | \$ 4,322 | \$ 4,322 |
| Total miscellaneous | \$ - | \$ - | \$ 4,322 | \$ 4,322 |
| Total revenue from local sources | \$ - | \$ - | \$ 257,359 | \$ 257,661 |
| Total School Cafeteria Fund | \$ - | \$ - | \$ 257,359 | \$ 257,661 |
| Grand Total Revenues -- Component Unit -- School Board | \$ 16,325,813 | \$ 17,093,497 | \$ 17,288,013 | \$ 194,818 |
| Grand Total Revenues -- Reporting Entity | \$ 29,202,987 | \$ 30,839,053 | \$ 30,708,537 | \$ (228,437) |

Governmental Funds -
Statement of Expenditures - Budget and Actual
Year Ended June 30, 2010

| Fund, Function, Activities and Elements | Original Budget | Budget As Amended | Actual | Variance From Amended Budget Favorable (Unfavor.) |
|--|--------------------|-------------------------|--------------|--|
| Primary Government: | | | | |
| General Fund: | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Board of supervisors | \$ 68,837 | \$ 50,109 | \$ 50,091 | \$ 18 |
| General and financial administration: | | | | |
| County administrator | \$ 158,120 | \$ 150,179 | \$ 150,121 | \$ 58 |
| Legal services | 285,000 | 285,600 | 285,600 | - |
| Independent Auditor | 30,000 | 31,500 | 31,470 | 30 |
| Commissioner of the revenue | 227,271 | 213,439 | 213,412 | 27 |
| Assessor | 50,000 | 108,500 | 108,433 | 67 |
| Equalization board | 1,500 | 1,250 | 1,248 | 2 |
| License bureau | - | 250 | 203 | 47 |
| Treasurer | 260,188 | 250,086 | 248,666 | 1,420 |
| Accounting | 190,535 | 175,196 | 175,095 | 101 |
| Data Processing | 175,396 | 178,116 | 178,045 | 71 |
| Total general and financial administration | \$ 1,378,010 | \$ 1,394,116 | \$ 1,392,293 | \$ 1,823 |
| Board of Elections: | | | | |
| Electoral board and officials | \$ 18,815 | \$ 18,191 | \$ 16,600 | \$ 1,591 |
| Registrar | 61,290 | 52,933 | 52,834 | 99 |
| Total board of elections | \$ 80,105 | \$ 71,124 | \$ 69,434 | \$ 1,690 |
| Total general government administration | \$ 1,526,952 | \$ 1,515,349 | \$ 1,511,818 | \$ 3,531 |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit court | \$ 15,840 | \$ 14,040 | \$ 14,023 | \$ 17 |
| General district court | 13,145 | 12,145 | 12,136 | 9 |
| Special magistrates | 6,698 | 3,476 | 3,454 | 22 |
| Law library | 1,000 | 1,034 | 1,034 | - |
| Clerk of the circuit court | 209,702 | 221,855 | 212,739 | 9,116 |
| Total courts | \$ 246,385 | \$ 252,550 | \$ 243,386 | \$ 9,164 |
| Commonwealth's attorney: | | | | |
| Commonwealth's attorney | \$ 113,142 | \$ 105,023 | \$ 105,121 | \$ (98) |
| Total judicial administration | \$ 359,527 | \$ 357,573 | \$ 348,507 | \$ 9,066 |

Governmental Funds -
Statement of Expenditures - Budget and Actual
Year Ended June 30, 2010 (continued)

| Fund, Function, Activities and Elements | Original Budget | Budget As Amended | Actual | Variance From Amended Budget Favorable (Unfavor.) |
|---|--------------------|-------------------------|--------------|--|
| Primary Government: (Continued) | | | | |
| General Fund: (Continued) | | | | |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | \$ 1,259,195 | \$ 1,431,252 | \$ 1,422,007 | \$ 9,245 |
| School resource officer | 41,127 | 42,452 | 42,452 | - |
| Total law enforcement and traffic control | \$ 1,300,322 | \$ 1,473,704 | \$ 1,464,459 | \$ 9,245 |
| Fire and rescue services: | | | | |
| Volunteer fire department | \$ 103,230 | \$ 150,030 | \$ 150,030 | \$ - |
| Ambulance and rescue service | 73,020 | 82,336 | 73,882 | 8,454 |
| E-911 | 60,131 | 60,131 | 31,066 | 29,065 |
| Emergency services | 9,625 | 27,200 | 27,152 | 48 |
| Forestry program | 8,139 | 8,789 | 8,763 | 26 |
| Odemsa | 600 | 1,874 | 924 | 950 |
| Total fire and rescue services | \$ 254,745 | \$ 330,360 | \$ 291,817 | \$ 38,543 |
| Correction and detention: | | | | |
| Probation office | \$ 1,226 | \$ 1,326 | \$ 1,323 | \$ 3 |
| Corrections and detention | 30,000 | 27,500 | 30,308 | (2,808) |
| Total correction and detention | \$ 31,226 | \$ 28,826 | \$ 31,631 | \$ (2,805) |
| Inspections: | | | | |
| Building | \$ 109,190 | \$ 104,383 | \$ 104,094 | \$ 289 |
| Total inspections | \$ 109,190 | \$ 104,383 | \$ 104,094 | \$ 289 |
| Other protection: | | | | |
| Animal control | \$ 131,130 | \$ 116,409 | \$ 116,006 | \$ 403 |
| Medical examiner (coroner) | - | 40 | 40 | - |
| Total other protection | \$ 131,130 | \$ 116,449 | \$ 116,046 | \$ 403 |
| Total public safety | \$ 1,826,613 | \$ 2,053,722 | \$ 2,008,047 | \$ 45,675 |
| Public works: | | | | |
| Sanitation and waste removal: | | | | |
| Refuse disposal | \$ 578,419 | \$ 680,419 | \$ 691,747 | \$ (11,328) |
| Landfill | 500 | 520 | 520 | - |
| Recycling | 29,000 | 27,700 | 27,041 | 659 |
| Total sanitation and waste removal | \$ 607,919 | \$ 708,639 | \$ 719,308 | \$ (10,669) |

Governmental Funds -
Statement of Expenditures - Budget and Actual
Year Ended June 30, 2010 (continued)

| Fund, Function, Activities and Elements | Original Budget | Budget As Amended | Actual | Variance From Amended Budget Favorable (Unfavor.) |
|--|--------------------|-------------------------|--------------|--|
| Primary Government: (Continued) | | | | |
| General Fund: (Continued) | | | | |
| Public works: (Continued) | | | | |
| Maintenance of general buildings and grounds: | | | | |
| General properties | \$ 694,207 | \$ 619,120 | \$ 615,874 | \$ 3,246 |
| Courthouse maintenance | 3,000 | 16,550 | 16,550 | - |
| Total maintenance of general buildings and grounds | \$ 697,207 | \$ 635,670 | \$ 632,424 | \$ 3,246 |
| Total public works | \$ 1,305,126 | \$ 1,344,309 | \$ 1,351,732 | \$ (7,423) |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | \$ 99,310 | \$ 75,210 | \$ 75,139 | \$ 71 |
| Hospital and other health organizations | 2,749 | 2,799 | 3,559 | (760) |
| Total health | \$ 102,059 | \$ 78,009 | \$ 78,698 | \$ (689) |
| Mental health and mental retardation: | | | | |
| Chapter X board | \$ 28,840 | \$ 28,840 | \$ 28,840 | \$ - |
| Hospitalization - inpatient | 1,341 | 41 | - | 41 |
| Total mental health and mental retardation | \$ 30,181 | \$ 28,881 | \$ 28,840 | \$ 41 |
| Welfare: | | | | |
| Welfare administration & public assistance | \$ 1,260,080 | \$ 1,394,427 | \$ 1,167,880 | \$ 226,547 |
| CSA - at risk youth | 1,066,328 | 1,065,213 | 648,105 | 417,108 |
| Total welfare | \$ 2,326,408 | \$ 2,459,640 | \$ 1,815,985 | \$ 643,655 |
| Total health and welfare | \$ 2,458,648 | \$ 2,566,530 | \$ 1,923,523 | \$ 643,007 |
| Education: | | | | |
| Contributions to community colleges | \$ 2,709 | \$ 2,709 | \$ 2,709 | \$ - |
| Contributions to school board component unit | 3,847,104 | 3,847,104 | 3,712,387 | 134,717 |
| Total education | \$ 3,849,813 | \$ 3,849,813 | \$ 3,715,096 | \$ 134,717 |
| Parks, recreation and cultural: | | | | |
| Parks and recreation | | | | |
| Recreation centers and playgrounds | \$ 59,890 | \$ 53,990 | \$ 53,955 | \$ 35 |
| Library: | | | | |
| Local library | \$ 118,800 | \$ 118,800 | \$ 118,800 | \$ - |
| Tri-county life learners | 2,500 | 2,500 | 2,500 | - |
| Total parks, recreation and cultural | \$ 181,190 | \$ 175,290 | \$ 175,255 | \$ 35 |

Governmental Funds -
Statement of Expenditures - Budget and Actual
Year Ended June 30, 2010 (continued)

| Fund, Function, Activities and Elements | Original Budget | Budget As Amended | Actual | Variance From Amended Budget Favorable (Unfavor.) |
|--|--------------------|-------------------------|---------------|--|
| Primary Government: (Continued) | | | | |
| Community development: | | | | |
| Planning and community development: | | | | |
| Planning | \$ 133,864 | \$ 125,031 | \$ 124,833 | \$ 198 |
| Economic development | 172,697 | 187,611 | 187,448 | 163 |
| Contribution to IDA | - | 11,144 | 11,144 | - |
| Other community development | 89,313 | 60,452 | 60,273 | 179 |
| Total planning and community development | \$ 395,874 | \$ 384,238 | \$ 383,698 | \$ 540 |
| Environmental management: | | | | |
| Cooperative extension program | \$ 46,000 | \$ 21,695 | \$ 21,641 | \$ 54 |
| Other environmental management | 9,500 | 9,500 | 9,500 | - |
| Total environmental management | \$ 55,500 | \$ 31,195 | \$ 31,141 | \$ 54 |
| Total community development | \$ 451,374 | \$ 415,433 | \$ 414,839 | \$ 594 |
| Nondepartmental: | | | | |
| Miscellaneous | \$ 55,500 | \$ 3,518 | \$ 3,495 | \$ 23 |
| Local aid to the Commonwealth | - | 65,000 | 64,417 | 583 |
| Total nondepartmental | \$ 55,500 | \$ 68,518 | \$ 67,912 | \$ 606 |
| Debt service: county | | | | |
| Principal retirement | \$ 1,618,165 | \$ 2,125,019 | \$ 1,498,239 | \$ 626,780 |
| Interest and fiscal charges | 1,165,694 | 1,520,373 | 2,146,092 | (625,719) |
| Total county debt service | \$ 2,783,859 | \$ 3,645,392 | \$ 3,644,331 | \$ 1,061 |
| Debt service: schools | | | | |
| Principal retirement | \$ 155,000 | \$ 155,000 | \$ 155,000 | \$ - |
| Interest and fiscal charges | 141,028 | 141,028 | 141,028 | - |
| Total schools debt service | \$ 296,028 | \$ 296,028 | \$ 296,028 | \$ - |
| Total debt service | \$ 3,079,887 | \$ 3,941,420 | \$ 3,940,359 | \$ 1,061 |
| Total General Fund | \$ 15,094,630 | \$ 16,287,957 | \$ 15,457,088 | \$ 830,869 |
| County Capital Projects Fund: | | | | |
| Capital outlay / projects: | | | | |
| General government | \$ 25,000 | \$ 182,737 | \$ 75,048 | \$ 107,689 |
| Public safety | 90,000 | 91,759 | 28,494 | 63,265 |
| Public works | 41,450 | 94,876 | 100,167 | (5,291) |
| Education | - | 259,520 | 233,275 | 26,245 |
| Community Development | 11,820 | 28,446 | 28,446 | - |
| Total capital outlay / projects | \$ 168,270 | \$ 657,338 | \$ 465,430 | \$ 191,908 |

Governmental Funds -
Statement of Expenditures - Budget and Actual
Year Ended June 30, 2010 (continued)

| Fund, Function, Activities and Elements | Original Budget | Budget As Amended | Actual | Variance From Amended Budget Favorable (Unfavor.) |
|--|--------------------|-------------------------|---------------|--|
| Primary Government: (Continued) | | | | |
| County Capital Projects Fund: (Continued) | | | | |
| Debt service: | | | | |
| Interest and other fiscal charges | \$ - | \$ - | \$ 23,745 | \$ (23,745) |
| Total County Capital Projects Fund | \$ 168,270 | \$ 657,338 | \$ 489,175 | \$ 168,163 |
| Grand Total Expenditures -- Primary Government | \$ 15,262,900 | \$ 16,945,295 | \$ 15,946,263 | \$ 999,032 |
| Component Unit -- School Board: | | | | |
| Special Revenue Funds: | | | | |
| School Operating Fund: | | | | |
| Education: | | | | |
| Instruction | \$ 11,859,714 | \$ 12,627,398 | \$ 12,016,731 | \$ 610,667 |
| Administration, attendance and health | 1,011,601 | 1,011,601 | 1,129,821 | (118,220) |
| Pupil transportation services | 1,366,927 | 1,366,927 | 1,407,706 | (40,779) |
| Operation and maintenance services | 1,282,955 | 1,282,955 | 1,193,658 | 89,297 |
| Technology | 706,393 | 706,393 | 778,712 | (72,319) |
| Total education | \$ 16,227,590 | \$ 16,995,274 | \$ 16,526,628 | \$ 468,646 |
| Contribution to Primary Government | 98,223 | 98,223 | 98,223 | - |
| Total School Operating Fund | \$ 16,325,813 | \$ 17,093,497 | \$ 16,624,851 | \$ 468,646 |
| School Cafeteria Fund: | | | | |
| Education: | | | | |
| School food services | \$ - | \$ - | \$ 648,846 | \$ (648,846) |
| Total School Cafeteria Fund | \$ - | \$ - | \$ 648,846 | \$ (648,846) |
| Grand Total Expenditures--Component Unit-- School Board | \$ 16,325,813 | \$ 17,093,497 | \$ 17,273,697 | \$ (180,200) |
| Grand Total Expenditures--Reporting Entity | \$ 31,588,713 | \$ 34,038,792 | \$ 33,219,960 | \$ 818,832 |

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Other Statistical Information

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COUNTY OF CUMBERLAND, VIRGINIA

Table 1

Government-Wide Expenses by Function
Last Nine Fiscal Years

| Fiscal Year | General | | | | | | | | | | Interest on Debt | Sewer | Water | Total |
|-------------|---------------------------|-------------------------|---------------|--------------|--------------------|--------------|-------------------------|-----------------------|-----------------|------------------|------------------|------------|---------|--------------|
| | Government Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education | Recreation and Cultural | Community Development | Capital Outlays | Non-Departmental | | | | |
| 2001-02 \$ | 875,364 | \$ 261,964 | \$ 1,085,225 | \$ 740,129 | \$ 1,298,741 | \$ 3,066,011 | \$ 76,576 | \$ 287,876 | \$ 8,655 | \$ 9,218 | \$ 458,018 | \$ 341,108 | \$ - | \$ 8,508,885 |
| 2002-03 | 857,155 | 243,414 | 1,290,301 | 1,073,275 | 1,264,378 | 3,805,093 | 80,384 | 396,735 | - | 11,076 | 647,006 | 308,405 | - | 9,977,222 |
| 2003-04 | 899,116 | 362,692 | 1,477,936 | 1,091,085 | 1,689,982 | 3,386,603 | 85,220 | 315,800 | - | - | 476,705 | 300,358 | - | 10,085,497 |
| 2004-05 | 1,096,607 | 457,036 | 1,641,665 | 1,269,984 | 1,734,952 | 3,988,063 | 134,066 | 339,568 | - | - | 502,815 | 305,431 | - | 11,470,187 |
| 2005-06 | 1,188,315 | 440,444 | 1,868,176 | 1,819,805 | 2,352,514 | 5,143,204 | 137,816 | 398,233 | - | - | 482,102 | 339,978 | 7,487 | 14,178,074 |
| 2006-07 | 1,555,835 | 555,793 | 2,146,137 | 1,065,558 | 2,294,192 | 4,378,988 | 182,374 | 407,700 | - | - | 629,286 | 354,830 | 156,332 | 13,727,025 |
| 2007-08 | 1,438,611 | 440,064 | 2,516,490 | 1,136,599 | 2,109,789 | 6,778,573 | 188,984 | 1,337,794 | - | - | 1,099,526 | 472,481 | 220,262 | 17,739,173 |
| 2008-09 | 1,556,822 | 425,338 | 2,354,306 | 1,212,922 | 2,080,940 | 6,339,648 | 190,112 | 746,629 | - | - | 2,141,701 | 353,001 | 257,001 | 17,658,420 |
| 2009-10 | 1,581,085 | 438,445 | 2,186,375 | 1,445,732 | 1,907,322 | 6,066,332 | 177,854 | 427,487 | - | - | 2,535,022 | 419,816 | 242,870 | 17,428,340 |

COUNTY OF CUMBERLAND, VIRGINIA

Table 2

Government-Wide Revenues
Last Nine Fiscal Years

| Fiscal Year | Program Revenues | | | General Revenues | | | | | Total |
|-------------|----------------------|------------------------------------|----------------------------------|------------------------|-------------------|---|---|---------------|--------------|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | General Property Taxes | Other Local Taxes | Contributions Not Restricted to Specific Programs | Revenues from the Use of Money & Property | Miscellaneous | |
| 2001-02 | \$ 283,785 | \$ 1,818,722 | \$ 32,715 | \$ 4,914,614 | \$ 1,005,701 | \$ 1,524,290 | \$ 144,212 | \$ 58,252 | \$ 9,782,291 |
| 2002-03 | 263,262 | 2,046,012 | 99,000 | 5,518,552 | 1,045,148 | 932,060 | 89,474 | 63,719 | 10,057,227 |
| 2003-04 | 306,531 | 2,508,421 | 207,106 | 5,661,302 | 1,152,551 | 915,702 | 181,238 | 44,019 | 10,976,870 |
| 2004-05 | 343,590 | 2,382,153 | 356,553 | 7,943,269 | 1,315,257 | 937,189 | 120,077 | 129,818 | 13,527,906 |
| 2005-06 | 625,911 | 2,864,407 | 559,575 | 6,193,617 | 1,401,158 | 971,950 | 239,714 | 132,403 | 12,988,735 |
| 2006-07 | 525,508 | 2,643,613 | 1,647,298 | 6,727,441 | 1,296,960 | 1,013,486 | 281,990 | 603,113 | 14,739,409 |
| 2007-08 | 863,686 | 2,847,017 | 3,575,280 | 6,671,011 | 1,370,255 | 987,713 | 562,769 | 47,495 | 16,925,226 |
| 2008-09 | 534,956 | 2,479,867 | 618,820 | 6,989,867 | 1,321,181 | 928,274 | 166,644 | 117,828 | 13,157,437 |
| 2009-10 | 773,847 | 2,528,839 | 2,076,773 | 7,390,476 | 1,363,354 | 1,020,737 | 61,838 | 139,493 | 15,355,357 |

COUNTY OF CUMBERLAND, VIRGINIA

Table 3

General Government Revenues by Source (1)

Last Ten Fiscal Years

| Fiscal Year | General Property Taxes | | Other Local Taxes | | Permit Privilege Fees & Regulatory Licenses | | Fines & Forfeitures | | Revenues from the Use of Money & Property | | Charges for Services | | Miscellaneous | | Inter-governmental | | Recovered Costs | | Total | |
|-------------|------------------------|-----------|-------------------|-----------|---|---------|---------------------|---------|---|---------|----------------------|---------|---------------|---------|--------------------|------------|-----------------|---------|-------|------------|
| | | | | | | | | | | | | | | | | | | | | |
| 2000-01 | \$ | 4,998,406 | \$ | 966,405 | \$ | 63,415 | \$ | 10,994 | \$ | 214,560 | \$ | 176,717 | \$ | 170,337 | \$ | 9,438,120 | \$ | - | \$ | 16,038,954 |
| 2001-02 | | 4,921,224 | | 1,005,701 | | 79,309 | | 9,631 | | 167,141 | | 179,812 | | 127,867 | | 10,410,177 | | 385,438 | | 17,286,300 |
| 2002-03 | | 5,456,313 | | 1,045,148 | | 70,600 | | 21,522 | | 112,803 | | 190,799 | | 79,296 | | 10,848,112 | | - | | 17,824,593 |
| 2003-04 | | 5,725,532 | | 1,152,551 | | 66,863 | | 20,039 | | 204,995 | | 234,620 | | 136,936 | | 12,526,248 | | - | | 20,067,784 |
| 2004-05 | | 7,821,863 | | 1,315,257 | | 76,029 | | 31,047 | | 142,345 | | 255,057 | | 223,233 | | 13,658,488 | | - | | 23,523,319 |
| 2005-06 | | 6,351,805 | | 1,401,158 | | 94,697 | | 59,671 | | 256,716 | | 484,635 | | 371,179 | | 15,184,571 | | - | | 24,204,432 |
| 2006-07 | | 6,325,766 | | 1,296,960 | | 102,542 | | 50,642 | | 321,055 | | 317,769 | | 966,950 | | 17,458,744 | | - | | 26,840,428 |
| 2007-08 | | 6,668,218 | | 1,370,255 | | 70,618 | | 66,921 | | 569,478 | | 578,216 | | 320,653 | | 19,051,343 | | - | | 28,695,702 |
| 2008-09 | | 6,795,668 | | 1,321,181 | | 67,754 | | 78,229 | | 157,506 | | 339,471 | | 617,714 | | 17,304,937 | | - | | 26,682,460 |
| 2009-10 | | 7,348,317 | | 1,363,354 | | 59,063 | | 113,623 | | 59,441 | | 854,198 | | 559,921 | | 16,540,010 | | - | | 26,897,927 |

(1) Includes General, Special Revenue Funds and Capital Project Funds of the Primary Government and the Discretely Presented Component Unit School Board.

COUNTY OF CUMBERLAND, VIRGINIA

Table 4

General Government Expenditures by Function (1) (2)

Last Ten Fiscal Years

| Fiscal Year | General Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education | Recreation and Cultural | Community Development | Debt Service | Total |
|-------------|------------------------|-------------------------|---------------|--------------|--------------------|--------------|-------------------------|-----------------------|--------------|---------------|
| 2000-01 | \$ 681,654 | \$ 300,828 | \$ 1,072,757 | \$ 639,451 | \$ 1,064,668 | \$ 9,661,514 | \$ 83,362 | \$ 252,532 | \$ 850,059 | \$ 14,606,825 |
| 2001-02 | 837,627 | 260,853 | 1,154,256 | 660,372 | 1,233,651 | 10,181,110 | 76,457 | 284,194 | 843,055 | 15,531,575 |
| 2002-03 | 787,871 | 242,303 | 1,180,821 | 728,799 | 1,257,693 | 11,260,072 | 80,265 | 277,083 | 938,873 | 16,753,780 |
| 2003-04 | 798,554 | 241,222 | 1,487,509 | 789,670 | 1,678,406 | 12,103,671 | 82,693 | 261,037 | 928,388 | 18,371,150 |
| 2004-05 | 1,087,395 | 376,717 | 1,613,412 | 1,299,385 | 1,722,374 | 14,092,912 | 131,539 | 339,317 | 1,045,773 | 21,708,824 |
| 2005-06 | 1,172,312 | 347,347 | 2,369,699 | 2,819,015 | 2,414,307 | 15,846,227 | 135,289 | 404,466 | 1,040,576 | 26,549,238 |
| 2006-07 | 1,477,432 | 477,398 | 2,816,990 | 1,165,470 | 2,267,877 | 23,954,584 | 179,847 | 408,285 | 1,317,939 | 34,065,822 |
| 2007-08 | 1,414,091 | 347,533 | 3,244,244 | 1,160,817 | 2,098,924 | 44,165,345 | 195,137 | 1,131,705 | 11,404,038 | 65,161,834 |
| 2008-09 | 1,525,264 | 344,985 | 2,321,515 | 1,164,780 | 2,071,123 | 21,919,874 | 185,889 | 882,579 | 3,176,907 | 33,592,916 |
| 2009-10 | 1,586,866 | 348,507 | 2,036,541 | 1,519,811 | 1,923,523 | 21,123,845 | 175,255 | 443,285 | 3,964,104 | 33,121,737 |

(1) Includes General, Special Revenue Funds and Capital Project Funds of the Primary Government and the Discretely Presented Component Unit School Board.

(2) Does not include non-departmental expenditures & contributions from the Primary Government to the Component Unit School Board.

COUNTY OF CUMBERLAND, VIRGINIA

Table 5

Property Tax Levies and Collections
Last Ten Fiscal Years

| Fiscal Year | Total (1,4) Tax Levy | Current Tax (1) Collections | Percent of Levy Collected | Delinquent | | Total Tax Collections | Percent of Total Tax Collections to Tax Levy | Outstanding (1,3,4) Delinquent Taxes | Percent of Delinquent Taxes to Tax Levy |
|----------------|-------------------------|-----------------------------------|---------------------------------|--------------------|--------------|-----------------------------|---|---|--|
| | | | | (1) Collections | (2) Tax | | | | |
| 2000-01 | \$ 5,543,755 | \$ 5,189,311 | 93.61% | \$ 233,617 | \$ 5,422,928 | 97.82% | \$ 549,859 | 9.92% | |
| 2001-02 | 5,655,957 | 5,293,549 | 93.59% | 286,822 | 5,580,371 | 98.66% | 552,055 | 9.76% | |
| 2002-03 | 6,225,778 | 5,781,074 | 92.86% | 307,764 | 6,088,838 | 97.80% | 628,682 | 10.10% | |
| 2003-04 | 6,369,476 | 6,047,839 | 94.95% | 301,799 | 6,349,638 | 99.69% | 589,652 | 9.26% | |
| 2004-05 | 6,404,029 | 6,134,815 | 95.80% | 388,838 | 6,523,653 | 101.87% | 557,064 | 8.70% | |
| 2005-06 | 6,873,966 | 6,770,742 | 98.50% | 305,845 | 7,076,587 | 102.95% | 691,919 | 10.07% | |
| 2006-07 | 7,230,249 | 6,786,714 | 93.87% | 226,342 | 7,013,056 | 97.00% | 820,046 | 11.34% | |
| 2007-08 | 7,414,535 | 7,009,119 | 94.53% | 303,978 | 7,313,097 | 98.63% | 852,804 | 11.50% | |
| 2008-09 | 7,673,636 | 7,261,095 | 94.62% | 229,173 | 7,490,268 | 97.61% | 910,187 | 11.86% | |
| 2009-10 | 8,168,244 | 7,740,534 | 94.76% | 323,129 | 8,063,663 | 98.72% | 937,772 | 11.48% | |

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Includes personal and real.

(4) Fiscal Year 2005 does not include 1st half of 2005 Real Estate and Public Service taxes.

COUNTY OF CUMBERLAND, VIRGINIA

Table 6

Assessed Value of Taxable Property
Last Ten Fiscal Years

| Fiscal Year | Real Estate | Personal Property | Mobile Homes | Public Service | Airplane | Machinery & Tools | Total |
|-------------|----------------|-------------------|--------------|----------------|--------------|-------------------|----------------|
| 2000-01 | \$ 395,553,115 | \$ 44,387,998 | \$ 8,022,983 | \$ 52,392,357 | \$ 1,987,100 | \$ 1,538,330 | \$ 503,881,883 |
| 2001-02 | 405,111,071 | 45,505,280 | 8,243,689 | 50,083,385 | 1,929,000 | 1,704,649 | 512,577,074 |
| 2002-03 | 468,052,131 | 45,791,996 | 8,769,972 | 59,538,199 | 1,629,400 | 1,798,651 | 585,580,349 |
| 2003-04 | 475,897,227 | 47,710,487 | 8,720,733 | 59,010,749 | 1,684,600 | 1,743,346 | 594,767,142 |
| 2004-05 | 485,414,095 | 47,722,652 | 8,612,464 | 54,785,526 | 1,367,900 | 1,747,243 | 599,649,880 |
| 2005-06 | 605,391,128 | 52,458,816 | 8,554,248 | 53,323,831 | 1,324,300 | 1,742,242 | 722,794,565 |
| 2006-07 | 716,805,203 | 55,903,746 | 8,430,631 | 56,383,503 | 1,772,700 | 2,014,328 | 841,310,111 |
| 2007-08 | 730,275,447 | 57,024,862 | 8,531,438 | 64,696,398 | 1,549,585 | 1,925,603 | 864,003,333 |
| 2008-09 | 739,662,170 | 61,957,207 | 8,553,171 | 64,153,584 | 1,609,140 | 2,314,164 | 878,249,436 |
| 2009-10 | 795,199,387 | 54,473,377 | 8,597,263 | 60,485,203 | 1,427,581 | 2,504,409 | 922,687,220 |

Property Tax Rates
Last Ten Fiscal Years

| Fiscal Year | Real Estate | Personal Property | Public Service | Airplane | Machinery & Tools |
|-------------|-------------|-------------------|----------------|----------|-------------------|
| 2000-01 | \$ 0.76 | \$ 4.50 | \$ 0.76 | \$ 0.45 | \$ 4.50 |
| 2001-02 | 0.76 | 4.50 | 0.76 | 0.45 | 4.50 |
| 2002-03 | 0.76 | 4.50 | 0.76 | 0.45 | 4.50 |
| 2003-04 | 0.76 | 4.50 | 0.76 | 0.45 | 4.50 |
| 2004-05 | 0.76 | 4.50 | 0.76 | 0.45 | 4.50 |
| 2005-06 | 0.76/0.59 | 4.50 | 0.76/0.59 | 0.45 | 4.50 |
| 2006-07 | 0.59/0.59 | 4.50 | 0.59/0.59 | 0.50 | 4.50 |
| 2007-08 | 0.59/0.59 | 4.40 | 0.59/0.59 | 0.50 | 3.75 |
| 2008-09 | 0.59/0.59 | 4.40 | 0.59/0.59 | 0.50 | 3.75 |
| 2008-09 | 0.59/0.70 | 4.40 | 0.59/0.70 | 0.50 | 3.75 |

COUNTY OF CUMBERLAND, VIRGINIA

Table 7

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) | Net Bonded Debt | Ratio of Net General Obligation | | Net Bonded Debt per Capita |
|----------------|-------------------|--------------------------|-----------------------------|-----------------------|---------------------------------------|------------------------------|-------------------------------------|
| | | | | | Debt to Assessed Value | Debt to Assessed Value | |
| 2000-01 | 9,017 | \$ 503,881,883 | \$ 9,103,552 | \$ 9,103,552 | 0.0052 | \$ 0.0052 | 1,010 |
| 2001-02 | 9,017 | 512,577,074 | 12,564,385 | 12,564,385 | 0.0245 | 0.0245 | 1,393 |
| 2002-03 | 9,017 | 585,580,349 | 12,170,218 | 12,170,218 | 0.0208 | 0.0208 | 1,350 |
| 2003-04 | 9,017 | 594,767,142 | 11,771,051 | 11,771,051 | 0.0198 | 0.0198 | 1,305 |
| 2004-05 | 9,017 | 599,649,880 | 11,236,884 | 11,236,884 | 0.0187 | 0.0187 | 1,246 |
| 2005-06 | 9,017 | 722,794,565 | 10,687,717 | 10,687,717 | 0.0148 | 0.0148 | 1,185 |
| 2006-07 | 9,017 | 841,310,111 | 10,118,550 | 10,118,550 | 0.0120 | 0.0120 | 1,122 |
| 2007-08 | 9,017 | 864,003,333 | 21,700,029 | 21,700,029 | 0.0251 | 0.0251 | 2,407 |
| 2008-09 | 9,017 | 878,249,436 | 45,127,972 | 45,127,972 | 0.0514 | 0.0514 | 5,005 |
| 2009-10 | 9,017 | 922,687,220 | 43,674,733 | 43,674,733 | 0.0473 | 0.0473 | 4,844 |

(1) Bureau of the Census.

(2) From Table 6

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans.
Excludes revenue bonds, capital leases, and compensated absences.

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Compliance

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

**To The Honorable Members of the Board of Supervisors
County of Cumberland
Cumberland, Virginia**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Cumberland, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County of Cumberland, Virginia's basic financial statements and have issued our report thereon dated September 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 County's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Cumberland, 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*.

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
September 20, 2010

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of County of Cumberland, Virginia's Compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The County of Cumberland, 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 County of Cumberland, Virginia's management. Our responsibility is to express an opinion on County of Cumberland, 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 Cumberland, 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 Cumberland, Virginia's compliance with those requirements.

In our opinion, the County of Cumberland, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the County of Cumberland, 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 Cumberland, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Internal Control Over Compliance (Continued)

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

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 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 the Board of Supervisors, management, 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.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
September 20, 2010

COUNTY OF CUMBERLAND, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2010

| Federal Granting Agency / Recipient State Agency/ Grant Program / Grant Number | Federal Catalog Number | Expenditures |
|--|------------------------------|--------------|
| Primary Government: | | |
| <u>DEPARTMENT OF AGRICULTURE:</u> | | |
| <u>Pass through payments:</u> | | |
| Department of Social Services: | | |
| Supplemental Nutrition Assistance Program | 10.551 | \$ 128,930 |
| ARRA - State administration matching grants for the supplemental nutrition assistance program | 10.561 | 6,686 |
| Rural Development: | | |
| Water and Waste Disposal Systems for Rural Communities | 10.760 | 7,540 |
| Total Department of Agriculture | | \$ 143,156 |
| Department of Justice: | | |
| Pass Through Payments: | | |
| Department of Criminal Justice Services: | | |
| ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) | 16.803 | \$ 20,329 |
| <u>DEPARTMENT OF TRANSPORTATION:</u> | | |
| <u>Pass through payments:</u> | | |
| Virginia Department of Transportation: | | |
| Alcohol Open Container Requirements | 20.607 | \$ 24,468 |
| Public Transportation Research | 20.514 | 55,733 |
| Total Department of Transportation | | \$ 80,201 |
| <u>DEPARTMENT OF HOMELAND SECURITY:</u> | | |
| <u>Pass through payments:</u> | | |
| Virginia Department of Emergency Services: | | |
| Emergency Food and Shelter National Board Program | 97.024 | \$ 6,493 |
| State Homeland Security Program | 97.073 | 21,900 |
| Law Enforcement Terrorism Prevention Program | 97.074 | 16,207 |
| Total Department of Homeland Security | | \$ 44,600 |
| <u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u> | | |
| <u>Pass through payments:</u> | | |
| Virginia Department of Social Services: | | |
| Promoting safe and stable families | 93.556 | \$ 1,270 |
| Temporary assistance for needy families | 93.558 | 128,345 |
| Refugee and entrant assistance - State Administered Programs | 93.566 | 287 |
| Low income home energy assistance | 93.568 | 6,789 |
| Child care mandatory and matching funds of the child care and development fund | 93.596 | 24,309 |
| Child care and development block grant | 93.575 | 62,641 |
| Child welfare services - state grants | 93.645 | 389 |
| Foster care Title IV - E | 93.658 | 36,848 |
| AARA - Foster care Title IV - E | 93.658 | 370 |
| Adoption assistance | 93.659 | 32,117 |
| AARA - Adoption assistance | 93.659 | 3,728 |
| Social services block grant | 93.667 | 44,911 |
| Chafee Foster Care Independence Program | 93.674 | 856 |
| ARRA - Child care and development block grant | 93.713 | 18,510 |
| Children's health insurance program | 93.767 | 5,691 |
| Medical assistance program | 93.778 | 77,634 |
| Total Department of Health and Human Services | | \$ 444,695 |
| Total Primary Government | | \$ 732,981 |

COUNTY OF CUMBERLAND, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2010 (Continued)

| Federal Granting Agency / Recipient State Agency/ Grant Program / Grant Number | Federal Catalog Number | Expenditures |
|---|------------------------------|--------------|
| Component Unit - School Board: | | |
| <u>DEPARTMENT OF AGRICULTURE:</u> | | |
| <u>Pass through payments:</u> | | |
| Department of Agriculture and Consumer Services: | | |
| Food distribution | 10.555 | \$ 47,278 |
| Department of Education: | | |
| National school breakfast program | 10.553 | 161,521 |
| National school lunch program | 10.555 | 362,921 |
| Total Department of Agriculture | | \$ 571,720 |
| <u>DEPARTMENT OF EDUCATION:</u> | | |
| <u>Pass through payments:</u> | | |
| Virginia Department of Education: | | |
| Title I Grants to Local Educational Agencies | 84.010 | 421,976 |
| Title I Grants to Local Educational Agencies - ARRA | 84.389 | 134,147 |
| Special Education Grants to States | 84.027 | 332,191 |
| Special Education Grants to States - ARRA | 84.391 | 179,994 |
| Vocational Education: | | |
| Career and Technical Education - Basic grants to states | 84.048 | 46,114 |
| Adult Education - Basic Grants to States | 84.002 | 250,080 |
| Special Projects: | | |
| Safe and drug-free schools and communities | 84.186 | 8,188 |
| Special Education - Preschool Grants | 84.173 | 6,958 |
| Special Education - Preschool Grants - ARRA | 84.392 | 6,527 |
| Improving Teacher Quality State Grants | 84.367 | 82,002 |
| 21st century community learning centers | 84.287 | 522,846 |
| State Grants for Innovative programs | 84.298 | 1,881 |
| Title VI - Rural Education | 84.358 | 72,702 |
| Education Technology State Grants - ARRA | 84.386 | 7,750 |
| Education for Homeless Children and Youth - ARRA | 84.387 | 3,216 |
| Education technology State Grants | 84.318 | 4,997 |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 | 27,056 |
| Reading first State Grants | 84.357 | 80,071 |
| State Fiscal Stabilization Fund (SFSF) - ARRA | 84.394 | 1,016,098 |
| Total Department of Education | | \$ 3,204,794 |
| <u>DEPARTMENT OF DEFENSE:</u> | | |
| <u>Direct payments:</u> | | |
| Jr. ROTC payments | 12.000 | \$ 64,237 |
| Total Component Unit School Board | | \$ 3,840,751 |
| Total expenditures of federal awards | | \$ 4,573,732 |

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF CUMBERLAND, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

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.

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

| | |
|--------------------------|-------------------|
| General Fund | \$ 663,215 |
| Capital Projects Fund | 63,273 |
| Special welfare fund | <u>6,493</u> |
| Total primary government | <u>\$ 732,981</u> |

Component Unit Public Schools:

| | |
|-----------------------|---------------------|
| School Operating Fund | <u>\$ 3,793,473</u> |
|-----------------------|---------------------|

| | |
|-------------------------------------|---------------------|
| Total component unit public schools | <u>\$ 3,793,473</u> |
|-------------------------------------|---------------------|

| | |
|---|---------------------|
| Total federal expenditures per basic financial statements | <u>\$ 4,526,454</u> |
|---|---------------------|

| | |
|--|------------------|
| Non-cash expenditures - value of donated commodities | <u>\$ 47,278</u> |
|--|------------------|

| | |
|---|----------------------------|
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | <u><u>\$ 4,573,732</u></u> |
|---|----------------------------|

COUNTY OF CUMBERLAND, VIRGINIA

Schedule of Findings and Questioned Costs Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

| | |
|---|-------------|
| Type of auditor's report issued: | Unqualified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified? | No |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|-------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified? | No |
| Type of auditor's report issued on compliance for major programs: | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? | No |
| Identification of major programs: | |

| <u>CFDA #</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------------|---|
| 10.561 | SNAP cluster |
| 84.010/84.389 | Title I Cluster |
| 84.027/84.173/84.391/84.392 | Special Education Cluster |
| 84.394 | State Fiscal Stabilization Fund - ARRA |

| | |
|---|------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$ 300,000 |
| Auditee qualified as low-risk auditee? | Yes |

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Findings and Questioned Costs

There are no prior year findings and questioned costs to report.