

COUNTY OF NORTHUMBERLAND, VIRGINIA



ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013

COUNTY OF NORTHUMBERLAND, VIRGINIA

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Board of Supervisors

Ronald L. Jett, Chairperson

Richard F. Haynie
Thomas H. Tomlin

Arthur J. Self, Sr.
James M. Long

School Board

Betty Christopher, Chairperson

Dick Saxer
Susan Saunders

Myrtle Phillips
Dean Sumner

Board of Social Services

John Jordon, Chairperson

Thomas Tomlin

Nancy Valandingham

Other Officials

Judge of the Circuit Court.....	Harry T. Taliaferro, III
Clerk of the Circuit Court	Deborah T. Bingham
Commonwealth's Attorney	Jane B. Wrightson
Treasurer	Ellen Kirby
Sheriff	Charles A. Wilkins
Superintendent of Schools.....	Rebecca Gates
Director of Social Services	Jackie Clayton
Commissioner of the Revenue	Todd E. Thomas
County Administrator	Kenneth D. Eades

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ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Northumberland, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Northumberland, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the County adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Northumberland, Virginia's basic financial statements. The other supplementary information and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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.

Other Information (continued)

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2014, on our consideration of the County of Northumberland, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Northumberland, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "D. Frick", followed by a long horizontal line.

Richmond, Virginia
February 6, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Northumberland, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2013. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- < The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$18,573,188 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other uses in excess of revenues and other financing sources of \$913,324 (Exhibit 5) after making contributions totaling \$10,498,692 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$8,295,933, a decrease of \$913,324 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,813,015, or 33% of total general fund expenditures and other uses.
- < The combined long-term obligations decreased \$1,188,497 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

The statement of net position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$18,573,188 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Northumberland, Virginia's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets \$	10,213,866	\$ 10,898,017	\$ 990,159	\$ 1,128,294	\$ 11,204,025	\$ 12,026,311
Capital assets	<u>41,967,651</u>	<u>42,979,805</u>	<u>5,588,390</u>	<u>5,688,900</u>	<u>47,556,041</u>	<u>48,668,705</u>
Total assets	<u>\$ 52,181,517</u>	<u>\$ 53,877,822</u>	<u>\$ 6,578,549</u>	<u>\$ 6,817,194</u>	<u>\$ 58,760,066</u>	<u>\$ 60,695,016</u>
Current liabilities \$	1,675,252	\$ 1,560,755	\$ 30,595	\$ 100,746	\$ 1,705,847	\$ 1,661,501
Long-term liabilities outstanding	<u>35,599,719</u>	<u>36,687,470</u>	<u>2,847,537</u>	<u>2,847,537</u>	<u>38,447,256</u>	<u>39,535,007</u>
Total liabilities	<u>\$ 37,274,971</u>	<u>\$ 38,248,225</u>	<u>\$ 2,878,132</u>	<u>\$ 2,948,283</u>	<u>\$ 40,153,103</u>	<u>\$ 41,196,508</u>
Deferred inflows of resources	<u>\$ 33,775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,775</u>	<u>\$ -</u>
Net position:						
Net investment in capital assets	\$ 6,630,967	\$ 6,551,593	\$ 2,740,853	\$ 2,740,617	\$ 9,371,820	\$ 9,292,210
Restricted	255,210	262,210	-	-	255,210	262,210
Unrestricted	<u>7,986,594</u>	<u>8,815,794</u>	<u>959,564</u>	<u>1,128,294</u>	<u>8,946,158</u>	<u>9,944,088</u>
Total net position	<u>\$ 14,872,771</u>	<u>\$ 15,629,597</u>	<u>\$ 3,700,417</u>	<u>\$ 3,868,911</u>	<u>\$ 18,573,188</u>	<u>\$ 19,498,508</u>

Government-wide Financial Analysis (Continued)

The County's net position decreased \$925,320 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Northumberland, Virginia's Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 195,967	\$ 194,793	\$ 416,254	\$ 366,913	\$ 612,221	\$ 561,706
Operating grants and contributions	2,507,321	2,605,285	-	-	2,507,321	2,605,285
Capital grants and contributions	298,775	560,885	-	-	298,775	560,885
General revenues:						
General property taxes	16,199,114	15,443,129	-	-	16,199,114	15,443,129
Other local taxes	1,749,597	1,731,687	-	-	1,749,597	1,731,687
Grants and other contributions not restricted	1,440,348	1,379,120	-	-	1,440,348	1,379,120
Other general revenues	368,156	319,072	35,993	33,875	404,149	352,947
Transfers	(215,706)	(307,013)	215,706	307,013	-	-
Total revenues	\$ 22,543,572	\$ 21,926,958	\$ 667,953	\$ 707,801	\$ 23,211,525	\$ 22,634,759
Expenses:						
General government						
administration	\$ 1,887,494	\$ 1,575,956	\$ -	\$ -	\$ 1,887,494	\$ 1,575,956
Judicial administration	748,238	809,001	-	-	748,238	809,001
Public safety	3,340,665	3,192,554	-	-	3,340,665	3,192,554
Public works	1,209,904	1,197,769	-	-	1,209,904	1,197,769
Health and welfare	1,991,739	2,108,697	-	-	1,991,739	2,108,697
Education	11,598,124	9,613,564	-	-	11,598,124	9,613,564
Parks, recreation, and cultural	161,418	160,000	-	-	161,418	160,000
Community development	754,292	866,569	-	-	754,292	866,569
Interest and other fiscal charges	1,608,524	1,681,962	-	-	1,608,524	1,681,962
Utilities	-	-	836,447	805,077	836,447	805,077
Total expenses	\$ 23,300,398	\$ 21,206,072	\$ 836,447	\$ 805,077	\$ 24,136,845	\$ 22,011,149
Change in net position	\$ (756,826)	\$ 720,886	\$ (168,494)	\$ (97,276)	\$ (925,320)	\$ 623,610
Net position, beginning of year	15,629,597	14,908,711	3,868,911	3,966,187	19,498,508	18,874,898
Net position, end of year	<u>\$ 14,872,771</u>	<u>\$ 15,629,597</u>	<u>\$ 3,700,417</u>	<u>\$ 3,868,911</u>	<u>\$ 18,573,188</u>	<u>\$ 19,498,508</u>

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$8,295,933, a decrease of \$913,324 in comparison with the prior year. Approximately 94% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

Proprietary Funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to \$959,564. The total decrease in net position was \$168,494. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

During the year, revenues and other sources were less than budgetary estimates by \$1,314,293. Expenditures and other uses were less than budgetary estimates by \$1,657,137, resulting in a positive variance of \$342,844.

Capital Asset and Debt Administration

< Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2013 amounts to \$41,967,651 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had total debt outstanding of \$37,787,537 (excludes bond premium). Of this amount, \$310,000 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds).

The County's total debt outstanding decreased by \$1,175,746 during the current fiscal year.

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

Economic Factors and Next Year's Budgets and Rates

< The unemployment rate for the County of Northumberland was 7.3 percent at June 30, 2013. The Commonwealth of Virginia's unemployment rate was 5.5 percent as of the same date.

< Inflationary trends in the region compare to national indexes.

All of these factors were considered in preparing the County's budget for the 2014 fiscal year.

The fiscal year 2013 budget increased approximately 2%. The real estate tax rate increased from \$.40 per \$100 of assessed value to \$.42. All other rates remained unchanged.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Northumberland, Virginia
Statement of Net Position
June 30, 2013

	Primary Government			Component Unit
	Governmental	Business-type		
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>School Board</u>
ASSETS				
Cash and cash equivalents	\$ 8,912,559	\$ 972,047	\$ 9,884,606	\$ 162,267
Cash in custody of others	-	-	-	89,666
Receivables (net of allowance for uncollectibles):				
Taxes receivable	750,154	-	750,154	-
Accounts receivable	43,154	74,800	117,954	-
Notes receivable	9,719	-	9,719	-
Internal balances	56,688	(56,688)	-	-
Due from other governmental units	441,589	-	441,589	1,397,533
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents for School Construction	3	-	3	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	894,628	98,924	993,552	23,929
Buildings and improvements	40,301,479	5,395,878	45,697,357	5,742,171
Machinery and equipment	337,928	15,088	353,016	758,979
Construction in progress	433,616	78,500	512,116	-
Total assets	<u>\$ 52,181,517</u>	<u>\$ 6,578,549</u>	<u>\$ 58,760,066</u>	<u>\$ 8,174,545</u>
LIABILITIES				
Accounts payable	\$ 109,358	\$ 30,595	\$ 139,953	\$ 10,878
Accrued liabilities	-	-	-	1,386,655
Accrued interest payable	407,834	-	407,834	-
Due to other governmental units	1,158,060	-	1,158,060	-
Long-term liabilities:				
Due within one year	1,128,281	101,537	1,229,818	35,016
Due in more than one year	34,471,438	2,746,000	37,217,438	500,190
Total liabilities	<u>\$ 37,274,971</u>	<u>\$ 2,878,132</u>	<u>\$ 40,153,103</u>	<u>\$ 1,932,739</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 33,775	-	\$ 33,775	-
Total deferred inflows of resources	<u>\$ 33,775</u>	<u>-</u>	<u>\$ 33,775</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	\$ 6,630,967	\$ 2,740,853	\$ 9,371,820	\$ 6,525,079
Restricted	255,210	-	255,210	-
Unrestricted (deficit)	7,986,594	959,564	8,946,158	(283,273)
Total net position	<u>\$ 14,872,771</u>	<u>\$ 3,700,417</u>	<u>\$ 18,573,188</u>	<u>\$ 6,241,806</u>

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

County of Northumberland, Virginia
Statement of Activities
For the Year Ended June 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit	
					Governmental Activities	Business-type Activities	Total	School Board
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,887,494	\$ -	\$ 242,957	\$ -	\$ (1,644,537)		\$ (1,644,537)	
Judicial administration	748,238	45,618	424,947	-	(277,673)		(277,673)	
Public safety	3,340,665	129,361	820,668	-	(2,390,636)		(2,390,636)	
Public works	1,209,904	20,816	-	-	(1,189,088)		(1,189,088)	
Health and welfare	1,991,739	-	1,018,749	-	(972,990)		(972,990)	
Education	11,598,124	-	-	-	(11,598,124)		(11,598,124)	
Parks, recreation, and cultural	161,418	-	-	-	(161,418)		(161,418)	
Community development	754,292	172	-	298,775	(455,345)		(455,345)	
Interest on long-term debt	1,608,524	-	-	-	(1,608,524)		(1,608,524)	
Total governmental activities	\$ 23,300,398	\$ 195,967	\$ 2,507,321	\$ 298,775	\$ (20,298,335)		\$ (20,298,335)	
Business-type activities:								
Sanitary District	\$ 836,447	\$ 416,254	\$ -	\$ -		\$ (420,193)	\$ (420,193)	
Total business-type activities	\$ 836,447	\$ 416,254	\$ -	\$ -		\$ (420,193)	\$ (420,193)	
Total primary government	\$ 24,136,845	\$ 612,221	\$ 2,507,321	\$ 298,775			\$ (20,718,528)	
COMPONENT UNIT:								
School Board	\$ 16,049,190	\$ 156,376	\$ 4,956,363	\$ -				\$ (10,936,451)
Total component unit	\$ 16,049,190	\$ 156,376	\$ 4,956,363	\$ -				\$ (10,936,451)
General revenues:								
General property taxes					\$ 16,199,114	\$ -	\$ 16,199,114	\$ -
Other local taxes:								
Local sales and use taxes					664,808	-	664,808	-
Motor vehicle licenses					363,026	-	363,026	-
Taxes on recordation and wills					171,487	-	171,487	-
Consumer's utility taxes					328,473	-	328,473	-
Bank stock taxes					166,935	-	166,935	-
Other local taxes					54,868	-	54,868	-
Unrestricted revenues from use of money and property					169,424	1,193	170,617	1,620
Miscellaneous					198,732	34,800	233,532	161,148
Payments from Northumberland County					-	-	-	10,449,127
Grants and contributions not restricted to specific programs					1,440,348	-	1,440,348	-
Transfers					(215,706)	215,706	-	-
Total general revenues and transfers					\$ 19,541,509	\$ 251,699	\$ 19,793,208	\$ 10,611,895
Change in net position					\$ (756,826)	\$ (168,494)	\$ (925,320)	\$ (324,556)
Net position - beginning, as restated					15,629,597	3,868,911	19,498,508	6,566,362
Net position - ending					\$ 14,872,771	\$ 3,700,417	\$ 18,573,188	\$ 6,241,806

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

FUND FINANCIAL STATEMENTS

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County of Northumberland, Virginia
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 8,442,120	\$ 245,881	\$ 224,558	\$ 8,912,559
Receivables (net of allowance for uncollectibles):				
Taxes receivable	750,154	-	-	750,154
Accounts receivable	43,113	-	41	43,154
Notes receivable	-	-	9,719	9,719
Due from other funds	56,688	-	-	56,688
Due from other governmental units	441,589		-	441,589
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents for school construction	-	3	-	3
Total assets	<u>\$ 9,733,664</u>	<u>\$ 245,884</u>	<u>\$ 234,318</u>	<u>\$ 10,213,866</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 109,358	\$ -	\$ -	\$ 109,358
Due to other governmental units	1,158,060	-	-	1,158,060
Total liabilities	<u>\$ 1,267,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,267,418</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	\$ 650,515	\$ -	\$ -	\$ 650,515
Total deferred inflows of resources	<u>\$ 650,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 650,515</u>
Fund balances:				
Restricted	\$ 2,716	\$ 20,895	\$ 234,318	257,929
Committed	-	224,989	-	224,989
Unassigned	7,813,015	-	-	7,813,015
Total fund balances	<u>\$ 7,815,731</u>	<u>\$ 245,884</u>	<u>\$ 234,318</u>	<u>\$ 8,295,933</u>
Total liabilities and fund balances	<u>\$ 9,733,664</u>	<u>\$ 245,884</u>	<u>\$ 234,318</u>	<u>\$ 10,213,866</u>

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

County of Northumberland, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 8,295,933	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		41,967,651
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Unavailable property taxes		616,740
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
Lease revenue bond	\$ (34,630,000)	
General obligation bond	(310,000)	
Bond premium	(396,684)	
Net OPEB obligation	(80,230)	
Accrued interest payable	(407,834)	
Compensated absences	(182,805)	(36,007,553)
Net position of governmental activities		<u>\$ 14,872,771</u>

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

County of Northumberland, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	County Capital Projects Fund	Other Governmental Funds	Total
REVENUES				
General property taxes	\$ 16,134,615	\$ -	\$ -	\$ 16,134,615
Other local taxes	1,749,597	-	-	1,749,597
Permits, privilege fees, and regulatory licenses	127,195	-	-	127,195
Fines and forfeitures	27,611	-	-	27,611
Revenue from the use of money and property	168,147	1,251	26	169,424
Charges for services	26,291	-	14,870	41,161
Miscellaneous	198,482	-	250	198,732
Recovered costs	102,265	-	-	102,265
Intergovernmental revenues:				
Commonwealth	3,338,673	-	3,379	3,342,052
Federal	605,617	298,775	-	904,392
Total revenues	<u>\$ 22,478,493</u>	<u>\$ 300,026</u>	<u>\$ 18,525</u>	<u>\$ 22,797,044</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,611,371	\$ -	\$ -	\$ 1,611,371
Judicial administration	746,282	-	-	746,282
Public safety	3,735,495	-	25,525	3,761,020
Public works	1,209,452	-	-	1,209,452
Health and welfare	2,026,063	-	-	2,026,063
Education	10,506,596	-	-	10,506,596
Parks, recreation, and cultural	160,000	-	-	160,000
Community development	434,021	-	-	434,021
Capital projects	23,713	299,690	-	323,403
Debt service:				
Principal retirement	1,075,000	-	-	1,075,000
Interest and other fiscal charges	1,641,454	-	-	1,641,454
Total expenditures	<u>\$ 23,169,447</u>	<u>\$ 299,690</u>	<u>\$ 25,525</u>	<u>\$ 23,494,662</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (690,954)</u>	<u>\$ 336</u>	<u>\$ (7,000)</u>	<u>\$ (697,618)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 635,927	\$ -	\$ -	\$ 635,927
Transfers out	(215,706)	(635,927)	-	(851,633)
Total other financing sources (uses)	<u>\$ 420,221</u>	<u>\$ (635,927)</u>	<u>\$ -</u>	<u>\$ (215,706)</u>
Net change in fund balances	\$ (270,733)	\$ (635,591)	\$ (7,000)	\$ (913,324)
Fund balances - beginning	8,086,464	881,475	241,318	9,209,257
Fund balances - ending	<u>\$ 7,815,731</u>	<u>\$ 245,884</u>	<u>\$ 234,318</u>	<u>\$ 8,295,933</u>

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

County of Northumberland, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds	\$	(913,324)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 559,989		
Depreciation expense	(1,621,708)		
Transfer of joint tenancy assets to Component Unit from Primary Government	49,565		
			(1,012,154)

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

64,499

The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

Principal retired on school lease revenue bonds	\$ 770,000		
Principal retired on school general obligations	305,000		
Decrease in bond premium on lease revenue bonds	16,528		
			1,091,528

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

The following is a summary of items supporting this adjustment:

(Increase) decrease in compensated absences	\$ 17,523		
(Increase) decrease in net OPEB obligation	(21,300)		
(Increase) decrease in accrued interest payable	16,402		
			12,625

Change in net position of governmental activities

\$ (756,826)

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

County of Northumberland, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Fund Sanitary District
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 972,047
Accounts receivable, net of allowance for uncollectibles	74,800
Total current assets	<u>\$ 1,046,847</u>
Noncurrent assets:	
Capital assets:	
Land	\$ 98,924
Construction in progress	78,500
Utility plant in service	7,552,780
Machinery and equipment	389,994
Less accumulated depreciation	<u>(2,531,808)</u>
Total capital assets	<u>\$ 5,588,390</u>
Total noncurrent assets	<u>\$ 5,588,390</u>
 Total assets	 <u>\$ 6,635,237</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 30,595
Due to other funds	56,688
Bonds payable - current portion	101,537
Total current liabilities	<u>\$ 188,820</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	<u>\$ 2,746,000</u>
Total noncurrent liabilities	<u>\$ 2,746,000</u>
Total liabilities	<u>\$ 2,934,820</u>
NET POSITION	
Net investment in capital assets	\$ 2,740,853
Unrestricted	<u>959,564</u>
 Total net position	 <u><u>\$ 3,700,417</u></u>

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

County of Northumberland, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Fund Sanitary District
OPERATING REVENUES	
Charges for services:	
Sanitary district fees	\$ 416,254
Total operating revenues	<u>\$ 416,254</u>
OPERATING EXPENSES	
Personal services	\$ 127,003
Fringe benefits	36,840
Other supplies and expenses	395,653
Depreciation	179,010
Total operating expenses	<u>\$ 738,506</u>
Operating income (loss)	<u>\$ (322,252)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 1,193
Connection fees	34,800
Interest and other fiscal charges	<u>(97,941)</u>
Total nonoperating revenues (expenses)	<u>\$ (61,948)</u>
Income before transfers	<u>\$ (384,200)</u>
Transfers in	215,706
Change in net position	<u>\$ (168,494)</u>
Total net position - beginning	3,868,911
Total net position - ending	<u><u>\$ 3,700,417</u></u>

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

County of Northumberland, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Fund Sanitary District
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 412,253
Payments to suppliers	(365,058)
Payments to and for employees	(163,843)
Net cash provided by (used for) operating activities	<u>\$ (116,648)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Connection fees	\$ 34,800
Transfers from other funds	264,394
Net cash provided by (used for) noncapital financing activities	<u>\$ 299,194</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (78,500)
Principal payments on bonds	(100,746)
Interest and other fiscal charges payments	(97,941)
Net cash provided by (used for) capital and related financing activities	<u>\$ (277,187)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>\$ 1,193</u>
Net cash provided by (used for) investing activities	<u>\$ 1,193</u>
Net increase (decrease) in cash and cash equivalents	\$ (93,448)
Cash and cash equivalents - beginning	1,065,495
Cash and cash equivalents - ending	<u><u>\$ 972,047</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (322,252)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 179,010
(Increase) decrease in accounts receivable	(4,001)
Increase (decrease) in accounts payable	30,595
Total adjustments	<u>\$ 205,604</u>
Net cash provided by (used for) operating activities	<u><u>\$ (116,648)</u></u>

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

County of Northumberland, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 1,437,422
Total assets	<u>\$ 1,437,422</u>
LIABILITIES	
Amounts held for others	\$ 1,344,713
Amounts held for social services clients	92,709
Total liabilities	<u>\$ 1,437,422</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements As of June 30, 2013

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-wide and Fund Financial Statements

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

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2013

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

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

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

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

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

A. Financial Reporting Entity

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2013

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2013.

Discretely Presented Component Units. The School Board members are elected by the citizens of Northumberland County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2013.

C. Other Related Organizations

Included in the County's Financial Report

None

Excluded from the County's Annual Financial Report

Northern Neck Regional Jail Authority

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

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

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2013

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

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

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

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

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

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

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2013

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

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

1. Governmental Funds

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

a. General Fund

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

b. Capital Projects Funds

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

c. Special Revenue Funds

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

2. Proprietary Funds

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

Enterprise Funds

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)

As of June 30, 2013

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

3. Fiduciary Funds (Trust and Agency Funds)

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

E. Cash and Cash Equivalents

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

F. Investments

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

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

G. Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$108,931 at June 30, 2013 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2013

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

H. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the fiscal year ending 2013.

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

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

I. Compensated Absences

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

J. Retirement Plan

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2013

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

K. Use of Estimates

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

L. Net Position

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

M. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The County has implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. The Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances was required.

N. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County does not have any deferred outflows of resources as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County reported a deferred inflows of resources for property taxes unavailable at June 30, 2013. The County has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2013

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

O. Items Previously Reported as Assets and Liabilities, Statement No. 65 of Governmental Accounting Standards Board

The County early implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

P. Net Position Flow Assumption

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

Q. Long-term Obligations

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

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

R. Restricted Assets

The County reports restricted assets on the balance sheet that represents bond proceeds that have not yet been expended. These assets in the amount of \$3 are to be used for future school construction.

S. Fund Equity

The County reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

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

S. Fund Equity (Continued)

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

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

	General Fund	County Capital Projects Fund	Other Governmental Funds	Total
Fund balances:				
Restricted:				
School construction (unspent bond proceeds)	\$ 2,716	\$ -	\$ -	\$ 2,716
Construction	-	20,895	-	20,895
Law library	-	-	773	773
Forfeited assets	-	-	147,658	147,658
Economic development	-	-	24,611	24,611
Courthouse security	-	-	61,276	61,276
Total restricted fund balance	\$ 2,716	\$ 20,895	\$ 234,318	\$ 257,929
Committed:				
Light Street rehab project	\$ -	\$ 224,989	\$ -	\$ 224,989
Total committed fund balance	\$ -	\$ 224,989	\$ -	\$ 224,989
Unassigned	\$ 7,813,015	\$ -	\$ -	\$ 7,813,015
Total fund balances	\$ 7,815,731	\$ 245,884	\$ 234,318	\$ 8,295,933

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2013

Note 2—Stewardship, Compliance, and Accounting:

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

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

Expenditures and Appropriations

Expenditures exceeded appropriations in the Forfeited Assets Fund and County Capital Projects Fund at June 30, 2013.

Note 3—Deposits and Investments:

Deposits

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

Investments

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 3—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2013 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale. The County's investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio.

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 11,877
U.S. Government Money Market Fund	19
Virginia State Non-Arbitrage Pool	2,716
Total	\$ 14,612

Interest Rate Risk

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

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
U.S. Government Money Market Fund	\$ 19	\$ 19
Total	\$ 19	\$ 19

External Investment Pools

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)

As of June 30, 2013

Note 4—Due to/from Other Governments:

At June 30, 2013, the County has amounts due from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Northumberland	\$ -	\$ 1,158,060
Commonwealth of Virginia:		
Local sales tax	130,158	-
Welfare	39,823	-
Rolling stock tax	164	-
State Sales Tax	-	230,791
Constitutional officer reimbursements	107,599	-
DMV license agent	2,189	-
Recordation tax	10,625	-
Mobile home titling tax	1,788	-
Fire programs fund	5,501	-
Wireless grant	3,388	-
Communications tax	61,870	-
PPTRA	17,771	-
Federal Government:		
School fund grants		8,682
Welfare	60,713	-
Total due from other governments	<u>\$ 441,589</u>	<u>\$ 1,397,533</u>

At June 30, 2013, amounts due to other local governments are as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Northumberland County School Board	<u>\$ 1,158,060</u>	<u>\$ -</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2013:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<i>Primary Government:</i>				
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 894,628	\$ -	\$ -	\$ 894,628
Contruction in progress	74,878	358,738	-	433,616
Total capital assets not subject to depreciation	\$ 969,506	\$ 358,738	\$ -	\$ 1,328,244
Capital assets subject to depreciation:				
Buildings and improvements	\$ 7,541,652	\$ -	\$ -	\$ 7,541,652
Machinery and equipment	1,822,659	201,251	114,662	1,909,248
Jointly owned assets	41,427,959	-	(56,368)	41,484,327
Total capital assets subject to depreciation	\$ 50,792,270	\$ 201,251	\$ 58,294	\$ 50,935,227
Accumulated depreciation:				
Buildings and improvements	\$ 2,400,447	\$ 291,072	\$ 114,662	\$ 2,576,857
Machinery and equipment	1,381,777	189,543	-	1,571,320
Jointly owned assets	4,999,747	1,141,093	(6,803)	6,147,643
Total accumulated depreciation	\$ 8,781,971	\$ 1,621,708	\$ 107,859	\$ 10,295,820
Total capital assets subject to depreciation, net	\$ 42,010,299	\$ (1,420,457)	\$ (49,565)	\$ 40,639,407
Governmental activities capital assets, net	\$ 42,979,805	\$ (1,061,719)	\$ (49,565)	\$ 41,967,651
	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<i>Business-Type Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 98,924	\$ -	\$ -	\$ 98,924
Construction in progress	-	78,500	-	78,500
Total capital assets not subject to depreciation	\$ 98,924	\$ 78,500	\$ -	\$ 177,424
Capital assets subject to depreciation:				
Utility plant in service	\$ 7,552,780	\$ -	\$ -	\$ 7,552,780
Machinery and equipment	389,994	-	-	389,994
Total capital assets subject to depreciation	\$ 7,942,774	\$ -	\$ -	\$ 7,942,774
Accumulated depreciation:				
Utility plant in service	\$ 1,984,683	\$ 172,219	\$ -	\$ 2,156,902
Machinery and equipment	368,115	6,791	-	374,906
Total accumulated depreciation	\$ 2,352,798	\$ 179,010	\$ -	\$ 2,531,808
Total capital assets subject to depreciation, net	\$ 5,589,976	\$ (179,010)	\$ -	\$ 5,410,966
Proprietary fund capital assets, net	\$ 5,688,900	\$ (100,510)	\$ -	\$ 5,588,390

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2013:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 23,929	\$ -	\$ -	\$ 23,929
Capital assets subject to depreciation:				
Machinery and equipment	\$ 2,535,770	\$ 185,120	\$ 17,800	\$ 2,703,090
Jointly owned assets	6,797,523	-	56,368	6,741,155
Total capital assets subject to depreciation	\$ 9,333,293	\$ 185,120	\$ 74,168	\$ 9,444,245
Accumulated depreciation:				
Machinery and equipment	\$ 1,781,233	\$ 180,678	\$ 17,800	\$ 1,944,111
Jointly owned assets	820,361	185,426	6,803	998,984
Total accumulated depreciation	\$ 2,601,594	\$ 366,104	\$ 24,603	\$ 2,943,095
Total capital assets subject to depreciation, net	\$ 6,731,699	\$ (180,984)	\$ 49,565	\$ 6,501,150
Component unit school board capital assets, net	\$ 6,755,628	\$ (180,984)	\$ 49,565	\$ 6,525,079

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 289,242
Judicial administration	3,298
Public safety	162,289
Health and welfare	5,887
Education	1,141,093
Community development	19,899
Total depreciation expense - governmental activities	\$ 1,621,708
Business type activities:	
Sanitary District	\$ 179,010
Total depreciation expense - primary government	\$ 1,800,718
Component Unit School Board:	
Depreciation expense	\$ 366,104

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements *(Continued)*
As of June 30, 2013

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2013, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ -	\$ 851,633
County Capital Projects	635,927	-
Sanitary District	215,706	-
	<u> </u>	<u> </u>
Total Primary Government	<u>\$ 851,633</u>	<u>\$ 851,633</u>
Component Unit-School Board:		
School Operating	\$ -	\$ 378,824
School Cafeteria	378,824	-
	<u> </u>	<u> </u>
Total Component Unit - School Board	<u>\$ 378,824</u>	<u>\$ 378,824</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 7—Long Term Obligations:**Primary Government:**

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2013:

	Balance at July 1, 2012	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2013	Amounts Due Within One Year
Primary Government Obligations:					
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 200,328	\$ 2,510	\$ 20,033	\$ 182,805	\$ 18,281
Net OPEB obligation	58,930	24,500	3,200	80,230	-
Total incurred by County	\$ 259,258	\$ 27,010	\$ 23,233	\$ 263,035	\$ 18,281
Incurred by School Board:					
General obligation bond	\$ 615,000	\$ -	\$ 305,000	\$ 310,000	\$ 310,000
Lease revenue bond	35,400,000	-	770,000	34,630,000	800,000
Bond premium	413,212	-	16,528	396,684	-
Total incurred by School Board	\$ 36,428,212	\$ -	\$ 1,091,528	\$ 35,336,684	\$ 1,110,000
Total Governmental Activities Obligations	\$ 36,687,470	\$ 27,010	\$ 1,114,761	\$ 35,599,719	\$ 1,128,281
Incurred by Business-type Activities:					
Revenue bonds	\$ 2,948,283	\$ -	\$ 100,746	\$ 2,847,537	\$ 101,537
Total Primary Government Obligations	\$ 39,635,753	\$ 27,010	\$ 1,215,507	\$ 38,447,256	\$ 1,229,818

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements *(Continued)*
As of June 30, 2013

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

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

Year Ending June 30	Governmental Activities			
	Lease Revenue Bond		General Obligation Bond	
	Principal	Interest	Principal	Interest
2014	\$ 800,000	\$ 1,579,530	\$ 310,000	\$ 9,765
2015	840,000	1,542,530	-	-
2016	880,000	1,499,531	-	-
2017	925,000	1,454,406	-	-
2018	970,000	1,411,881	-	-
2019	1,010,000	1,372,281	-	-
2020	1,055,000	1,325,706	-	-
2021	1,105,000	1,277,231	-	-
2022	1,155,000	1,226,256	-	-
2023	1,215,000	1,167,006	-	-
2024	1,275,000	1,104,756	-	-
2025	1,340,000	1,039,381	-	-
2026	1,410,000	970,631	-	-
2027	1,480,000	898,381	-	-
2028	1,555,000	826,522	-	-
2029	1,625,000	755,225	-	-
2030	1,700,000	680,662	-	-
2031	1,775,000	602,725	-	-
2032	1,860,000	521,193	-	-
2033	1,945,000	435,712	-	-
2034	2,035,000	346,163	-	-
2035	2,125,000	252,562	-	-
2036	2,225,000	154,688	-	-
2037	2,325,000	52,312	-	-
Total	<u>\$ 34,630,000</u>	<u>\$ 22,497,271</u>	<u>\$ 310,000</u>	<u>\$ 9,765</u>

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements *(Continued)*
As of June 30, 2013

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

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

Year Ending June 30	Business-type Activities	
	Revenue Bonds	
	Principal	Interest
2014	\$ 101,537	\$ 94,451
2015	98,000	91,167
2016	102,000	87,914
2017	105,000	84,527
2018	108,000	81,041
2019	112,000	77,456
2020	117,000	73,737
2021	119,000	69,853
2022	125,000	65,902
2023	127,000	61,752
2024	132,000	57,536
2025	136,000	53,153
2026	142,000	48,638
2027	248,000	43,924
2028	256,000	35,690
2029	264,000	27,191
2030	273,000	18,426
2031	282,000	9,362
Total	<u>\$ 2,847,537</u>	<u>\$ 1,081,720</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

Long-Term Obligations:

	<u>Total Amount</u>
<u>Governmental Activities:</u>	
<u>Incurred by County:</u>	
Net OPEB obligation (payable by General Fund)	\$ 80,230
Compensated absences (payable by General Fund)	\$ 182,805
Total Incurred by County	<u>\$ 263,035</u>
 <u>Incurred by School Board:</u>	
<u>Lease Revenue Bond:</u>	
\$38,815,000 lease revenue bond issued October 1, 2006, due in varying annual principal installments through October 1, 2036, interest payable semi-annually at varying interest rates.	<u>\$ 34,630,000</u>
<u>General Obligation Bond:</u>	
\$6,000,000 Virginia Public School Authority Bonds issued May 15, 1994, maturing annually through July 15, 2013; interest payable semi-annually at rates ranging from 6.10% to 6.30%.	<u>\$ 310,000</u>
Bond premium	<u>\$ 396,684</u>
Total incurred by School Board	<u>\$ 35,336,684</u>
Total Long-Term Obligations, Governmental Activities	<u>\$ 35,599,719</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

	<u>Total Amount</u>
<u>Business-type Activities:</u>	
<u>Revenue Bonds:</u>	
\$150,000 Revenue Bond, due in monthly installments of \$776 through January, 2015, interest at 5%.	\$ 6,537
\$3,030,000 Revenue Bond issued February 16, 2012, principal due in varying annual installments each July 1, interest due semi-annually through January, 2027 at 3.32%, interest rate may reset on January 1, 2027.	<u>2,841,000</u>
Total Revenue Bonds	\$ <u>2,847,537</u>
Total Long-Term Obligations, Business-type Activities	\$ <u>2,847,537</u>
Total Long-Term Obligations, Primary Government	\$ <u><u>38,447,256</u></u>

Component Unit - School Board:

The following is a summary of changes in long-term obligation transactions for the fiscal year ended June 30, 2013:

	<u>Balance at July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2013</u>	<u>Amounts Due Within One Year</u>
Component Unit-School Board:					
Compensated absences	\$ 346,927	\$ 37,930	\$ 34,693	\$ 350,164	\$ 35,016
Net OPEB obligation	<u>151,619</u>	<u>85,023</u>	<u>51,600</u>	<u>185,042</u>	<u>-</u>
Total Component Unit-School Board	<u>\$ 498,546</u>	<u>\$ 122,953</u>	<u>\$ 86,293</u>	<u>\$ 535,206</u>	<u>\$ 35,016</u>

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2013

Note 8—Unearned and Unavailable Revenue:

Unearned and Unavailable 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. The County reports unavailable revenue totaling \$650,515 which is compiled of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$616,740 at June 30, 2013.

Unavailable Property Taxes - Property taxes due subsequent to June 30, 2013 but paid in advance by the taxpayers totaled \$33,775 at June 30, 2013.

Note 9—Contingent Liabilities:

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

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

Note 10—Litigation:

At June 30, 2013, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 11 —Risk Management:

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

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2013

Note 11 –Risk Management: (Continued)

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

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

Note 12 –Defined Benefit Pension Plan:

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with a least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the members plan apply.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2013

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

A. Plan Description (Continued)

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1, of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950) as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report most recent includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS website at: <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board non-professional's contribution rate for the fiscal year ended 2013 were 13.06% and 11.36% of annual covered payroll, respectively.

The School Board's professional employees contributed \$782,648, \$422,937 and \$260,787 to the teacher cost-sharing pool for the fiscal years ended June 30, 2013, 2012, and 2011 respectively and these contributions represented 11.66%, 6.33% and 3.93% for 2013, 2012, and 2011, respectively, of current covered payroll.

COUNTY OF NORTHUMBERLAND, VIRGINIANotes to Financial Statements *(Continued)*

As of June 30, 2013

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

For fiscal year 2013, the County's annual pension cost of \$430,522 was equal to the County's required and actual contributions.

For fiscal year 2013, the School Board's annual pension cost for the School Board's non-professional employees was \$71,971 which was equal to the School Board's required and actuarial contributions.

Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2013	\$ 430,522	100%	\$ -
June 30, 2012	311,655	100%	-
June 30, 2011	305,392	100%	-
School Board:			
Non-Professional:			
June 30, 2013	\$ 71,971	100%	-
June 30, 2012	57,075	100%	-
June 30, 2011	58,876	100%	-

(1) Employer portion only

The fiscal year 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2013

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

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the County's plan was 75.59% funded. The actuarial accrued liability for benefits was \$14,934,921, and the actuarial value of assets was \$11,289,539, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,645,384. The covered payroll (annual payroll of active employees covered by the plan) was \$3,113,964, and ratio of the UAAL to the covered payroll was 177.07%.

As of June 30, 2012, the most recent actuarial valuation date, the School Board's Non-Professional plan was 70.94% funded. The actuarial accrued liability for benefits was \$4,061,963 and the actuarial value of assets was \$2,881,612, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,180,351. The covered payroll (annual payroll of active employees covered by the plan) was \$617,127 and ratio of the UAAL to the covered payroll was 191.27%.

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

Note 13 –Surety Bonds:

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

Note 14 –Commitments:

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2013

Note 15—Other Postemployment Benefits - Health Insurance:

Background

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

A. Plan Description

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

B. Funding Policy

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

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COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

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

C. Annual OPEB Cost and Net OPEB Obligation

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

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

	Primary Government	Component Unit School Board
Annual required contribution	\$ 24,500	\$ 84,400
Interest on net OPEB obligation	2,357	6,065
Adjustment to annual required contribution	(2,357)	(5,442)
Annual OPEB cost (expense)	\$ 24,500	\$ 85,023
Contributions made	(3,200)	(51,600)
Increase in net OPEB obligation	\$ 21,300	\$ 33,423
Net OPEB obligation-beginning of year	58,930	151,619
Net OPEB obligation-end of year	\$ 80,230	\$ 185,042

COUNTY OF NORTHUMBERLAND, VIRGINIANotes to Financial Statements (*Continued*)

As of June 30, 2013

Note 15—Other Postemployment Benefits - Health Insurance: (Continued)**C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County :			
6/30/2011	\$ 22,879	51.58%	\$ 36,879
6/30/2012	23,051	4.34%	58,930
6/30/2013	24,500	13.06%	80,230
School Board:			
6/30/2011	\$ 65,419	37.76%	\$ 118,419
6/30/2012	69,700	52.37%	151,619
6/30/2013	85,023	60.69%	185,042

D. Funded Status and Funding Progress

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

As of January 1, 2013, the most recent actuarial valuation date, the School Board's actuarial accrued liability for benefits was \$1,018,300, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$7,730,300, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.17%.

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

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

E. Actuarial Methods and Assumptions

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

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

The following simplifying assumptions were made:

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

Mortality—Life expectancies were based on mortality tables from the RP-2000 Combined Healthy Mortality Tables for males and females projected to 2013 using Scale AA.

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

Based on the historical and expected returns of the County and School Board's short-term investment portfolio, a discount of 4.00% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2012 and January 1, 2013, respectively, was thirty years.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2013

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

A. Plan Description

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

Employees of Northumberland County who retire under VRS with at least 15 years of total creditable service under the System and are enrolled in a health insurance plan, are eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

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

B. Funding Policy

As a participating local political subdivision, the County is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2013 were .10% of annual covered payroll.

Annual OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The County is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 16 —Other Postemployment Benefits (OPEB) - Health Insurance Credit: (Continued)

B. Funding Policy (Continued)

For 2013, the County's contribution of \$134 was equal to the ARC and OPEB cost. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years are as follows:

Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
June 30, 2013	\$ 134	100%	\$ -
June 30, 2012	619	100%	-
June 30, 2011	606	100%	-

C. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 26,232
Actuarial value of plan assets	\$ 36,475
Unfunded actuarial accrued liability (UAAL)	\$ (10,243)
Funded ratio (actuarial value of plan assets/AAL)	139.05%
Covered payroll (active plan members)	\$ 583,042
UAAL as a percentage of covered payroll	-1.76%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

D. Actuarial Methods and Assumptions

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

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)
As of June 30, 2013

Note 16 —Other Postemployment Benefits (OPEB) - Health Insurance Credit: (Continued)

D. Actuarial Methods and Assumptions: (Continued)

Retiree postemployment benefit expenses are determined under the Projected Unit Credit actuarial cost method. Under this method, benefits are projected for life and their present value is determined. The present value is divided into equal parts, which are earned over the period from date of hire to the full eligibility date.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2012 was 29 years using an open amortization period.

E. Professional Employees - Discretely Presented Component Unit School Board

The School Board professional employees participate in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.10% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2013, 2012, and 2011 were \$74,506, \$40,089 and \$39,815, respectively and equaled the required contributions for each year.

COUNTY OF NORTHUMBERLAND, VIRGINIA

Notes to Financial Statements (*Continued*)

As of June 30, 2013

Note 17 –Restatement of Beginning Net Position:

The following adjustments were made to beginning fund balances/net position at July 1, 2012:

	<u>Governmental Activities</u>
Net position as previously reported	\$ 16,177,077
To expense bond issuance costs in accordance with GASB Statement 65	<u>(547,480)</u>
Net position as restated	<u>\$ 15,629,597</u>

Note 18 –Upcoming Pronouncements:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statement No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The County has not determined the impact of this pronouncement on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION:

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

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County of Northumberland, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
General property taxes	\$ 16,178,628	\$ 16,178,628	\$ 16,134,615	\$ (44,013)
Other local taxes	1,750,315	1,750,315	1,749,597	(718)
Permits, privilege fees, and regulatory licenses	109,900	109,900	127,195	17,295
Fines and forfeitures	20,000	20,000	27,611	7,611
Revenue from the use of money and property	226,300	226,300	168,147	(58,153)
Charges for services	31,339	31,339	26,291	(5,048)
Miscellaneous	226,880	226,880	198,482	(28,398)
Recovered costs	70,941	70,941	102,265	31,324
Intergovernmental revenues:				
Commonwealth	4,595,010	4,595,010	3,338,673	(1,256,337)
Federal	584,400	584,400	605,617	21,217
Total revenues	\$ 23,793,713	\$ 23,793,713	\$ 22,478,493	\$ (1,315,220)
EXPENDITURES				
Current:				
General government administration	\$ 1,589,599	\$ 1,589,599	\$ 1,611,371	\$ (21,772)
Judicial administration	789,236	809,786	746,282	63,504
Public safety	4,078,608	4,162,730	3,735,495	427,235
Public works	1,217,255	1,221,137	1,209,452	11,685
Health and welfare	3,100,140	3,100,140	2,026,063	1,074,077
Education	10,890,984	10,758,556	10,506,596	251,960
Parks, recreation, and cultural	160,000	160,000	160,000	-
Community development	445,987	445,988	434,021	11,967
Capital projects	79,400	79,400	23,713	55,687
Debt service:				
Principal retirement	1,075,000	1,075,000	1,075,000	-
Interest and other fiscal charges	1,305,931	1,639,954	1,641,454	(1,500)
Total expenditures	\$ 24,732,140	\$ 25,042,290	\$ 23,169,447	\$ 1,872,843
Excess (deficiency) of revenues over (under) expenditures	\$ (938,427)	\$ (1,248,577)	\$ (690,954)	\$ 557,623
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 635,927	\$ 635,927
Transfers out	-	-	(215,706)	(215,706)
Issuance of bonds	635,000	635,000	-	(635,000)
Total other financing sources (uses)	\$ 635,000	\$ 635,000	\$ 420,221	\$ (214,779)
Net change in fund balances	\$ (303,427)	\$ (613,577)	\$ (270,733)	\$ 342,844
Fund balances - beginning	6,400,000	6,508,554	8,086,464	1,577,910
Fund balances - ending	\$ 6,096,573	\$ 5,894,977	\$ 7,815,731	\$ 1,920,754

County of Northumberland, Virginia
Schedule of Pension Funding Progress
As of June 30, 2013

Primary Government:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio Assets as % of AAL	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	\$ 11,289,537	\$ 14,934,921	\$ 3,645,384	75.59%	\$ 3,113,964	117.07%
6/30/2011	11,242,749	14,778,214	3,535,465	76.08%	3,057,220	115.64%
6/30/2010	10,913,563	14,041,990	3,128,427	77.72%	3,057,420	102.32%
6/30/2009	10,884,027	12,725,284	1,841,257	85.53%	3,017,259	61.02%
6/30/2008	10,817,157	12,168,772	1,351,615	88.89%	2,921,685	46.26%
6/30/2007	9,996,319	10,617,421	621,102	94.15%	2,807,947	22.12%
6/30/2006	8,921,038	9,557,192	636,154	93.34%	2,562,644	24.82%
6/30/2005	8,416,193	9,254,979	838,786	90.94%	2,427,532	34.55%
6/30/2004	8,250,120	8,001,890	(248,230)	103.10%	2,297,166	-10.81%
6/30/2003	8,157,822	7,499,682	(658,140)	108.78%	2,139,491	-30.76%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

6/30/2012	\$ 2,881,612	\$ 4,061,963	\$ 1,180,351	70.94%	\$ 617,127	191.27%
6/30/2011	2,937,341	3,867,081	929,740	75.96%	645,709	143.99%
6/30/2010	2,892,354	3,814,626	922,272	75.82%	640,502	143.99%
6/30/2009	2,880,290	3,444,758	564,468	83.61%	672,605	83.92%
6/30/2008	2,832,189	3,267,080	434,891	86.69%	687,047	63.30%
6/30/2007	2,571,732	3,082,963	511,231	83.42%	693,091	73.76%
6/30/2006	2,284,720	2,866,806	582,086	79.70%	681,421	85.42%
6/30/2005	2,143,029	2,698,627	555,598	79.41%	686,497	80.93%
6/30/2004	2,041,274	2,265,181	223,907	90.12%	673,026	33.27%
6/30/2003	1,978,094	2,116,813	138,719	93.45%	616,845	22.49%

County of Northumberland, Virginia
Schedule of OPEB Funding Progress - Retiree Health Plan and Health Insurance Credit Plan
As of June 30, 2013

Primary Government:

County Retirement Plan

Actuarial Valuation Date*	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
1/1/2009	\$ -	\$ 193,500	\$ 193,500	0.00%	\$ 3,044,100	6.36%
1/1/2012	-	167,200	167,200	0.00%	3,156,800	5.30%

Health Insurance Credit Program Through Virginia Retirement System:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	\$ 36,475	\$ 26,232	\$ (10,243)	139.05%	\$ 583,042	-1.76%
6/30/2011	37,680	30,423	(7,257)	123.85%	566,329	-1.28%
6/30/2010	33,097	30,863	(2,234)	107.24%	3,057,420	-0.07%
6/30/2009	29,381	29,372	(9)	100.03%	3,017,259	0.00%
6/30/2008	38,020	31,429	(6,591)	120.97%	2,921,685	-0.23%
6/30/2007	26,715	46,253	19,538	57.76%	2,807,947	0.70%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
1/1/2009	\$ -	\$ 648,600	\$ 648,600	0.00%	\$ 8,060,600	8.05%
1/1/2011	-	660,900	660,900	0.00%	7,899,500	8.37%
1/1/2013	-	1,018,300	1,018,300	0.00%	7,730,300	13.17%

* Only two years valuation available

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUNDS STATEMENTS AND
SCHEDULES*

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County of Northumberland, Virginia
County Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,251	\$ 1,251
Intergovernmental revenues:				
Federal	100,000	100,000	298,775	198,775
Total revenues	\$ 100,000	\$ 100,000	\$ 300,026	\$ 200,026
EXPENDITURES				
Capital projects	\$ 100,000	\$ 241,615	\$ 299,690	\$ (58,075)
Total expenditures	\$ 100,000	\$ 241,615	\$ 299,690	\$ (58,075)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (141,615)	\$ 336	\$ 141,951
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (635,927)	\$ (635,927)
Total other financing sources (uses)	\$ -	\$ -	\$ (635,927)	\$ (635,927)
Net change in fund balances	\$ -	\$ (141,615)	\$ (635,591)	\$ (493,976)
Fund balances - beginning	-	141,615	881,475	739,860
Fund balances - ending	\$ -	\$ -	\$ 245,884	\$ 245,884

County of Northumberland, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2013

	<u>Law Library Fund</u>	<u>Forfeited Assets Fund</u>	<u>Economic Development Fund</u>	<u>Courthouse Security Fund</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 773	\$ 147,658	\$ 14,892	\$ 61,235	\$ 224,558
Receivables (net of allowance for uncollectibles):					
Accounts receivable	-	-	-	41	41
Notes receivable	-	-	9,719	-	9,719
Total assets	<u>\$ 773</u>	<u>\$ 147,658</u>	<u>\$ 24,611</u>	<u>\$ 61,276</u>	<u>\$ 234,318</u>
LIABILITIES AND FUND BALANCES					
Fund balances:					
Restricted	\$ 773	\$ 147,658	\$ 24,611	\$ 61,276	\$ 234,318
Total fund balances	<u>\$ 773</u>	<u>\$ 147,658</u>	<u>\$ 24,611</u>	<u>\$ 61,276</u>	<u>\$ 234,318</u>

County of Northumberland, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2013

	Law Library <u>Fund</u>	Forfeited Assets <u>Fund</u>	Economic Development <u>Fund</u>	Courthouse Security <u>Fund</u>	<u>Total</u>
REVENUES					
Revenue from the use of money and property	\$ 4	\$ -	\$ 22	\$ -	\$ 26
Charges for services	-	-	-	14,870	14,870
Miscellaneous	-	-	250	-	250
Intergovernmental revenues:					
Commonwealth	-	3,379	-	-	3,379
Total revenues	<u>\$ 4</u>	<u>\$ 3,379</u>	<u>\$ 272</u>	<u>\$ 14,870</u>	<u>\$ 18,525</u>
EXPENDITURES					
Current:					
Public safety	\$ -	\$ 25,525	\$ -	\$ -	\$ 25,525
Total expenditures	<u>\$ -</u>	<u>\$ 25,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,525</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4</u>	<u>\$ (22,146)</u>	<u>\$ 272</u>	<u>\$ 14,870</u>	<u>\$ (7,000)</u>
Net change in fund balances	\$ 4	\$ (22,146)	\$ 272	\$ 14,870	\$ (7,000)
Fund balances - beginning	769	169,804	24,339	46,406	241,318
Fund balances - ending	<u>\$ 773</u>	<u>\$ 147,658</u>	<u>\$ 24,611</u>	<u>\$ 61,276</u>	<u>\$ 234,318</u>

County of Northumberland, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2013

	Law Library Fund				Forfeited Assets Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of money and property	\$ -	\$ -	\$ 4	\$ 4	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Intergovernmental revenues:								
Commonwealth	-	-	-	-	-	-	3,379	3,379
Total revenues	\$ -	\$ -	\$ 4	\$ 4	\$ -	\$ -	\$ 3,379	\$ 3,379
EXPENDITURES								
Current:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,525	\$ 25,525
Total expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,525	\$ 25,525
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 4	\$ 4	\$ -	\$ -	\$ (22,146)	\$ (22,146)
Net change in fund balances	\$ -	\$ -	\$ 4	\$ 4	\$ -	\$ -	\$ (22,146)	\$ (22,146)
Fund balances - beginning	-	-	769	769	-	-	169,804	169,804
Fund balances - ending	\$ -	\$ -	\$ 773	\$ 773	\$ -	\$ -	\$ 147,658	\$ 147,658

Economic Development Fund					Courthouse Security Fund				
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
Original	Final				Original	Final			
\$ -	\$ -	\$ 22	\$ 22		\$ -	\$ -	\$ -	\$ -	
-	-	-	-		-	-	14,870	14,870	
-	-	250	250		-	-	-	-	
-	-	-	-		-	-	-	-	
\$ -	\$ -	\$ 272	\$ 272		\$ -	\$ -	\$ 14,870	\$ 14,870	
\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	
\$ -	\$ -	\$ 272	\$ 272		\$ -	\$ -	\$ 14,870	\$ 14,870	
\$ -	\$ -	\$ 272	\$ 272		\$ -	\$ -	\$ 14,870	\$ 14,870	
-	-	24,339	24,339		-	-	46,406	46,406	
\$ -	\$ -	\$ 24,611	\$ 24,611		\$ -	\$ -	\$ 61,276	\$ 61,276	

County of Northumberland, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	<u>Agency Funds</u>			
	<u>Special Welfare</u>	<u>Road Improvement Bond</u>	<u>350th Anniversary</u>	<u>Tornado Relief</u>
ASSETS				
Cash and cash equivalents	\$ 92,709	\$ 48,354	\$ 104	\$ 10,137
Total assets	<u>\$ 92,709</u>	<u>\$ 48,354</u>	<u>\$ 104</u>	<u>\$ 10,137</u>
LIABILITIES				
Amounts held for others	\$ -	\$ 48,354	\$ 104	\$ 10,137
Amounts held for social services clients	92,709	-	-	-
Total liabilities	<u>\$ 92,709</u>	<u>\$ 48,354</u>	<u>\$ 104</u>	<u>\$ 10,137</u>

Agency Funds						
Northern Neck						
<u>Fallen Heroes</u>	<u>Regional Special Education</u>	<u>Animal Shelter</u>	<u>School Board Employee Escrow</u>	<u>Total</u>		
\$ 173	\$ 1,135,236	\$ 142,245	\$ 8,464	\$		1,437,422
\$ 173	\$ 1,135,236	\$ 142,245	\$ 8,464	\$		1,437,422
\$ 173	\$ 1,135,236	\$ 142,245	\$ 8,464	\$		1,344,713
-	-	-	-			92,709
\$ 173	\$ 1,135,236	\$ 142,245	\$ 8,464	\$		1,437,422

County of Northumberland, Virginia
Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2013

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 134,131	\$ 123,143	\$ 164,565	\$ 92,709
Liabilities:				
Amounts held for social services clients	\$ 134,131	\$ 123,143	\$ 164,565	\$ 92,709
Road Improvement Bond:				
Assets:				
Cash and cash equivalents	\$ 38,082	\$ 25,872	\$ 15,600	\$ 48,354
Liabilities:				
Amounts held for others	\$ 38,082	\$ 25,872	\$ 15,600	\$ 48,354
350th Anniversary:				
Assets:				
Cash and cash equivalents	\$ 104	\$ -	\$ -	\$ 104
Liabilities:				
Amounts held for others	\$ 104	\$ -	\$ -	\$ 104
Tornado Relief:				
Assets:				
Cash and cash equivalents	\$ 10,137	\$ -	\$ -	\$ 10,137
Liabilities:				
Amounts held for others	\$ 10,137	\$ -	\$ -	\$ 10,137
Fallen Heroes:				
Assets:				
Cash and cash equivalents	\$ 173	\$ -	\$ -	\$ 173
Liabilities:				
Amounts held for others	\$ 173	\$ -	\$ -	\$ 173

County of Northumberland, Virginia
Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2013

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Northern Neck Regional Special Education:				
Assets:				
Cash and cash equivalents	\$ 1,258,464	\$ 1,568,373	\$ 1,691,601	\$ 1,135,236
Liabilities:				
Amounts held for others	\$ 1,289,029	\$ 1,537,808	\$ 1,691,601	\$ 1,135,236
Animal Shelter:				
Assets:				
Cash and cash equivalents	\$ 203,251	\$ 45,926	\$ 106,932	\$ 142,245
Liabilities:				
Amounts held for others	\$ 203,251	\$ 45,926	\$ 106,932	\$ 142,245
School Board Employee Escrow:				
Assets:				
Cash and cash equivalents	\$ 8,460	\$ 4	\$ -	\$ 8,464
Liabilities:				
Amounts held for others	\$ 8,460	\$ 4	\$ -	\$ 8,464
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 1,652,802	\$ 1,763,318	\$ 1,978,698	\$ 1,437,422
Total assets	\$ 1,652,802	\$ 1,763,318	\$ 1,978,698	\$ 1,437,422
Liabilities:				
Amounts held for others	\$ 1,549,236	\$ 1,609,610	\$ 1,814,133	\$ 1,344,713
Amounts held for social services clients	134,131	123,143	164,565	92,709
Total liabilities	\$ 1,683,367	\$ 1,732,753	\$ 1,978,698	\$ 1,437,422

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Northumberland, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2013

	School Operating <u>Fund</u>	Health Insurance Recovery <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,000	\$ 160,267	\$ -	\$ 162,267
Cash in custody of others	-	-	89,666	89,666
Due from other governmental units	1,397,533	-	-	1,397,533
Total assets	<u>\$ 1,399,533</u>	<u>\$ 160,267</u>	<u>\$ 89,666</u>	<u>\$ 1,649,466</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 10,878	\$ -	\$ -	\$ 10,878
Accrued liabilities	1,386,655	-	-	1,386,655
Total liabilities	<u>\$ 1,397,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,397,533</u>
Fund balances:				
Committed:				
School Operating Fund	\$ 2,000	\$ -	\$ -	\$ 2,000
School Cafeteria Fund	-	-	89,666	89,666
Assigned				
Health Insurance Recovery Fund	-	160,267	-	160,267
Total fund balances	<u>\$ 2,000</u>	<u>\$ 160,267</u>	<u>\$ 89,666</u>	<u>\$ 251,933</u>
Total liabilities and fund balances	<u>\$ 1,399,533</u>	<u>\$ 160,267</u>	<u>\$ 89,666</u>	<u>\$ 1,649,466</u>

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

Total fund balances per above	\$ 251,933
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,525,079
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(535,206)
Net position of governmental activities	<u>\$ 6,241,806</u>

County of Northumberland, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2013

	School Operating Fund	Health Insurance Recovery Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ 1,572	\$ -	\$ 48	\$ 1,620
Charges for services	-	-	156,376	156,376
Miscellaneous	161,148	-	-	161,148
Intergovernmental revenues:				
Local government	10,498,692	-	-	10,498,692
Commonwealth	3,536,194	-	-	3,536,194
Federal	1,381,949	-	38,220	1,420,169
Total revenues	<u>\$ 15,579,555</u>	<u>\$ -</u>	<u>\$ 194,644</u>	<u>\$ 15,774,199</u>
EXPENDITURES				
Current:				
Education	\$ 15,164,906	\$ -	\$ 630,815	\$ 15,795,721
Capital projects	35,825	-	-	35,825
Total expenditures	<u>\$ 15,200,731</u>	<u>\$ -</u>	<u>\$ 630,815</u>	<u>\$ 15,831,546</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 378,824</u>	<u>\$ -</u>	<u>\$ (436,171)</u>	<u>\$ (57,347)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 378,824	\$ 378,824
Transfers out	(378,824)	-	-	(378,824)
Total other financing sources (uses)	<u>\$ (378,824)</u>	<u>\$ -</u>	<u>\$ 378,824</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ (57,347)	\$ (57,347)
Fund balances - beginning	2,000	160,267	147,013	309,280
Fund balances - ending	<u>\$ 2,000</u>	<u>\$ 160,267</u>	<u>\$ 89,666</u>	<u>\$ 251,933</u>

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

Net change in fund balances - total governmental funds - per above \$ (57,347)

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 depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 185,120	
Depreciation expense	(366,104)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>(49,565)</u>	(230,549)

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

Decrease (increase) in compensated absences	\$ (3,237)	
Decrease (increase) in net OPEB obligation	<u>(33,423)</u>	(36,660)

Change in net position of governmental activities \$ (324,556)

County of Northumberland, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2013

	School Operating Fund			Variance with Final Budget
	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 10,500	\$ 10,500	\$ 1,572	\$ (8,928)
Miscellaneous	200,000	200,000	161,148	(38,852)
Intergovernmental revenues:				
Local government	10,883,080	10,750,652	10,498,692	(251,960)
Commonwealth	3,506,532	3,506,532	3,536,194	29,662
Federal	1,178,136	1,178,136	1,381,949	203,813
Total revenues	<u>\$ 15,778,248</u>	<u>\$ 15,645,820</u>	<u>\$ 15,579,555</u>	<u>\$ (66,265)</u>
EXPENDITURES				
Current:				
Education	\$ 14,982,051	\$ 15,183,646	\$ 15,164,906	\$ 18,740
Capital projects	47,000	47,000	35,825	11,175
Debt service:				
Principal retirement	235,568	30,568	-	30,568
Interest and other fiscal charges	193,629	64,606	-	64,606
Total expenditures	<u>\$ 15,458,248</u>	<u>\$ 15,325,820</u>	<u>\$ 15,200,731</u>	<u>\$ 125,089</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 320,000</u>	<u>\$ 320,000</u>	<u>\$ 378,824</u>	<u>\$ 58,824</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (320,000)</u>	<u>\$ (320,000)</u>	<u>\$ (378,824)</u>	<u>\$ (58,824)</u>
Total other financing sources (uses)	<u>\$ (320,000)</u>	<u>\$ (320,000)</u>	<u>\$ (378,824)</u>	<u>\$ (58,824)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	2,000	2,000
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>

County of Northumberland, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2013

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 80	\$ 80	\$ 48	\$ (32)
Charges for services	216,620	216,620	156,376	(60,244)
Miscellaneous	14,279	14,279	-	(14,279)
Intergovernmental revenues:				
Commonwealth	6,500	6,500	-	(6,500)
Federal	-	-	38,220	38,220
Total revenues	<u>\$ 237,479</u>	<u>\$ 237,479</u>	<u>\$ 194,644</u>	<u>\$ (42,835)</u>
EXPENDITURES				
Current:				
Education	\$ 557,479	\$ 557,479	\$ 630,815	\$ (73,336)
Total expenditures	<u>\$ 557,479</u>	<u>\$ 557,479</u>	<u>\$ 630,815</u>	<u>\$ (73,336)</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (320,000)	\$ (320,000)	\$ (436,171)	\$ (116,171)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 320,000	\$ 320,000	\$ 378,824	\$ 58,824
Total other financing sources (uses)	<u>\$ 320,000</u>	<u>\$ 320,000</u>	<u>\$ 378,824</u>	<u>\$ 58,824</u>
Net change in fund balances	\$ -	\$ -	\$ (57,347)	\$ (57,347)
Fund balances - beginning	-	-	147,013	147,013
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,666</u>	<u>\$ 89,666</u>

SUPPORTING SCHEDULES

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County of Northumberland, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 13,071,828	\$ 13,071,828	\$ 12,924,360	\$ (147,468)
Real and personal public service corporation taxes	180,000	180,000	176,208	(3,792)
Personal property taxes	2,100,000	2,100,000	2,194,739	94,739
Custom house boat taxes	435,000	435,000	400,788	(34,212)
Mobile home taxes	25,800	25,800	26,054	254
Machinery and tools taxes	144,000	144,000	175,970	31,970
Merchant's capital taxes	52,000	52,000	46,489	(5,511)
Penalties	110,000	110,000	121,129	11,129
Interest	60,000	60,000	68,878	8,878
Total general property taxes	<u>\$ 16,178,628</u>	<u>\$ 16,178,628</u>	<u>\$ 16,134,615</u>	<u>\$ (44,013)</u>
Other local taxes:				
Local sales and use taxes	\$ 685,415	\$ 685,415	\$ 664,808	\$ (20,607)
Consumers' utility taxes	345,900	345,900	328,473	(17,427)
Consumption tax	52,000	52,000	54,868	2,868
Motor vehicle licenses	350,000	350,000	363,026	13,026
Bank stock taxes	130,000	130,000	166,935	36,935
Taxes on recordation and wills	187,000	187,000	171,487	(15,513)
Total other local taxes	<u>\$ 1,750,315</u>	<u>\$ 1,750,315</u>	<u>\$ 1,749,597</u>	<u>\$ (718)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 19,000	\$ 19,000	\$ 18,656	\$ (344)
Land use application fees	500	500	1,260	760
Transfer fees	1,000	1,000	748	(252)
Permits and other licenses	89,400	89,400	106,531	17,131
Total permits, privilege fees, and regulatory licenses	<u>\$ 109,900</u>	<u>\$ 109,900</u>	<u>\$ 127,195</u>	<u>\$ 17,295</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 20,000	\$ 20,000	\$ 27,611	\$ 7,611
Revenue from use of money and property:				
Revenue from use of money	\$ 160,000	\$ 160,000	\$ 93,097	\$ (66,903)
Revenue from use of property	66,300	66,300	75,050	8,750
Total revenue from use of money and property	<u>\$ 226,300</u>	<u>\$ 226,300</u>	<u>\$ 168,147</u>	<u>\$ (58,153)</u>
Charges for services:				
Sheriff's fees	\$ 539	\$ 539	\$ 539	\$ -
Court costs	2,100	2,100	(867)	(2,967)
Courthouses maintenance fees	2,500	2,500	2,773	273
Courthouse security	7,000	7,000	-	(7,000)
Charges for Commonwealth's Attorney	900	900	1,231	331
Charges for correction and detention	2,000	2,000	1,627	(373)
Street light reimbursement	16,000	16,000	18,316	2,316
Charges for other public works	150	150	2,500	2,350
Charges for community development	150	150	172	22
Total charges for services	<u>\$ 31,339</u>	<u>\$ 31,339</u>	<u>\$ 26,291</u>	<u>\$ (5,048)</u>

County of Northumberland, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 226,880	\$ 226,880	\$ 198,482	\$ (28,398)
Recovered costs:				
Regional jail	\$ 70,941	\$ 70,941	\$ 70,941	\$ -
Regional landfill	-	-	4,800	4,800
Summer youth employment	-	-	2,415	2,415
DMV License Agent fee	-	-	24,109	24,109
Total recovered costs	\$ 70,941	\$ 70,941	\$ 102,265	\$ 31,324
Total revenue from local sources	\$ 18,614,303	\$ 18,614,303	\$ 18,534,203	\$ (80,100)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 445,000	\$ 445,000	\$ 391,322	\$ (53,678)
Motor vehicle carriers' tax	-	-	164	164
Mobile home titling tax	22,000	22,000	12,640	(9,360)
Auto rental tax	16,100	16,100	-	(16,100)
Recordation and grantors tax	-	-	39,927	39,927
Personal property tax relief funds	950,000	950,000	938,182	(11,818)
Additional tax on deeds	72,177	72,177	58,113	(14,064)
Section 8	13,392	13,392	-	(13,392)
Total noncategorical aid	\$ 1,518,669	\$ 1,518,669	\$ 1,440,348	\$ (78,321)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 197,231	\$ 197,231	\$ 206,842	\$ 9,611
Sheriff	724,598	724,598	713,764	(10,834)
Commissioner of revenue	84,304	84,304	84,421	117
Treasurer	105,774	105,774	105,778	4
Medical examiner	-	-	(60)	(60)
Registrar/electoral board	42,400	42,400	34,907	(7,493)
Social Services State Reimbursement	498,000	498,000	-	(498,000)
Clerk of the Circuit Court	218,634	218,634	214,726	(3,908)
Total shared expenses	\$ 1,870,941	\$ 1,870,941	\$ 1,360,378	\$ (510,563)
Other categorical aid:				
Public assistance and welfare administration	\$ 389,600	\$ 389,600	\$ 393,431	\$ 3,831
Animal friendly plates	-	-	122	122
Victim witness program	19,000	19,000	17,729	(1,271)
EMS - Four for life	24,000	24,000	15,386	(8,614)
Comprehensive services act	707,000	707,000	37,742	(669,258)
Juvenile grant	150	150	-	(150)
Fire programs fund	35,000	35,000	35,166	166

County of Northumberland, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Wireless grant	\$ 30,000	\$ 30,000	\$ 38,371	\$ 8,371
Local law enforcement block grant	650	650	-	(650)
Total other categorical aid	<u>\$ 1,205,400</u>	<u>\$ 1,205,400</u>	<u>\$ 537,947</u>	<u>\$ (667,453)</u>
Total categorical aid	<u>\$ 3,076,341</u>	<u>\$ 3,076,341</u>	<u>\$ 1,898,325</u>	<u>\$ (1,178,016)</u>
Total revenue from the Commonwealth	<u>\$ 4,595,010</u>	<u>\$ 4,595,010</u>	<u>\$ 3,338,673</u>	<u>\$ (1,256,337)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 584,400	\$ 584,400	\$ 587,576	\$ 3,176
Ground transportation	-	-	14,726	14,726
Homeland security	-	-	3,315	3,315
Total categorical aid	<u>\$ 584,400</u>	<u>\$ 584,400</u>	<u>\$ 605,617</u>	<u>\$ 21,217</u>
Total revenue from the federal government	<u>\$ 584,400</u>	<u>\$ 584,400</u>	<u>\$ 605,617</u>	<u>\$ 21,217</u>
Total General Fund	<u><u>\$ 23,793,713</u></u>	<u><u>\$ 23,793,713</u></u>	<u><u>\$ 22,478,493</u></u>	<u><u>\$ (1,315,220)</u></u>
Special Revenue Funds:				
Forfeited Assets Fund:				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Forfeited assets	\$ -	\$ -	\$ 3,379	\$ 3,379
Total Forfeited Assets Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,379</u>	<u>\$ 3,379</u>
Law Library Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 4	\$ 4
Total Law Library Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 4</u>
Economic Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 22	\$ 22
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 250	\$ 250
Total Economic Development Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272</u>	<u>\$ 272</u>

County of Northumberland, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Courthouse Security Fund:				
Revenue from local sources:				
Charges for services:				
Courthouse security fees	\$ -	\$ -	\$ 14,870	\$ 14,870
Total Courthouse Security Fund	\$ -	\$ -	\$ 14,870	\$ 14,870
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,251	\$ 1,251
Total revenue from local sources	\$ -	\$ -	\$ 1,251	\$ 1,251
Intergovernmental revenues:				
Revenue from the federal government:				
Categorical aid:				
Community Development Block Grant	\$ 100,000	\$ 100,000	\$ 298,775	\$ 198,775
Total revenue from the federal government	\$ 100,000	\$ 100,000	\$ 298,775	\$ 198,775
Total County Capital Projects Fund	\$ 100,000	\$ 100,000	\$ 300,026	\$ 200,026
Total Primary Government	\$ 23,893,713	\$ 23,893,713	\$ 22,797,044	\$ (1,096,669)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 10,500	\$ 10,500	\$ 1,572	\$ (8,928)
Miscellaneous revenue:				
Miscellaneous	\$ 200,000	\$ 200,000	\$ 161,148	\$ (38,852)
Total revenue from local sources	\$ 210,500	\$ 210,500	\$ 162,720	\$ (47,780)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Northumberland, Virginia	\$ 10,883,080	\$ 10,750,652	\$ 10,498,692	\$ (251,960)

County of Northumberland, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,371,743	\$ 1,371,743	\$ 1,368,277	\$ (3,466)
Basic school aid	1,280,771	1,280,771	1,269,562	(11,209)
Primary class size	58,726	58,726	58,282	(444)
At risk payments	52,077	52,077	52,012	(65)
Career Technical Education	11,624	11,624	10,563	(1,061)
Early reading intervention	3,747	3,747	3,122	(625)
English as a second language	7,155	7,155	4,293	(2,862)
Epipens	394	394	394	-
GED funding	-	-	31,481	31,481
Gifted and talented	12,880	12,880	12,858	(22)
Homebound	1,487	1,487	2,055	568
IT academy	-	-	2,700	2,700
Preschool initiative	-	-	36,000	36,000
Foster children	6,245	6,245	-	(6,245)
Board certification	-	-	2,500	2,500
Mentor teacher program	1,077	1,077	1,226	149
Prevention, Intervention and Remediation	42,280	42,280	-	(42,280)
Remedial education	7,859	7,859	42,208	34,349
Remedial summer education	28,948	28,948	33,110	4,162
School food program	-	-	6,376	6,376
School fringes	221,618	221,618	250,221	28,603
Special education	134,400	134,400	134,172	(228)
Standards of Learning algebra readiness	7,017	7,017	6,393	(624)
Textbook payment	25,124	25,124	25,082	(42)
Technology VPSA	128,000	128,000	152,000	24,000
Virginia preschool initiative	72,000	72,000	-	(72,000)
Vocational education	31,360	31,360	31,307	(53)
Total categorical aid	\$ 3,506,532	\$ 3,506,532	\$ 3,536,194	\$ 29,662
Total revenue from the Commonwealth	\$ 3,506,532	\$ 3,506,532	\$ 3,536,194	\$ 29,662
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 379,543	\$ 379,543	\$ 481,945	\$ 102,402
Title V (Innovative Programs)	3,956	3,956	-	(3,956)
Vocational education	32,000	32,000	20	(31,980)
Title VIB	240,886	240,886	308,759	67,873
School food program	320,000	320,000	379,190	59,190
Adult basic education	50,000	50,000	-	(50,000)
Title II Part A	90,461	90,461	97,246	6,785
Title II Part D	3,768	3,768	3,578	(190)
Drug free	8,522	8,522	-	(8,522)

County of Northumberland, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
JROTC grant	\$ 49,000	\$ 49,000	\$ 76,320	\$ 27,320
Title VI - rural education	-	-	34,891	34,891
Total categorical aid	\$ 1,178,136	\$ 1,178,136	\$ 1,381,949	\$ 203,813
Total revenue from the federal government	\$ 1,178,136	\$ 1,178,136	\$ 1,381,949	\$ 203,813
Total School Operating Fund	\$ 15,778,248	\$ 15,645,820	\$ 15,579,555	\$ (66,265)
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 80	\$ 80	\$ 48	\$ (32)
Charges for services:				
Cafeteria sales	\$ 216,620	\$ 216,620	\$ 156,376	\$ (60,244)
Miscellaneous revenue:				
Miscellaneous	\$ 14,279	\$ 14,279	\$ -	\$ (14,279)
Total revenue from local sources	\$ 230,979	\$ 230,979	\$ 156,424	\$ (74,555)
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 6,500	\$ 6,500	\$ -	\$ (6,500)
Revenue from the federal government:				
Categorical aid:				
Commodities	\$ -	\$ -	\$ 37,908	\$ 37,908
School nutrition program	-	-	312	312
Total categorical aid	\$ -	\$ -	\$ 38,220	\$ 38,220
Total revenue from the federal government	\$ -	\$ -	\$ 38,220	\$ 38,220
Total School Cafeteria Fund	\$ 237,479	\$ 237,479	\$ 194,644	\$ (42,835)
Total Discretely Presented Component Unit - School Board	\$ 16,015,727	\$ 15,883,299	\$ 15,774,199	\$ (109,100)

County of Northumberland, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 294,142	\$ 294,142	\$ 303,002	\$ (8,860)
General and financial administration:				
County administrator	\$ 233,444	\$ 233,444	\$ 247,167	\$ (13,723)
Information Technology	81,384	81,384	98,934	(17,550)
Legal services	15,000	15,000	15,000	-
Commissioner of revenue	295,112	295,113	293,769	1,344
Independent Auditor	40,650	40,650	36,192	4,458
Treasurer	329,022	329,022	349,177	(20,155)
Reassessment	177,300	177,300	161,039	16,261
Total general and financial administration	\$ 1,171,912	\$ 1,171,913	\$ 1,201,278	\$ (29,365)
Board of elections:				
Electoral board and officials	\$ 33,892	\$ 33,892	\$ 24,271	\$ 9,621
Registrar	89,653	89,652	82,820	6,832
Total board of elections	\$ 123,545	\$ 123,544	\$ 107,091	\$ 16,453
Total general government administration	\$ 1,589,599	\$ 1,589,599	\$ 1,611,371	\$ (21,772)
Judicial administration:				
Courts:				
Circuit court	\$ 16,482	\$ 16,482	\$ 17,082	\$ (600)
General district court	3,590	3,590	2,722	868
Victim witness protection program	26,730	26,729	26,052	677
Juvenile and domestic relations district court	72,824	72,824	92,760	(19,936)
Clerk of the circuit court	336,522	357,074	304,195	52,879
Total courts	\$ 456,148	\$ 476,699	\$ 442,811	\$ 33,888
Commonwealth's attorney:				
Commonwealth's attorney	\$ 333,088	\$ 333,087	\$ 303,471	\$ 29,616
Total judicial administration	\$ 789,236	\$ 809,786	\$ 746,282	\$ 63,504
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,118,698	\$ 2,168,045	\$ 2,062,082	\$ 105,963
Fire and rescue services:				
Fire department	\$ 366,911	\$ 366,911	\$ 423,398	\$ (56,487)
Ambulance and rescue services	208,331	208,331	163,093	45,238
Total fire and rescue services	\$ 575,242	\$ 575,242	\$ 586,491	\$ (11,249)
Correction and detention:				
Payments to Regional Jail	\$ 345,838	\$ 345,838	\$ 345,838	\$ -
Total correction and detention	\$ 345,838	\$ 345,838	\$ 345,838	\$ -
Inspections:				
Building	\$ 211,221	\$ 211,221	\$ 190,649	\$ 20,572

County of Northumberland, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 121,162	\$ 155,937	\$ 150,466	\$ 5,471
Emergency services	706,097	706,097	399,929	306,168
Medical examiner	350	350	40	310
Total other protection	\$ 827,609	\$ 862,384	\$ 550,435	\$ 311,949
Total public safety	\$ 4,078,608	\$ 4,162,730	\$ 3,735,495	\$ 427,235
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Streetlights	\$ 17,550	\$ 17,550	\$ 18,118	\$ (568)
Sanitation and waste removal:				
Refuse disposal	\$ 10,000	\$ 10,000	\$ 962,005	\$ (952,005)
Refuse collection	970,811	974,693	7,903	966,790
Total sanitation and waste removal	\$ 980,811	\$ 984,693	\$ 969,908	\$ 14,785
Maintenance of general buildings and grounds:				
General properties	\$ 218,894	\$ 218,894	\$ 221,426	\$ (2,532)
Total public works	\$ 1,217,255	\$ 1,221,137	\$ 1,209,452	\$ 11,685
Health and welfare:				
Health:				
Supplement of local health department	\$ 164,082	\$ 164,082	\$ 164,082	\$ -
Mental health and mental retardation:				
Community services board	\$ 40,933	\$ 40,933	\$ 40,933	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,740,905	\$ 1,740,905	\$ 1,537,130	\$ 203,775
Comprehensive services act	932,990	932,990	259,830	673,160
Other Social Services	221,230	221,230	24,088	197,142
Total welfare	\$ 2,895,125	\$ 2,895,125	\$ 1,821,048	\$ 1,074,077
Total health and welfare	\$ 3,100,140	\$ 3,100,140	\$ 2,026,063	\$ 1,074,077
Education:				
Other instructional costs:				
Contributions to Community College	\$ 7,904	\$ 7,904	\$ 7,904	\$ -
Contribution to County School Board	10,883,080	10,750,652	10,498,692	251,960
Total education	\$ 10,890,984	\$ 10,758,556	\$ 10,506,596	\$ 251,960
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 50,000	\$ 50,000	\$ 50,000	\$ -

County of Northumberland, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Library:				
Contribution to county library	\$ 110,000	\$ 110,000	\$ 110,000	\$ -
Total library	\$ 110,000	\$ 110,000	\$ 110,000	\$ -
Total parks, recreation, and cultural	\$ 160,000	\$ 160,000	\$ 160,000	\$ -
Community development:				
Planning and community development:				
Planning and zoning	\$ 298,464	\$ 298,465	\$ 307,274	\$ (8,809)
Economic development	34,500	34,500	29,904	4,596
Planning district commission	18,500	18,500	14,500	4,000
Total planning and community development	\$ 351,464	\$ 351,465	\$ 351,678	\$ (213)
Environmental management:				
Contribution to soil and water conservation district	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Wetlands	17,612	17,612	16,989	623
Forestry	5,171	5,171	5,171	-
Total environmental management	\$ 37,783	\$ 37,783	\$ 37,160	\$ 623
Cooperative extension program:				
Extension office	\$ 56,740	\$ 56,740	\$ 45,183	\$ 11,557
Total community development	\$ 445,987	\$ 445,988	\$ 434,021	\$ 11,967
Capital projects:				
County owned facilities	\$ 39,400	\$ 39,400	\$ 23,713	\$ 15,687
Fleeton/Callao Sewer project	40,000	40,000	-	40,000
Total capital projects	\$ 79,400	\$ 79,400	\$ 23,713	\$ 55,687
Debt service:				
Principal retirement	\$ 1,075,000	\$ 1,075,000	\$ 1,075,000	\$ -
Interest and other fiscal charges	1,305,931	1,639,954	1,641,454	(1,500)
Total debt service	\$ 2,380,931	\$ 2,714,954	\$ 2,716,454	\$ (1,500)
Total General Fund	\$ 24,732,140	\$ 25,042,290	\$ 23,169,447	\$ 1,872,843
Special Revenue Funds:				
Forfeited Assets Fund:				
Public safety:				
Sheriff:				
Forfeited assets	\$ -	\$ -	\$ 25,525	\$ (25,525)
Total Forfeited Assets Fund	\$ -	\$ -	\$ 25,525	\$ (25,525)

County of Northumberland, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
County Capital Projects Fund:				
Capital projects expenditures:				
Light street project	\$ 100,000	\$ 241,615	\$ 299,690	\$ (58,075)
Total capital projects	\$ 100,000	\$ 241,615	\$ 299,690	\$ (58,075)
Total County Capital Projects Fund	\$ 100,000	\$ 241,615	\$ 299,690	\$ (58,075)
Total Primary Government	\$ 24,832,140	\$ 25,283,905	\$ 23,494,662	\$ 1,789,243
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 779,651	\$ 773,651	\$ 723,221	\$ 50,430
Instruction costs	11,616,862	11,824,457	11,572,308	252,149
Pupil transportation	1,103,201	1,103,201	1,206,410	(103,209)
Operation and maintenance of school plant	1,482,337	1,482,337	1,662,967	(180,630)
Other operating costs	\$ 14,982,051	\$ 15,183,646	\$ 15,164,906	\$ 18,740
Total education	\$ 14,982,051	\$ 15,183,646	\$ 15,164,906	\$ 18,740
Capital projects:				
Capital Outlay	\$ 47,000	\$ 47,000	\$ 35,825	\$ 11,175
Debt service:				
Principal retirement	\$ 235,568	\$ 30,568	\$ -	\$ 30,568
Interest and other fiscal charges	193,629	64,606	-	64,606
Total debt service	\$ 429,197	\$ 95,174	\$ -	\$ 95,174
Total School Operating Fund	\$ 15,458,248	\$ 15,325,820	\$ 15,200,731	\$ 125,089
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
School food	\$ 557,479	\$ 557,479	\$ 592,907	\$ (35,428)
Commodities	-	-	37,908	(37,908)
Total school food services	\$ 557,479	\$ 557,479	\$ 630,815	\$ (73,336)
Total School Cafeteria Fund	\$ 557,479	\$ 557,479	\$ 630,815	\$ (73,336)
Total Discretely Presented Component Unit - School Board	\$ 16,015,727	\$ 15,883,299	\$ 15,831,546	\$ 51,753

STATISTICAL INFORMATION

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Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Sanitary District	Total
2003-04	\$ 899,749	\$ 587,546	\$ 2,209,016	\$ 1,080,865	\$ 1,603,072	\$ 7,209,313	\$ 148,157	\$ 290,630	\$ 298,574	\$ 343,489	\$ 14,670,411
2004-05	1,381,451	565,629	2,535,825	952,156	1,637,143	7,139,887	152,433	315,943	259,361	435,471	15,375,299
2005-06	1,167,467	677,235	2,584,733	1,393,744	1,906,874	8,103,546	455,941	369,958	227,386	554,693	17,441,577
2006-07	1,250,550	913,462	2,786,622	1,299,662	1,979,837	11,307,420	154,433	462,873	1,757,383	641,660	22,553,902
2007-08	1,185,448	897,658	3,325,552	1,261,074	1,963,371	10,145,703	162,433	582,207	1,906,293	725,364	22,155,103
2008-09	1,312,517	841,269	2,909,507	1,206,586	1,962,122	9,552,038	89,228	433,527	1,860,565	787,029	20,954,388
2009-10	1,284,916	925,689	3,153,464	1,165,665	1,965,340	7,882,786	160,000	249,496	1,805,133	799,163	19,391,652
2010-11	1,449,612	1,885,783	3,112,797	1,239,359	2,113,100	10,152,027	160,000	356,559	1,747,492	804,516	23,021,245
2011-12	1,575,956	809,001	3,192,554	1,197,769	2,108,697	9,613,564	160,000	866,569	1,681,962	805,077	22,011,149
2012-13	1,887,494	748,238	3,340,665	1,209,904	1,991,739	11,598,124	161,418	754,292	1,608,524	836,447	24,136,845

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES									
	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	General Property Taxes			Other Local Taxes		Unrestricted Investment Earnings		Miscellaneous Programs		Total
2003-04	\$ 421,257	\$ 2,456,159	\$ -	\$ 9,880,206	\$ 1,453,219	\$ 62,689	\$ 243,962	\$ 2,262,035	\$ 16,779,527					
2004-05	538,508	2,630,761	-	10,057,777	2,123,379	148,142	174,627	1,542,174	17,215,368					
2005-06	583,726	3,154,412	303,508	10,544,679	1,770,014	364,520	326,230	1,159,186	18,206,275					
2006-07	535,960	3,073,567	68,266	13,176,306	2,236,690	1,600,110	241,736	1,109,209	22,041,844					
2007-08	569,645	2,871,605	630,311	13,447,313	1,945,289	1,801,426	345,799	1,085,298	22,696,686					
2008-09	529,047	2,945,673	66,934	14,409,617	2,188,526	486,072	341,443	1,089,447	22,056,759					
2009-10	527,391	2,759,311	-	15,020,712	1,756,737	234,120	346,648	1,394,902	22,039,821					
2010-11	534,321	2,948,734	-	15,295,156	1,693,183	232,707	245,832	1,430,443	22,380,376					
2011-12	561,706	2,605,285	560,885	15,443,129	1,731,687	182,448	170,499	1,379,120	22,634,759					
2012-13	612,221	2,507,321	298,775	16,199,114	1,749,597	170,617	233,532	1,440,348	23,211,525					

Table 3

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

Fiscal Year	General Government			Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
	Administration	Judicial Administration	Government								
2003-04	\$ 1,045,974	\$ 508,613	\$ 2,339,340	\$ 1,046,480	\$ 1,598,822	\$ 12,137,999	\$ 145,724	\$ 283,751	\$ 950,979	\$ 20,057,682	
2004-05	1,257,538	474,654	2,670,462	997,539	1,668,411	13,313,882	150,000	315,943	809,129	21,657,558	
2005-06	1,135,395	586,260	2,637,176	1,059,637	1,955,569	14,395,941	453,508	376,810	784,106	23,384,402	
2006-07	1,275,536	684,040	2,894,649	1,282,308	1,955,978	15,144,972	150,000	462,872	2,533,503	26,383,858	
2007-08	1,283,522	714,521	3,536,111	1,272,472	1,948,819	16,010,041	160,000	427,682	3,051,646	28,404,814	
2008-09	1,247,501	758,759	3,318,605	1,213,509	1,939,676	16,087,829	160,000	432,735	2,998,457	28,157,071	
2009-10	1,227,526	831,469	3,070,468	1,178,666	1,949,423	15,133,600	160,000	366,703	2,965,494	26,883,349	
2010-11	1,449,459	750,685	3,183,692	1,258,125	2,110,973	14,929,147	160,000	365,561	2,945,797	27,153,439	
2011-12	1,303,952	799,970	3,214,223	1,212,832	2,094,948	15,549,789	160,000	399,377	2,918,399	27,653,490	
2012-13	1,611,371	746,282	3,761,020	1,209,452	2,026,063	15,803,625	160,000	434,021	2,716,454	28,468,288	

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

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

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property			Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2003-04	\$ 9,917,813	\$ 1,453,219	\$ 283,767	\$ 15,992	\$ 61,878	\$ 231,386	\$ 289,558	\$ 326,174	\$ 9,016,617	\$ 21,596,404		
2004-05	10,095,628	1,639,007	277,798	15,199	152,963	225,432	283,937	128,241	9,942,948	22,761,153		
2005-06	10,624,629	1,770,014	300,830	17,110	364,317	285,150	397,411	98,791	10,508,029	24,366,281		
2006-07	13,105,187	1,583,747	218,274	12,185	352,575	267,989	381,660	98,462	11,209,787	27,229,866		
2007-08	13,367,097	1,945,289	206,459	16,987	285,088	272,732	527,635	247,678	11,564,983	28,433,948		
2008-09	14,879,752	2,188,526	180,070	15,480	252,556	233,143	588,022	101,770	9,903,162	28,342,481		
2009-10	14,896,149	1,756,737	137,646	29,883	231,790	274,183	507,538	103,838	9,897,347	27,835,111		
2010-11	15,151,420	1,693,183	138,534	23,951	232,690	251,972	353,815	115,436	9,935,375	27,896,376		
2011-12	15,503,870	1,731,687	134,362	30,603	182,269	215,937	276,157	102,261	9,293,353	27,470,499		
2012-13	16,134,615	1,749,597	127,195	27,611	169,793	197,537	359,880	102,265	8,904,032	27,772,525		

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)		Total Tax Collections	Percent of Total Tax Collections to Tax Levy		Outstanding Delinquent Taxes (1,2)		Percent of Delinquent Taxes to Tax Levy	
				Tax			Total Tax Collections		Delinquent Taxes		Delinquent Taxes to Tax Levy	
2003-04	\$ 10,577,447	\$ 10,312,979	97.50%	\$ 301,132	\$	10,614,111	100.35%		\$ 350,536		3.31%	
2004-05	10,846,397	10,653,628	98.22%	175,814		10,829,442	99.84%		358,608		3.31%	
2005-06	11,403,071	11,271,995	98.85%	170,729		11,442,724	100.35%		294,952		2.59%	
2006-07	13,873,126	13,688,759	98.67%	195,874		13,884,633	100.08%		202,803		1.46%	
2007-08	14,238,395	14,013,307	98.42%	179,242		14,192,549	99.68%		310,307		2.18%	
2008-09	15,889,738	15,528,432	97.73%	196,546		15,724,978	98.96%		399,253		2.51%	
2009-10	15,769,623	15,429,741	97.84%	242,026		15,671,767	99.38%		508,662		3.23%	
2010-11	16,041,437	15,693,936	97.83%	256,693		15,950,629	99.43%		560,820		3.50%	
2011-12	16,275,738	15,971,392	98.13%	294,244		16,265,636	99.94%		561,257		3.45%	
2012-13	16,995,677	16,679,439	98.14%	203,352		16,882,791	99.34%		647,572		3.81%	

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Machinery and Tools	Merchant's Capital	Public Utility (2)	Total
2003-04	\$ 1,210,105,972	\$ 77,884,880	\$ 2,856,528	\$ 3,572,444	\$ 30,312,999	\$ 1,324,732,823
2004-05	1,249,704,479	88,848,479	2,476,351	3,601,360	24,261,228	1,368,891,897
2005-06	1,297,949,514	96,277,035	3,312,711	4,123,126	20,174,479	1,421,836,865
2006-07	2,829,613,762	99,792,019	3,062,848	4,316,128	38,647,253	2,975,432,010
2007-08	2,902,222,017	103,742,431	2,887,999	4,386,808	36,978,612	3,050,217,867
2008-09	2,961,160,227	111,854,782	2,530,695	4,645,795	28,020,738	3,108,212,237
2009-10	3,011,546,185	102,709,252	2,318,911	4,641,003	32,584,722	3,153,800,073
2010-11	3,047,497,890	106,808,354	2,688,648	5,243,876	36,317,490	3,198,556,258
2011-12	3,080,451,758	106,163,570	5,161,162	4,939,229	45,441,422	3,242,157,141
2012-13	3,091,570,771	105,462,100	4,893,424	4,567,724	41,926,278	3,248,420,297

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

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

Table 7

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

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Merchant's Capital	Machinery and Tools
2003-04	\$ 0.61	\$ 0.61	\$ 3.60	\$ 2.00	\$ 3.60
2004-05	0.61	0.61	3.60	1.00	3.60
2005-06	0.61	0.61	3.60	1.00	3.60
2006-07	0.36	0.36	3.60	1.00	3.60
2007-08	0.36	0.36	3.60	1.00	3.60
2008-09	0.40	0.40	3.60	1.00	3.60
2009-10	0.40	0.40	3.60	1.00	3.60
2010-11	0.40	0.40	3.60	1.00	3.60
2011-12	0.40	0.40	3.60	1.00	3.60
2012-13	0.40	0.40	3.60	1.00	3.60

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2003-04	12,259	\$ 1,324,732,823	\$ 3,637,582	0.27%	\$ 297
2004-05	12,259	1,368,891,897	3,232,385	0.24%	264
2005-06	12,259	1,421,836,865	2,820,509	0.20%	230
2006-07	12,259	2,975,432,010	2,406,843	0.08%	196
2007-08	12,259	3,050,217,867	2,036,268	0.07%	166
2008-09	12,259	3,108,212,237	1,693,657	0.05%	138
2009-10	12,330	3,153,800,073	1,353,874	0.04%	110
2010-11	12,330	3,198,556,258	1,006,775	0.03%	82
2011-12	12,330	3,242,157,141	615,000	0.02%	50
2012-13	12,330	3,248,420,297	310,000	0.01%	25

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

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

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

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

COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Northumberland Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County of Northumberland, Virginia's basic financial statements, and have issued our report thereon dated February 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Northumberland Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Northumberland, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Northumberland, Virginia's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, 2013-001.

Compliance and Other Matters

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

County of Northumberland, Virginia's Response to Findings

County of Northumberland, Virginia's response to the findings identified in our audit is described in the accompany schedule of findings and questions costs. County of Northumberland, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Richmond, Virginia
February 6, 2014

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited County of Northumberland, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Northumberland, Virginia's major federal programs for the year ended June 30, 2013. County of Northumberland, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Northumberland, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 County of Northumberland, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, County of Northumberland, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of County of Northumberland, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Northumberland, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Northumberland, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "R. F. Clark", followed by a long horizontal line.

Richmond, Virginia
February 6, 2014

County of Northumberland, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950112/0950113	\$ 13,770
Temporary Assistance for Needy Families	93.558	0400112/0400113	98,106
Refugee and Entrant Assistance - State Administered Programs	93.566	0500112/0500113	590
Low-income Home Energy Assistance	93.568	0600412/00600413	10,559
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760112/0760113	17,928
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900112/090113	368
Foster Care - Title IV-E	93.658	1100112/1100113	45,593
Adoption Assistance	93.659	1120112/11201113	61,538
Social Services Block Grant	93.667	1000112/1000113	72,278
Chafee Foster Care Independence Program	93.674	9150112/9150113	1,221
Children's Health Insurance Program	93.767	0540112/0540113	4,050
Medical Assistance Program	93.778	1200112/1200113	98,631
			<u>\$ 424,632</u>
Total Department of Health and Human Services			<u>\$ 424,632</u>
Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Emergency Management Performance Grants	97.042	7750100-52741	\$ 3,315
			<u>\$ 3,315</u>
Department of Housing and Urban Development:			
Pass Through Payments:			
<i>Department of Housing and Community Development:</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	53305-50799	\$ 298,775
			<u>\$ 298,775</u>
Department of Defense:			
Direct payments:			
Jr ROTC	12.xxx	N/A	\$ 76,320
			<u>\$ 76,320</u>
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and Community Highway Safety	20.600	60507-50159/59255	\$ 14,726
			<u>\$ 14,726</u>

County of Northumberland, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
<i>Department of Agriculture:</i>			
Summer Food Service Program for Children	10.559	17901-40591	\$ 17,533
Food Distribution	10.555	17901-45707	\$ 37,908
<i>Department of Education:</i>			
National school lunch program	10.555	17901-40623	270,870
			308,778
School breakfast program	10.553	17901-40591	91,099
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010112/0010113	162,944
Total Department of Agriculture			\$ 580,354
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 481,945
Special Education - Grants to States	84.027	17901-43071	308,759
Career and Technical Education - Basic Grants to States	84.048	17901-61095	20
Educational Technology State Grants	84.318	17901-61600	3,578
Rural Education	84.358		34,891
Improving Teacher Quality State Grants	84.367	17901-61480	97,246
Total Department of Education			\$ 926,439
Total Expenditures of Federal Awards			\$ 2,324,561

See accompanying notes to schedule of expenditures of federal awards.

County of Northumberland, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Northumberland, Virginia under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the County of Northumberland, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Northumberland, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 605,617
Capital Projects Funds:	
County Capital Projects Fund	298,775
Total primary government	<u>\$ 904,392</u>

Component Unit School Board:

School Operating Fund	\$ 1,381,949
School Cafeteria Fund	38,220
Total component unit School Board	<u>\$ 1,420,169</u>

Total federal expenditures per basic financial statements	<u>\$ 2,324,561</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 2,324,561</u></u>
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County of Northumberland, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? ✓ yes no

Significant deficiency(ies) identified? yes ✓ none reported

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Grants to Local Educational Agencies
84.027	Special Education - Grants to States
10.553/10.555/10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? yes ✓ no

**County of Northumberland, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

Section II-Financial Statement Findings

2013-01

Financial Reporting

Criteria:	Per Statement of Auditing Standards 115 (SAS 115), identification of adjustments to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exists. Internal controls should be in place that provide assurance that audited financial statements reconcile to the County's internal documents.
Condition:	The financial statements did not contain all necessary adjustments to reconcile to the County's internal documents to comply with generally accepted accounting principles (GAAP).
Effect of Condition:	There is more than a remote likelihood that a misstatement of the County's financial statements or notes to the financial statements that is more than inconsequential will not be prevented or detected by the County's internal controls over financial reporting.
Cause of Condition:	Procedures have not been fully implemented to provide the necessary internal controls over financial reporting.
Recommendation:	Procedures should be implemented providing for the posting of all year-end adjusting entries to allow for reconciliation between the audited financial statements and the County's general ledger reports. It should be noted that significant efforts have been made since FY07 to address this weakness including maintaining capital assets, reporting accrual based general government expenditures and gathering revenue accrual data for posting to the general ledger. In order to take the next step in addressing this issue, the County should consider employing a governmental accounting consultant, that is independent of the County's Auditor, to assist with the preparation of year end working trial balances.
Management's Response:	The County is considering corrective action for FY14.

Section III-Federal Award Findings and Questioned Costs

None

County of Northumberland, Virginia
Schedule of Prior Year Findings
For the Year Ended June 30, 2013

There were no prior year Federal Award Findings and Questioned Costs. Financial Statement Finding 2012-1 has been repeated for FY13 as Finding 2013-1.