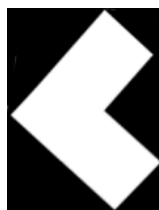


County of Southampton, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2010



*Creedle, Jones
& Alga, P.C.*
Certified Public Accountants

County of Southampton, Virginia

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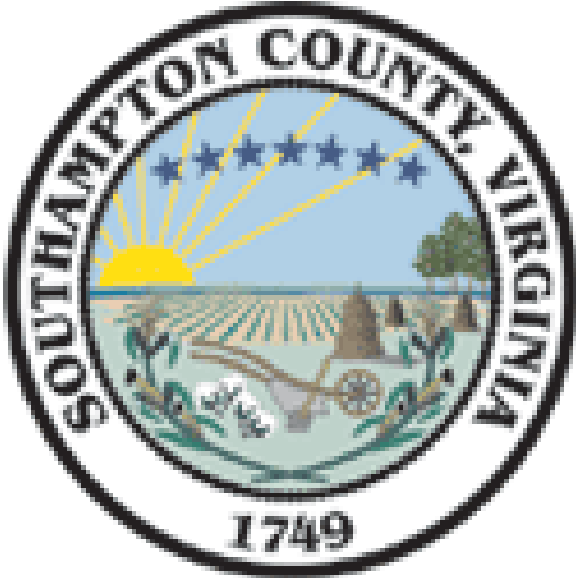
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FINANCIAL SECTION





**Creedle
Jones
& Alga**

A Professional Corporation

*Sherwood H. Creedle, CPA
Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP*

*James A. Allen, Jr., CPA
Nadine L. Chase, CPA
Nadia A. Rogers, CPA
Scott A. Thompson, CPA*

*Members of
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the
Board of Supervisors
County of Southampton, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Southampton, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of County of Southampton, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Southampton, Virginia, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2011, on our consideration of the County of Southampton, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 9 and 48 through 54 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Southampton, Virginia's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Credle, Jones & Alga, P.C.

Credle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
January 7, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Southampton, Virginia presents the following discussion and analysis as an overview of the County of Southampton, Virginia's financial activities for the fiscal year ending June 30, 2010. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter and the County's financial statements.

Financial Highlights for Fiscal Year 2010

Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the County, excluding its Component Unit, exceeded its liabilities by \$38,476,634. Of this amount, \$5,479,006 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- For the fiscal year, general and program revenues (exclusive of transfers) of the County's governmental activities were \$27,760,721 and expenses amounted to \$27,197,527. The County's total net assets decreased \$324,722, as adjusted for transfers.
- For business-type activities, revenues (exclusive of transfers) were \$1,167,008 and expenses were \$3,819,131. The net assets decreased by \$1,764,207, as adjusted for transfers.

Highlights for Fund Financial Statements

- As of June 30, 2010, the County's Governmental Funds reported combined fund balances of \$15,446,056, a decrease of \$1,644,465 in comparison with the prior year. Approximately 41.5 percent of the combined fund balances, \$6,408,068, is available to meet the County's current and future needs.
- The General Fund reported a fund balance of \$6,408,068, an increase of \$268,235 from June 30, 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report consists of two sections: financial and compliance.

- The ***financial section*** has three component parts - management's discussion and analysis (this section), the basic financial statements which include government-wide financial statements and fund financial statements, and required supplementary information.
- The ***compliance section*** is required under the provisions of *Governmental Auditing Standards* and, in some cases, the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Government-Wide Financial Statements

The government-wide financial statements report information about the County as a whole using accounting methods similar to those found in the private sector. They also report the County's net assets and how they have changed during the fiscal year.

The first government-wide statement - the Statement of Net Assets - presents information on all of the County's assets and liabilities. The difference between assets and liabilities, net assets, can be used as one way to measure the County's financial health or financial condition. Over time, increases or decreases in the net assets can be one indicator of whether the County's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the County's property tax base and the condition of County facilities.

The second statement - the Statement of Activities - presents information using the accrual basis accounting method and shows how the County's net assets changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The government-wide statements are divided into the following three categories:

Governmental Activities: Most of the County's basic services are reported here, including general government administration; judicial administration; public safety; public works; health and welfare; education; parks, recreation, and cultural; and community development. These activities are financed primarily by property taxes, other local taxes, and Federal and State grants. Governmental Funds are included in the governmental activities.

Business-Type Activities: County of Southampton, Virginia has a Proprietary Enterprise Fund that accounts for the water and sewer system for the County.

Discretely Presented Component Unit: The County includes the Southampton County Public Schools in its annual financial report. Although legally separate, this component unit is important because the County is financially accountable for it.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statements more familiar. These statements provide more detailed information about the County's most significant funds. Funds are used to ensure compliance with finance-related legal requirements and are used to keep track of specific sources of revenue and expenses for particular purposes. The County has three kinds of funds:

Governmental Funds - Most of the County's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year-end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). The General Fund is the main operating account of the County and, therefore, the largest of the Governmental Funds. All other Governmental Funds, which include Special Revenue Funds and Capital Projects Funds, are collectively referred to as nonmajor Governmental Funds.

Proprietary Funds - Proprietary Funds, which consist of Enterprise Funds, operate in a manner similar to private business enterprises in which costs are recovered primarily through a user charge. Proprietary Fund financial statements provide both long and short-term financial information. The County has a Water and Sewer Fund that generates revenue based on consumer charges.

Fiduciary Funds - Fiduciary Funds are used to account for resources held by the County for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide statements because the funds are not available to support the County's programs. The County's Fiduciary Funds consist of Agency Funds. The funds are used to account for monies received, held, and disbursed on behalf of the Blackwater Regional Library and Special Welfare Fund.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

	Summary of Net Assets							
	As of June 30, 2010 and 2009							
	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2010	2009	2010	2009	2010	2009	2010	2009
Assets								
Current and other assets	\$ 16,635,246	\$ 18,040,703	\$ 6,603,253	\$ 21,480,503	\$ 23,238,499	\$ 39,521,206	\$ 3,475,733	\$ 3,661,914
Capital assets (net)	<u>52,147,863</u>	<u>52,910,874</u>	<u>39,746,651</u>	<u>26,792,396</u>	<u>91,894,514</u>	<u>79,703,270</u>	<u>7,116,083</u>	<u>7,334,168</u>
Total Assets	<u>\$ 68,783,109</u>	<u>\$ 70,951,577</u>	<u>\$ 46,349,904</u>	<u>\$ 48,272,899</u>	<u>\$ 115,133,013</u>	<u>\$ 119,224,476</u>	<u>\$ 10,591,816</u>	<u>\$ 10,996,082</u>
Liabilities								
Other liabilities	\$ 4,369,859	\$ 4,106,474	\$ 1,972,673	\$ 1,829,436	\$ 6,342,532	\$ 5,935,910	\$ 3,773,817	\$ 4,003,061
Long-term liabilities	<u>35,396,174</u>	<u>37,503,305</u>	<u>34,917,673</u>	<u>35,219,698</u>	<u>70,313,847</u>	<u>72,723,003</u>	<u>703,550</u>	<u>547,000</u>
Total Liabilities	<u>39,766,033</u>	<u>41,609,779</u>	<u>36,890,346</u>	<u>37,049,134</u>	<u>76,656,379</u>	<u>78,658,913</u>	<u>4,477,367</u>	<u>4,550,061</u>
Net Assets								
Invested in capital assets, net of related debt	14,577,558	13,088,141	10,508,371	12,084,902	25,085,929	25,173,043	7,116,083	7,334,168
Restricted for capital projects	7,911,699	9,725,414	-	-	7,911,699	9,725,414	-	-
Unrestricted	<u>6,527,819</u>	<u>6,528,243</u>	<u>(1,048,813)</u>	<u>(861,137)</u>	<u>5,479,006</u>	<u>5,667,106</u>	<u>(1,001,634)</u>	<u>(888,147)</u>
Total Net Assets	<u>29,017,076</u>	<u>29,341,798</u>	<u>9,459,558</u>	<u>11,223,765</u>	<u>38,476,634</u>	<u>40,565,563</u>	<u>6,114,449</u>	<u>6,446,021</u>
Total Liabilities and Net Assets	<u>\$ 68,783,109</u>	<u>\$ 70,951,577</u>	<u>\$ 46,349,904</u>	<u>\$ 48,272,899</u>	<u>\$ 115,133,013</u>	<u>\$ 119,224,476</u>	<u>\$ 10,591,816</u>	<u>\$ 10,996,082</u>

The Commonwealth of Virginia requires that counties, as well as their financial dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. For the purpose of this financial statement, the debt and correlating asset (or portion therefore) is recorded as an asset and long-term liability of the primary government. GASB Statement No. 14, *The Financial Reporting Entity*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements. The net assets of the total financial reporting entity best represent the entity's financial position. In the case of the County's reporting entity, assets exceeded liabilities by \$44,591,083 at June 30, 2010. The portion of the reporting entity's net assets, \$32,202,012, reflects investment in capital assets (e.g., land, buildings, and equipment), less the outstanding debt associated with the asset acquisition.

Statement of Activities

The following table summarizes revenues and expenses for the primary government as of June 30, 2010:

Summary of Changes in Net Assets

For the Fiscal Years Ended June 30, 2010 and 2009

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit School Board</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues								
Program Revenues								
Charges for services	\$ 1,556,233	\$ 1,451,197	\$ 1,124,702	\$ 1,121,190	\$ 2,680,935	\$ 2,572,387	\$ 464,965	\$ 489,211
Operating grants and contributions	6,531,881	6,637,783	-	-	6,531,881	6,637,783	21,701,243	21,780,586
General Revenues								
General property taxes, real and personal	16,321,948	16,382,810	-	-	16,321,948	16,382,810	-	-
Other taxes	2,249,072	2,266,221	-	-	2,249,072	2,266,221	-	-
<i>Payment from County of Southampton, VA</i>								
Education	-	-	-	-	-	-	7,150,972	7,774,805
Noncategorical aid from state	130,831	128,197	-	-	130,831	128,197	-	-
Use of property	62,227	60,556	-	-	62,227	60,556	-	-
Investment earnings	36,162	164,173	42,306	170,090	78,468	334,263	933	1,625
Miscellaneous	872,367	827,522	-	-	872,367	827,522	50,896	216,398
Transfers	(887,916)	(2,589,833)	887,916	2,589,833	-	-	-	-
Total Revenues	26,872,805	25,328,626	2,054,924	3,881,113	28,927,729	29,209,739	29,369,009	30,262,625
Expenses								
General government administration	2,681,213	2,618,525	-	-	2,681,213	2,618,525	-	-
Judicial administration	1,620,518	1,722,127	-	-	1,620,518	1,722,127	-	-
Public safety	6,899,639	7,204,448	-	-	6,899,639	7,204,448	-	-
Public works	3,094,302	2,625,575	-	-	3,094,302	2,625,575	-	-
Health and welfare	3,262,029	3,076,508	-	-	3,262,029	3,076,508	-	-
Education	7,150,972	7,774,805	-	-	7,150,972	7,774,805	29,700,581	30,700,194
Parks, recreation, and cultural	352,495	366,548	-	-	352,495	366,548	-	-
Community development	498,150	649,453	-	-	498,150	649,453	-	-
Water and sewer	-	-	2,080,855	1,975,688	2,080,855	1,975,688	-	-
Interest on long-term debt	1,638,209	1,830,125	1,738,276	1,238,950	3,376,485	3,069,075	-	-
Total Expenses	27,197,527	27,868,114	3,819,131	3,214,638	31,016,658	31,082,752	29,700,581	30,700,194
Increase (Decrease) in Net Assets	(324,722)	(2,539,488)	(1,764,207)	666,475	(2,088,929)	(1,873,013)	(331,572)	(437,569)
Beginning Net Assets	29,341,798	31,881,286	11,223,765	10,557,290	40,565,563	42,438,576	6,446,021	6,883,590
Ending Net Assets	\$ 29,017,076	\$ 29,341,798	\$ 9,459,558	\$ 11,223,765	\$ 38,476,634	\$ 40,565,563	\$ 6,114,449	\$ 6,446,021

Governmental activities decreased the County's net assets by \$324,722 for fiscal year 2010. Revenues from governmental activities (without transfers) totaled \$27,760,721. Property taxes comprise the largest source of these revenues, totaling \$16,321,948 or 58.8 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$27,197,527. Education was the County's largest program and highest priority with expenses totaling \$7,150,972. Public Safety expenses, which total \$6,899,639, represent the second largest expense.

For the County's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2010 and 2009

	<u>2010</u>		<u>2009</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 2,681,213	\$ (2,165,643)	\$ 2,618,525	\$ (2,148,686)
Judicial administration	1,620,518	(813,398)	1,722,127	(843,704)
Public safety	6,899,639	(2,690,466)	7,204,448	(2,814,292)
Public works	3,094,302	(2,955,177)	2,625,575	(2,499,059)
Health and welfare	3,262,029	(897,403)	3,076,508	(852,462)
Education	7,150,972	(7,150,972)	9,591,542	(9,591,542)
Parks, recreation, and cultural	352,495	(299,995)	366,548	(366,548)
Community development	498,150	(498,150)	649,453	(649,453)
Interest on long-term debt	<u>1,638,209</u>	<u>(1,638,209)</u>	<u>13,388</u>	<u>(13,388)</u>
Total	<u>\$ 27,197,527</u>	<u>\$ (19,109,413)</u>	<u>\$27,868,114</u>	<u>\$ (19,779,134)</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2010, the County's Governmental Funds reported a combined ending fund balance of \$15,446,056, a decrease of \$1,644,465 in comparison with the prior year. Approximately 41.5 percent, or \$6,408,068, is available for spending at the government's discretion (unreserved/undesignated fund balance).

The General Fund is the main operating fund of the County. At the end of the current fiscal year, the General Fund had an unreserved fund balance of \$6,408,068 and a reserved fund balance of \$-0-. The General Fund's liquidity can be measured by comparing both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 26.5 percent of total fund expenditures.

- The General Fund contributed \$9,432,482 in operating funds to finance the Schools' operations.

The Capital Projects Fund which has a total fund balance of \$8,317,315, all of which is designated for ongoing and future capital projects, predominantly a new industrial park at this time.

BUDGETARY HIGHLIGHTS

General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2010 and 2009

	<u>2010</u>			<u>2009</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 16,914,365	\$ 16,922,295	\$ 16,321,948	\$ 16,275,857	\$ 16,275,857	\$ 16,382,810
Other	3,508,850	3,981,295	4,486,813	3,554,429	3,985,775	4,284,116
Intergovernmental	<u>4,352,996</u>	<u>4,748,289</u>	<u>4,528,837</u>	<u>4,467,715</u>	<u>4,725,169</u>	<u>4,713,712</u>
Total	24,776,211	25,651,879	25,337,598	24,298,001	24,986,801	25,380,638
Expenditures	<u>24,884,433</u>	<u>27,396,581</u>	<u>24,185,171</u>	<u>23,779,248</u>	<u>25,269,276</u>	<u>23,479,009</u>
Excess (Deficiency) of Revenues Over Expenditures	(108,222)	(1,744,702)	1,152,427	518,753	(282,475)	1,901,629
Other Financing Sources (Uses)						
Transfers in	-	231,966	203,930	1,521,512	2,866,095	189,574
Transfers out	<u>(994,449)</u>	<u>(1,188,680)</u>	<u>(1,088,122)</u>	<u>(2,040,265)</u>	<u>(2,583,620)</u>	<u>(2,488,648)</u>
Total	<u>(994,449)</u>	<u>(956,714)</u>	<u>(884,192)</u>	<u>(518,753)</u>	<u>282,475</u>	<u>(2,299,074)</u>
Change in Fund Balance	(1,102,671)	(2,701,416)	268,235	-	-	(397,445)
Transfer from Reserve	<u>1,102,671</u>	<u>2,701,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance after Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (397,445)</u>

The final amended budget appropriations for expenditures exceeded the original appropriation by \$2,512,148.

Final amended budget revenues were more than the original budget by \$875,668.

Actual revenues were less than final budget amounts by \$314,281, or 1.2 percent, while actual expenditures were \$3,211,410, or 11.7 percent less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2010, the County's investment in capital assets totals \$14,577,558, which are net capital assets less related debt for governmental activities and \$10,508,371 for business-type activities.

During fiscal year 2010, the County's net capital assets (including additions, decreases, and depreciation) decreased \$763,011, or 1.4 percent, for governmental activities and increased \$12,954,255, or 48.4 percent, for business-type activities, as summarized in the following table:

Change in Capital Assets

Governmental Activities

	<u>Balance</u> <u>June 30, 2009</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Land and land improvements	\$ 2,892,897	\$ 50,000	\$ 2,942,897
Construction in progress	-	608,580	608,580
Buildings and improvements	58,946,202	-	58,946,202
Furniture, equipment, and vehicles	<u>6,954,830</u>	<u>171,404</u>	<u>7,126,234</u>
Total Capital Assets	68,793,929	829,984	69,623,913
Less: Accumulated depreciation	<u>(15,883,055)</u>	<u>(1,592,995)</u>	<u>(17,476,050)</u>
Total Capital Assets, Net	<u>\$ 52,910,874</u>	<u>\$ (763,011)</u>	<u>\$ 52,147,863</u>

Business-Type Activities

	<u>Balance</u> <u>June 30, 2009</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Land and land improvements	\$ 338,162	\$ -	\$ 338,162
Construction in progress	-	13,772,791	13,772,791
Buildings and improvements	1,047,994	-	1,047,994
Infrastructure and equipment	35,415,580	52,001	35,467,581
Vehicles	<u>241,135</u>	<u>(12,443)</u>	<u>228,692</u>
Total Capital Assets	37,042,871	13,812,349	50,855,220
Less: Accumulated depreciation	<u>(10,250,475)</u>	<u>(858,094)</u>	<u>(11,108,569)</u>
Total Capital Assets, Net	<u>\$ 26,792,396</u>	<u>\$ 12,954,255</u>	<u>\$ 39,746,651</u>

Component Unit School Board

	<u>Balance</u> <u>June 30, 2009</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Land and land improvements	\$ 1,362,200	\$ -	\$ 1,362,200
Buildings and improvements	2,366,453	-	2,366,453
Furniture, equipment, and vehicles	<u>12,250,394</u>	<u>484,130</u>	<u>12,734,524</u>
Total Capital Assets	15,979,047	484,130	16,463,177
Less: Accumulated depreciation	<u>(8,644,879)</u>	<u>(702,215)</u>	<u>(9,347,094)</u>
Total Capital Assets, Net	<u>\$ 7,334,168</u>	<u>\$ (218,085)</u>	<u>\$ 7,116,083</u>

Note: School Board fixed assets are jointly owned by the County (primary government) and the Component Unit School Board. The County reports the School Board assets associated with outstanding debt on its books until the debt is paid off.

The County is constructing a new wastewater treatment plant which is the reason for the business-type activities' large increase in capital assets.

Long-Term Debt

As of June 30, 2010, the County's long-term obligations, excluding the Component Unit, total \$73,807,183.

	Balance June 30, 2009	Net Additions and Deletions	Balance June 30, 2010
Governmental Activities			
Long-term debt	\$ 39,229,095	\$ (2,222,746)	\$ 37,006,349
Net OPEB obligation	303,000	158,127	461,127
Compensated absences			
General Fund	385,167	10,328	395,495
Welfare Fund	148,697	1,219	149,916
Total Governmental Activities	40,065,959	(2,053,072)	38,012,887
Add			
Unamortized premium	593,638	(29,682)	563,956
Total Long-Term Indebtedness - Primary Government	40,659,597	(2,082,754)	38,576,843
Business-Type Activities			
Long-term debt	35,464,380	(308,332)	35,156,048
Compensated absences			
Water and Sewer Fund	63,649	10,643	74,292
Total Business-Type Activities	35,528,029	(297,689)	35,230,340
Total Primary Government	<u>\$ 76,187,626</u>	<u>\$ (2,380,443)</u>	<u>\$ 73,807,183</u>
Component Unit School Board			
Compensated absences	\$ 372,991	\$ 13,877	\$ 386,868
Net OPEB obligation	547,000	156,550	703,550
Total Component Unit School Board	<u>\$ 919,991</u>	<u>\$ 170,427</u>	<u>\$ 1,090,418</u>

General obligation indebtedness must be approved by voter referendum prior to issuance except for debt incurred from the State Literary Fund or the Virginia Public School Authority.

More detailed information on the County's long-term obligations is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

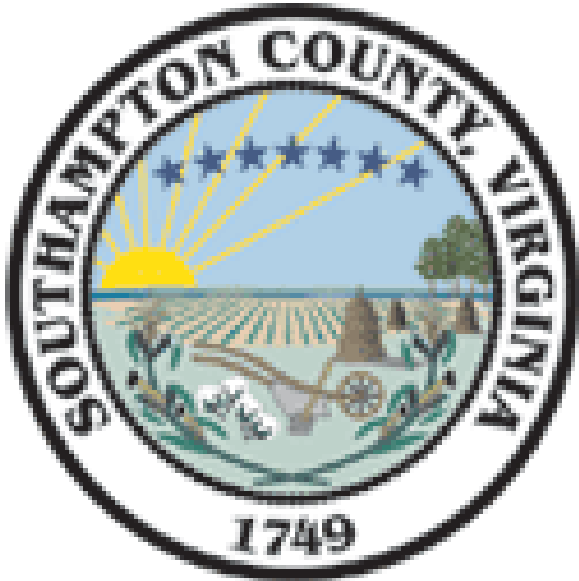
- The average unemployment rate for the County of Southampton, Virginia in June 2010 was 11.5 percent, an increase of 2.7 percent from June 2009. This compares unfavorably to the state's rate of 7.1 percent and unfavorably to the national rate of 9.6 percent.
- According to the Weldon Cooper Center for Public Service at the University of Virginia, the provisional 2008 population was 19,262, an increase of 10.2 percent since the 2000 U. S. Census.
- The median adjusted gross income for individual tax returns in Southampton County in 2006 was \$19,710, compared to \$22,595 for the state, according to the Weldon Cooper Center for Public Service at the University of Virginia.

The fiscal year 2011 Adopted Budget anticipates General Fund revenues and expenditures to be \$26,137,707, a 1.03 percent decrease over the fiscal year 2010 budget. Revenues are comprised primarily of General Property Taxes at 65.6 percent with Other Local Taxes comprising 5.88 percent.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Michael W. Johnson, County Administrator, or Lynette C. Lowe, Finance Director, County of Southampton, Virginia, 26022 Administration Center Drive, Courtland, Virginia 23837, telephone 757-653-3015, or visit the County's website at www.southamptoncounty.org.

BASIC FINANCIAL STATEMENTS



County of Southampton, Virginia

Statement of Net Assets

At June 30, 2010

	<u>Primary Government</u>			<u>Component Unit School Board</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Assets				
Cash, cash equivalents, and investments	\$ 6,984,602	\$ 291,716	\$ 7,276,318	\$ 2,423,336
Restricted cash	7,911,699	6,126,913	14,038,612	-
Receivables, net	1,093,458	184,624	1,278,082	25,037
Due from other governments	645,487	-	645,487	1,027,360
Capital Assets				
Land and construction in progress	3,551,477	14,110,953	17,662,430	1,362,200
Other capital assets, net of accumulated depreciation	48,596,386	25,635,698	74,232,084	5,753,883
Capital Assets, Net	<u>52,147,863</u>	<u>39,746,651</u>	<u>91,894,514</u>	<u>7,116,083</u>
Total Assets	<u>\$ 68,783,109</u>	<u>\$ 46,349,904</u>	<u>\$ 115,133,013</u>	<u>\$ 10,591,816</u>
Liabilities				
Pooled cash deficit	\$ -	\$ 1,572,872	\$ 1,572,872	\$ -
Accounts payable and accrued expenses	423,806	26,084	449,890	2,814,048
Customer deposits	-	61,050	61,050	-
Compensated absences	545,411	74,292	619,703	386,868
Deferred revenue	765,384	-	765,384	572,901
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	2,635,258	312,667	2,947,925	-
<i>Due in more than one year</i>				
Bonds, loans, and capital leases payable	34,935,047	34,843,381	69,778,428	-
Net OPEB obligation	<u>461,127</u>	<u>-</u>	<u>461,127</u>	<u>703,550</u>
Total Liabilities	39,766,033	36,890,346	76,656,379	4,477,367
Net Assets				
Invested in capital assets, net of related debt	14,577,558	10,508,371	25,085,929	7,116,083
Restricted for capital projects	7,911,699	-	7,911,699	-
Unrestricted	<u>6,527,819</u>	<u>(1,048,813)</u>	<u>5,479,006</u>	<u>(1,001,634)</u>
Total Net Assets	<u>29,017,076</u>	<u>9,459,558</u>	<u>38,476,634</u>	<u>6,114,449</u>
Total Liabilities and Net Assets	<u>\$ 68,783,109</u>	<u>\$ 46,349,904</u>	<u>\$ 115,133,013</u>	<u>\$ 10,591,816</u>

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

County of Southampton, Virginia
Statement of Activities
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		<u>Total</u>	<u>Component Unit School Board</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>		
Primary Government							
Governmental Activities							
General government administration	\$ 2,681,213	\$ 265,215	\$ 250,355	\$ (2,165,643)		\$ (2,165,643)	
Judicial administration	1,620,518	111,605	695,515	(813,398)		(813,398)	
Public safety	6,899,639	1,051,204	3,157,969	(2,690,466)		(2,690,466)	
Public works	3,094,302	128,209	10,916	(2,955,177)		(2,955,177)	
Health and welfare	3,262,029	-	2,364,626	(897,403)		(897,403)	
Education	7,150,972	-	-	(7,150,972)		(7,150,972)	
Parks, recreation, and cultural	352,495	-	52,500	(299,995)		(299,995)	
Community development	498,150	-	-	(498,150)		(498,150)	
Interest and bond issue costs	1,638,209	-	-	(1,638,209)		(1,638,209)	
Total Governmental Activities	27,197,527	1,556,233	6,531,881	(19,109,413)		(19,109,413)	
Business-Type Activities							
Regional Water and Sewer Fund	3,819,131	1,124,702	-		\$ (2,694,429)	(2,694,429)	
Total Business-Type Activities	3,819,131	1,124,702	-		(2,694,429)	(2,694,429)	
Total Primary Government	\$ 31,016,658	\$ 2,680,935	\$ 6,531,881		(2,694,429)	(21,803,842)	
Component Unit							
Southampton County School Board	\$ 29,700,581	\$ 464,965	\$ 21,701,243				\$ (7,534,373)
General Revenues							
Taxes							
General property taxes, real and personal				16,321,948	-	16,321,948	-
Other local taxes				2,249,072	-	2,249,072	-
Payment from County of Southampton, VA							
Education				-	-	-	7,150,972
Noncategorical aid from state				130,831	-	130,831	-
Use of property				62,227	-	62,227	-
Investment earnings				36,162	42,306	78,468	933
Miscellaneous				872,367	-	872,367	50,896
Transfers				(887,916)	887,916	-	-
Total General Revenues				18,784,691	930,222	19,714,913	7,202,801
Change in Net Assets				(324,722)	(1,764,207)	(2,088,929)	(331,572)
Net Assets - Beginning of Year				29,341,798	11,223,765	40,565,563	6,446,021
Net Assets - End of Year				\$ 29,017,076	\$ 9,459,558	\$ 38,476,634	\$ 6,114,449

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

County of Southampton, Virginia

Balance Sheet

Governmental Funds

At June 30, 2010

	<u>General Fund</u>	<u>Public Assistance</u>	<u>Capital Projects Utility Tax Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and investments	\$ 6,047,814	\$ -	\$ 366,431	\$ 720,815	\$ 7,135,060
Restricted cash	-	-	7,911,699	-	7,911,699
Property taxes receivable, net	935,458	-	-	-	935,458
Accounts receivable	117,593	-	39,185	1,222	158,000
Due from other governments	<u>492,211</u>	<u>153,276</u>	<u>-</u>	<u>-</u>	<u>645,487</u>
Total Assets	<u>\$ 7,593,076</u>	<u>\$ 153,276</u>	<u>\$ 8,317,315</u>	<u>\$ 722,037</u>	<u>\$ 16,785,704</u>
Liabilities					
Pooled cash deficit	\$ -	\$ 150,458	\$ -	\$ -	\$ 150,458
Accounts payable and accrued liabilities	419,624	2,818	-	1,364	423,806
Deferred revenue - property taxes	<u>765,384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>765,384</u>
Total Liabilities	1,185,008	153,276	-	1,364	1,339,648
Fund Balance					
Designated					
Subsequent years' expenditures	-	-	8,317,315	720,673	9,037,988
Unreserved/Undesignated	<u>6,408,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,408,068</u>
Total Fund Balance	<u>6,408,068</u>	<u>-</u>	<u>8,317,315</u>	<u>720,673</u>	<u>15,446,056</u>
Total Liabilities and Fund Balance	<u>\$ 7,593,076</u>	<u>\$ 153,276</u>	<u>\$ 8,317,315</u>	<u>\$ 722,037</u>	<u>\$ 16,785,704</u>

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

County of Southampton, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

At June 30, 2010

Total Fund Balances for Governmental Funds \$ 15,446,056

Total net assets reported for governmental activities in the Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 2,942,897
Construction in progress	608,580
Buildings and improvements, net of accumulated depreciation	44,575,859
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>4,020,527</u>

Total Capital Assets 52,147,863

Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net assets are as follows:

Bonds and notes payable	(37,570,305)
Net OPEB obligation	(461,127)
Compensated absences	<u>(545,411)</u>

Total (38,576,843)

Total Net Assets of Governmental Activities \$ 29,017,076

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

County of Southampton, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2010

	<u>General Fund</u>	<u>Public Assistance</u>	<u>Capital Projects Utility Tax Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 16,321,948	\$ -	\$ -	\$ -	\$ 16,321,948
Other local taxes	1,748,600	-	500,472	-	2,249,072
Permits, privilege fees, and regulatory licenses	128,209	-	-	-	128,209
Fines and forfeitures	625,133	-	-	-	625,133
Use of money and property	34,898	-	62,227	1,264	98,389
Charges for services	722,983	-	-	79,908	802,891
Miscellaneous	723,254	-	21,523	155,486	900,263
Recovered costs	503,736	-	-	-	503,736
<i>Intergovernmental</i>					
Revenue from the Commonwealth of Virginia	4,308,879	766,080	-	15,902	5,090,861
Revenue from the Federal Government	219,958	1,314,920	-	36,973	1,571,851
Total Revenues	<u>25,337,598</u>	<u>2,081,000</u>	<u>584,222</u>	<u>289,533</u>	<u>28,292,353</u>
Expenditures					
Current					
General government administration	1,896,713	-	27,410	-	1,924,123
Judicial administration	1,579,591	-	-	3,851	1,583,442
Public safety	6,314,517	-	285,446	189,824	6,789,787
Public works	2,962,516	-	93,615	-	3,056,131
Health and welfare	888,569	2,352,801	-	-	3,241,370
Education - public school system	9,432,482	-	-	-	9,432,482
Capital outlay	-	-	680,140	-	680,140
Parks, recreation, and cultural	322,963	-	-	-	322,963
Community development	779,305	-	-	-	779,305
Debt service	8,515	-	1,230,644	-	1,239,159
Total Expenditures	<u>24,185,171</u>	<u>2,352,801</u>	<u>2,317,255</u>	<u>193,675</u>	<u>29,048,902</u>
Excess (Deficiency) of Revenues Over Expenditures	1,152,427	(271,801)	(1,733,033)	95,858	(756,549)
Other Financing Sources (Uses)					
Transfers in	203,930	271,801	300,000	-	775,731
Transfers out	<u>(1,088,122)</u>	<u>-</u>	<u>(371,595)</u>	<u>(203,930)</u>	<u>(1,663,647)</u>
Total Other Financing Sources (Uses)	<u>(884,192)</u>	<u>271,801</u>	<u>(71,595)</u>	<u>(203,930)</u>	<u>(887,916)</u>
Net Change in Fund Balance	268,235	-	(1,804,628)	(108,072)	(1,644,465)
Fund Balance - Beginning of Year	<u>6,139,833</u>	<u>-</u>	<u>10,121,943</u>	<u>828,745</u>	<u>17,090,521</u>
Fund Balance - End of Year	<u>\$ 6,408,068</u>	<u>\$ -</u>	<u>\$ 8,317,315</u>	<u>\$ 720,673</u>	<u>\$ 15,446,056</u>

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

County of Southampton, Virginia

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

Net Change in Fund Balances - Total Governmental Funds \$ (1,644,465)

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 depreciation exceeded capital outlays in the current period. (763,011)

Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Assets.

Repayments on debt	\$ 2,252,428	
Net Adjustment		2,252,428

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:

Net OPEB obligation	(158,127)	
Compensated absences	<u>(11,547)</u>	
Net Adjustment		<u>(169,674)</u>

Change in Net Assets of Governmental Activities \$ (324,722)

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

County of Southampton, Virginia

Statement of Net Assets

Proprietary Funds

At June 30, 2010

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Assets	
Current Assets	
Cash and investments	\$ 291,716
Restricted cash	6,126,913
Receivables, net	<u>184,624</u>
Total Current Assets	6,603,253
Noncurrent Assets	
Construction in progress	13,772,791
Capital assets, net	<u>25,973,860</u>
Total Noncurrent Assets	<u>39,746,651</u>
Total Assets	<u>\$ 46,349,904</u>
Liabilities	
Current Liabilities	
Pooled cash deficit	\$ 1,572,872
Accounts payable and accrued expenses	26,084
Short-term portion of debt	<u>312,667</u>
Total Current Liabilities	1,911,623
Noncurrent Liabilities	
Customer deposits	61,050
Compensated absences	74,292
Long-term debt, net of unamortized discount	<u>34,843,381</u>
Total Noncurrent Liabilities	<u>34,978,723</u>
Total Liabilities	36,890,346
Net Assets	
Invested in capital assets, net of related debt	10,508,371
Unrestricted	<u>(1,048,813)</u>
Total Net Assets	<u>9,459,558</u>
Total Liabilities and Net Assets	<u>\$ 46,349,904</u>

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

County of Southampton, Virginia

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

Year Ended June 30, 2010

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Operating Revenues	
Charges for services, net	\$ 1,123,093
Miscellaneous	<u>1,609</u>
Total Operating Revenues	1,124,702
Operating Expenses	
Personal services	510,761
Fringe benefits	216,943
Repairs and maintenance	167,226
Legal and professional fees	5,952
Utilities	151,463
Chemicals, lab, permits	74,533
Vehicle and power equipment	27,445
Insurance	24,390
Other supplies and charges	31,605
Depreciation	<u>870,537</u>
Total Operating Expenses	<u>2,080,855</u>
Operating Loss	(956,153)
Nonoperating Revenues (Expenses)	
Interest income	42,306
Interest expense	<u>(1,738,276)</u>
Total Nonoperating Revenues (Expenses)	<u>(1,695,970)</u>
Income (Loss) Before Transfers	(2,652,123)
Operating Transfers	
Transfers in	<u>887,916</u>
Total Nonoperating Revenues (Expenses)	<u>887,916</u>
Change in Net Assets	(1,764,207)
Total Net Assets - Beginning of Year	<u>11,223,765</u>
Total Net Assets - End of Year	<u><u>\$ 9,459,558</u></u>

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

County of Southampton, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2010

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,117,901
Other receipts	1,609
Payments for personnel and related costs	(717,062)
Payments to suppliers and other operating costs	<u>(1,922,735)</u>
Net Cash Used in Operating Activities	(1,520,287)
Cash Flows from Noncapital Financing Activities	
Net transfers from other funds	<u>887,916</u>
Net Cash Provided by Noncapital Financing Activities	887,916
Cash Flows from Capital and Related Financing Activities	
Purchases and construction of capital assets	(13,824,792)
Principal paid on capital debt	(308,331)
Interest paid on capital debt	<u>(1,738,276)</u>
Net Cash Used in Capital and Related Financing Activities	(15,871,399)
Cash Flows from Investing Activities	
Interest income	<u>42,306</u>
Net Cash Provided by Investing Activities	<u>42,306</u>
Net Decrease in Cash and Cash Equivalents	(16,461,464)
Cash and Cash Equivalents - Beginning of Year	<u>21,307,221</u>
Cash and Cash Equivalents - End of Year	<u>\$ 4,845,757</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating loss	\$ (956,153)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation expense	870,537
Changes in assets and liabilities	
Receivables, net	(11,342)
Accounts payable and accrued expenses	(1,440,122)
Compensated absences	10,643
Customer deposits	<u>6,150</u>
Net Cash Used in Operating Activities	<u>\$ (1,520,287)</u>

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

County of Southampton, Virginia

Statement of Fiduciary Assets and Liabilities

At June 30, 2010

	Agency Funds
Assets	
Cash and investments	\$ <u>479,300</u>
Total Assets	\$ <u><u>479,300</u></u>
Liabilities	
Amounts held for others	\$ <u>479,300</u>
Total Liabilities	\$ <u><u>479,300</u></u>

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

County of Southampton, Virginia

Statement of Activities

Component Unit School Board

Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges</u> <u>for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Net (Expense)</u> <u>Revenues and</u> <u>Changes in</u> <u>Net Assets</u>
School Board				
Education	\$ 28,998,366	\$ 464,965	\$ 21,701,243	\$ (6,832,158)
Depreciation	<u>702,215</u>	<u>-</u>	<u>-</u>	<u>(702,215)</u>
Total School Board	<u>\$ 29,700,581</u>	<u>\$ 464,965</u>	<u>\$ 21,701,243</u>	(7,534,373)
General Revenues				
				7,150,972
				933
				<u>50,896</u>
				7,202,801
				(331,572)
				<u>6,446,021</u>
				<u>\$ 6,114,449</u>

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

County of Southampton, Virginia

Notes to Financial Statements

Year Ended June 30, 2010

1 Summary of Significant Accounting Policies

Narrative Profile

The County of Southampton, Virginia (the "County"), which was founded in 1749, has a population of approximately 17,500 living within an area of 599 square miles. The County is located in the Tidewater area in Southeastern Virginia. The County is governed by an appointed County Administrator and a seven-member Board of Supervisors with each serving administrative and legislative functions.

The County is governed under the traditional county government. The County of Southampton, Virginia engages in a comprehensive range of municipal services, including general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation, and cultural, and community development.

The financial statements of the County of Southampton, 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:

A. *The Financial Reporting Entity*

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the County prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private sector financial reports.

GASB Statement No. 34 established requirements and a reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

- Management's Discussion and Analysis: GASB Statement No. 34 requires that 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). This analysis is similar to analysis the private sector provides in their annual reports.
- 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 (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

- Statement of Net Assets: The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.
- Statement of Program 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).
- 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 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. The County and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. 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. The County has no component units that meet the requirements for blending. The discretely presented component unit, on the other hand, is reported in a separate column in the government-wide statements to emphasize it is legally separate from the primary government. The discretely presented component unit has a June 30 fiscal year-end.

Inclusions in the Reporting Entity

Component Unit

Southampton County School Board

The Southampton County School Board is appointed to four year terms. The School Board may hold property and issue debt subject to approval by the Board of Supervisors. The School Board provides public primary and secondary education services to the County residents. The primary funding sources of the School Board are State and Federal grants and appropriations from the County, which are significant since the School Board does not have separate taxing authority. The County also approves the School Board budget. The School Board does not issue separate financial statements.

Exclusions from the Reporting Entity

Jointly Governed Organizations

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization.

The financial activities of the following organizations are excluded from the accompanying financial statements for the reasons indicated:

Blackwater Regional Library

The Blackwater Regional Library provides library services to the County of Southampton, Virginia. The participating localities provide annual contributions for operations based on book circulation. No one locality contributes more than 50 percent of the Library's funding nor can impose its will on the organization, and there is no financial benefit/burden relationship. The County appropriated to the Library \$253,433 in operating funds in fiscal year 2010. The County has no equity interest in the Library.

Western Tidewater Community Services Board

The Cities of Suffolk and Franklin and the Counties of Isle of Wight and Southampton jointly participate in the Western Tidewater Community Services Board (the "Board"). The Board provides input to state and local agencies on service needs and priorities of persons with physical and sensory disabilities.

Related Organization

Industrial Development Authority of Southampton County, Virginia

The Industrial Development Authority (the "Authority") of Southampton County, Virginia was created in 1969. The Authority is authorized to acquire, own, lease, and dispose of local properties which will potentially promote industry and develop trade in Virginia through locating and remaining in the area. The Authority assists new and expanding businesses in securing low interest, tax-exempt industrial development revenue bonds. Bonds are issued when financing these facilities, covering the cost of land, buildings, machinery, or equipment. A mortgage or lien on the financed property is then secured and repaid from the revenue of the project. The Authority is governed by a seven-member board appointed by the Southampton County Board of Supervisors. The County of Southampton, Virginia has no financial responsibility for the debt issued by the Authority.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the County as a whole or major individual funds (within the fund financial statements). The focus is on both the County as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the Fiduciary Funds (by category), and the Component Units. Both the government-

wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, the governmental activities columns (a) are presented on a consolidated basis, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The County generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The County may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that 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. 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, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The County does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Proprietary Fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings, and other revenues not directly derived from the providing of services.

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. The fund statements are presented on a current financial resource and modified accrual basis of accounting.

This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

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

The County's Fiduciary Funds are presented in the fund financial statements by type (agency). Since by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the County in fiscal year 2010:

1. *Governmental Funds*

Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Funds are:

- a. General Fund – The General Fund is the primary operating fund of the County and accounts for all revenues and expenditures applicable to the general operations of the County which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. The General Fund is considered a major fund for financial reporting purposes.
- b. Special Revenue Funds – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds include the following funds:

Federal Grants Fund – This fund accounts for various Federal and State grant funds mainly associated with the FEMA disaster and Community Block Grant Projects.

Public Assistance Fund – This fund accounts for County revenues collected and disbursed for welfare recipients of the County.

911 Fund – This fund accounts for County revenues assessed for the operation and maintenance of the Enhanced 911 emergency response system.

Forfeiture Fund – This fund accounts for County revenues and expenditures associated with the Sheriff's Department and Commonwealth's Attorney's department related to asset and drug forfeitures.

Law Library Fund – This fund accounts for the operation and maintenance of the County's law library.

Canteen Fund – This fund accounts for the operations and maintenance of the general store of the jail.

Inmate Fund – This fund accounts for the inmates' operation within the jail.

- c. Debt Service Funds - The County does not account for its debt service in a separate fund. The debt is paid from either the General Fund or the Component Unit School Board Fund.
- d. Capital Projects Funds - Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds. The Capital Projects Funds consist of the Utility Tax Building Fund.

2. *Proprietary Funds*

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise and Internal Service Funds.

- a. Enterprise Funds - Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the County is that the cost of providing services to the general public be financed or recovered through user charges. The Enterprise Fund consists of the Water and Sewer Fund.
- b. Internal Service Funds - Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County government, on a cost-reimbursement basis. Internal Service Funds are not used by the County at this time.

3. *Fiduciary Funds (Trust and Agency Funds)*

Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The funds include Private Purpose Trust and Agency Funds. Private Purpose Trust Funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency Funds utilize the modified accrual basis of accounting described in the Governmental Funds presentation. The Private Purpose Trust and Agency Funds consist of the following:

- a. Private Purpose Trust Funds - The County has no Private Purpose Trust Funds at this time.

b. Agency Funds

Special Welfare Fund – This fund accounts for monies provided primarily through private donors for assistance of children in foster care, needy senior citizens, and others. This fund is also used to account for monies received from other governments and individuals (i.e., social security and child support) to be paid to special welfare recipients.

Blackwater Regional Library Fund – This fund accounts for the operation and maintenance of the regional library of the County. The County acts as fiscal agent for the Library.

OPEB Trust Fund – This fund accounts for monies held for retired employees covered for postretirement health insurance benefits.

4. *Component Unit (Southampton County School Board)*

The Southampton County School Board has the following funds:

School Operating Fund – This fund is the primary operating fund of the School Board and accounts for all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Southampton, Virginia, and State and Federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

School Food Services Fund – This fund accounts for the operations of the School Board’s food service program. Financing is provided primarily by food and beverage sales and State and Federal grants.

School Endowment Fund – This fund consists of money donated by individuals to be used in the future at the schools’ discretions.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the Governmental Funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide Statements of Net Assets and Statements of Activities and the Proprietary Fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Assets or on the Statement of Fiduciary Net Assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The fund financial statements of the General, Special Revenue, Capital Projects, and Agency Funds (for the primary government and Component Unit School Board) are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term “available” is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

D. Budgets and Budgetary Accounting

The Board of Supervisors annually adopts budgets for the various funds of the primary government and Component Unit School Board. All appropriations are legally controlled at the department level for the primary Government Funds. The School Board appropriation is determined by the Board of Supervisors and controlled in total by the primary government.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all major funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the major funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Encumbrances

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to reserve an applicable portion of an appropriation, is not used by the County or the Component Unit School Board.

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

1. Prior to April 1, 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 budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments. Work sessions between the Board of Supervisors and School Board are conducted on the budget.
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, function, and departmental level. The appropriation for each fund, function, and department can be revised only by the Board of Supervisors. Supplemental appropriations in addition to the appropriated budget were necessary during the year. Supplemental appropriations may not be made without amending the budget.
5. The County legally adopted budgets for the following funds:

General, Special Revenue, Capital Projects, and School Board Funds
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

7. All appropriations lapse on June 30 for all County and School Board funds.
8. All budget data presented in the accompanying financial statements is the original budget as of June 30, 2010, as adopted, appropriated, and legally amended.
9. The expenditure budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government and the School Board. State law requires that if budget amendments exceed 1 percent of the original adopted budget, the Board of Supervisors may legally amend the budget only by following procedures used in the adoption of the original budget. The Board of Supervisors must approve all appropriations and transfers of appropriated amounts.

E. Investments

Investments are reported at fair value.

F. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$552,381 at June 30, 2010 and is composed of the following:

General Fund - taxes receivable	\$501,151
Water and Sewer Fund - receivables	51,230

G. Capital Assets

Capital outlays are recorded as expenditures of the Governmental Funds of the primary government and Component Unit School Board, and as assets in the government-wide financial statements to the extent the County and School Board's capitalization threshold of \$5,000 is met. The County and Component Unit School Board do not have any infrastructure in its capital assets since roads, streets, bridges, and similar assets within its boundaries are property of the Commonwealth of Virginia. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and improvements	10 - 50 years
Furniture and other equipment	3 - 25 years

All fixed assets are valued at historical cost or estimated historical cost, if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. The County and School Board do not capitalize historical treasures or works of art.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

H. Compensated Absences

The County accrues compensated absences (annual and sick leave benefits) when vested. The current portions of the Governmental Funds' compensated absences liabilities are recorded as other liabilities in the Governmental Funds. The current and noncurrent portions are recorded in the government-wide financial statements.

The Component Unit School Board accrues compensated absences (annual and sick leave benefits) when vested. The current portion of the compensated absences is recorded in the School Board Governmental Funds as accrued liabilities. The current and noncurrent portions are recorded in the School Board component unit government-wide financial statements.

I. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

J. Long-Term Obligations

The County reports long-term debt of Governmental Funds at face value in the general long-term debt account group. The face value of the debt is believed to approximate fair value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities in the appropriate funds.

2 **Cash and Investments**

Cash and Cash Equivalents

For purposes of reporting cash flows for proprietary-type funds, cash and cash equivalents include cash on hand, money market funds, certificates of deposit, and investments with maturities of three months or less.

The County maintains a pool of cash and investments in which each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed monthly based on average monthly balances. The majority of funds in the County's accounts are invested at all times.

Deposits

All cash of the County and its Component Unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the Code of Virginia or covered by Federal Depository Insurance.

Investments

Interest Rate Risk

Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolio. As of June 30, 2010, both investments held in the portfolio can be liquidated daily.

Concentration of Credit Risk

The County places no limit on the amount the Treasurer may invest in any one issuer. More than 5 percent of the County's investments are in a repurchase agreement with a financial institution. This investment is 17.5 percent of the County's total cash and investments.

The following is a summary of cash and investments:

	<u>Carrying Amount</u>	<u>Market Value</u>
Primary Government		
Repurchase Agreements	<u>\$ 3,968,000</u>	<u>\$3,968,000</u>
Total Investments	3,968,000	<u><u>\$3,968,000</u></u>
Total Deposits	<u>16,251,735</u>	
Total Investments and Deposits - Primary Government	20,219,735	
Cash on Hand	<u>1,623</u>	
Total - Primary Government	20,221,358	
Component Unit School Board		
Total Investments		<u><u>\$ -</u></u>
Total Deposits	<u>2,423,336</u>	
Total - School Board	<u>2,423,336</u>	
Total Reporting Unit	<u><u>\$22,644,694</u></u>	

The following is a summary and reconciliation of the pooled cash and investments at June 30, 2010:

	Governmental Activities	Business-Type Activities	Fiduciary Responsibilities	Total
Primary Government				
Cash and cash equivalents	\$ 3,016,602	\$ (1,281,156)	\$ 479,300	\$ 2,214,746
Restricted cash	7,911,699	6,126,913	-	14,038,612
Investments	<u>3,968,000</u>	<u>-</u>	<u>-</u>	<u>3,968,000</u>
Total Primary Government	14,896,301	4,845,757	479,300	20,221,358
Component Unit School Board				
Cash and cash equivalents	<u>2,423,336</u>	<u>-</u>	<u>-</u>	<u>2,423,336</u>
Grand Total	<u>\$ 17,319,637</u>	<u>\$ 4,845,757</u>	<u>\$ 479,300</u>	<u>\$ 22,644,694</u>

Cash on Hand. The above amounts include cash on hand of \$1,623.

3 Property Taxes

Real property taxes are assessed on property values as of January 1 and attach as an enforceable lien on property as of the date levied by the Board of Supervisors. Personal property taxes are assessed on a prorated basis for the period the property is located in the County and also attach as an enforceable lien on the property.

Real estate and personal property taxes are due December 5.

A ten percent penalty or \$10 minimum is levied on all taxes not collected on or before their due date. An interest charge of ten percent per annum is also levied on such taxes beginning on January 1.

Property taxes for calendar year 2009 were levied by the County Board of Supervisors in May 2009 on the assessed value listed as of January 1, 2009.

Property taxes for calendar year 2010 were levied by the County Board of Supervisors in May 2010 on the assessed value listed as of January 1, 2010.

Property taxes levied in the current and prior year have been recorded as receivables as of the date the County has the legal right to receive payments thereon. The receivables collected during the fiscal year and during the first 45 days of the succeeding fiscal year are recognized as revenues in the current fiscal year. Taxes receivable as of the end of the year (June 30) and not collected until the succeeding year are reported as deferred revenues.

4 Receivables

Receivables at June 30, 2010 consist of the following:

Primary Government

Governmental Activities

	<u>Capital Projects</u>			<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit School Board</u>
	<u>General</u>	<u>Utility Tax Building Fund</u>	<u>Other Nonmajor</u>				
Property taxes	\$ 1,436,610	\$ -	\$ -	1,436,610	\$ -	\$ 1,436,610	\$ -
Utility taxes	-	39,185	-	39,185	-	39,185	-
Other miscellaneous	117,592	-	1,222	118,814	-	118,814	25,037
Water and sewer	-	-	-	-	235,854	235,854	-
Total	1,554,202	39,185	1,222	1,594,609	235,854	1,830,463	25,037
Allowance for uncollectibles	(501,151)	-	-	(501,151)	(51,230)	(552,381)	-
Net Receivables	\$ 1,053,051	\$ 39,185	\$ 1,222	\$ 1,093,458	\$ 184,624	\$ 1,278,082	\$ 25,037

5 Due from Other Governmental Units

	<u>Governmental Activities</u>			<u>Component Unit School Board</u>
	<u>General</u>	<u>Public Assistance</u>	<u>Total</u>	
Commonwealth of Virginia				
Local and State sales taxes	\$ -	\$ -	\$ -	\$ 187,923
Compensation board - salaries	114,241	-	114,241	-
Comprehensive services funds	60,220	-	60,220	-
Communication sales tax	49,707	-	49,707	-
Public assistance funds	-	153,276	153,276	-
Sheriffs reimbursements	241,076	-	241,076	-
Other	26,967	-	26,967	46,342
School lunch and breakfast program	-	-	-	47,387
Technology	-	-	-	96,704
21st Century	-	-	-	39,045
Reading 1st	-	-	-	65,117
Special Education	-	-	-	32,952
Federal Money from State				
Title I	-	-	-	111,829
State Fiscal Stabilization Fund	-	-	-	197,575
Opportunity Fund	-	-	-	28,001
Title VIB Flow-through	-	-	-	148,632
Title IIA	-	-	-	25,853
Total	\$ 492,211	\$ 153,276	\$ 645,487	\$ 1,027,360

6 Interfund Balances and Activity

Balance due to/from other funds at June 30, 2010:

Primary Government

There are no interfund obligations (Due to/Due from's).

Transfers To/From Other Funds

General Fund

	<u>Transfer to</u>	<u>Transfer from</u>
To Public Assistance	\$ 271,801	\$ -
To Enterprise Fund for operating costs and debt service	516,321	-
To Utility Tax Building Fund	300,000	-
From Inmate Fund	-	203,930
Total General Fund	<u>1,088,122</u>	<u>203,930</u>

Public Assistance - Welfare Fund

From General Fund	-	271,801
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Inmate Fund

To General Fund	203,930	-
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Enterprise Fund

From General Fund for operating costs and debt service	-	516,321
From Utility Tax Building Fund	-	371,595

Utility Tax Building Fund

To Enterprise Fund for purchase of land for pump station	371,595	-
From General Fund	-	300,000
Total Transfers	<u>\$ 1,663,647</u>	<u>\$ 1,663,647</u>

Transfers Between Component Units

General Fund

To School Fund for local appropriation	\$ 9,432,482	\$ -
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School Fund

From General Fund for local appropriation	-	9,432,482
Total Transfers	<u>\$ 9,432,482</u>	<u>\$ 9,432,482</u>

7 Capital Assets

Primary Government

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 2,892,897	\$ 50,000	\$ -	\$ 2,942,897
Construction in progress	<u>-</u>	<u>608,580</u>	<u>-</u>	<u>608,580</u>
Total Capital Assets Not Being Depreciated	2,892,897	658,580	-	3,551,477
Other Capital Assets				
Buildings and improvements	58,879,327	-	-	58,879,327
Furniture, equipment, and vehicles	<u>7,021,705</u>	<u>330,620</u>	<u>159,216</u>	<u>7,193,109</u>
Total Other Capital Assets	65,901,032	330,620	159,216	66,072,436
Less: Accumulated depreciation for				
Buildings and improvements	12,968,157	1,335,311	-	14,303,468
Furniture, equipment, and vehicles	<u>2,914,898</u>	<u>389,004</u>	<u>131,320</u>	<u>3,172,582</u>
Total Accumulated Depreciation	<u>15,883,055</u>	<u>1,724,315</u>	<u>131,320</u>	<u>17,476,050</u>
Other Capital Assets, Net	<u>50,017,977</u>	<u>(1,393,695)</u>	<u>27,896</u>	<u>48,596,386</u>
Net Capital Assets	<u>\$52,910,874</u>	<u>\$ (735,115)</u>	<u>\$ 27,896</u>	<u>\$52,147,863</u>

Depreciation expense was allocated as follows:

General government administration	\$ 831,135
Judicial administration	24,596
Public safety	331,874
Public works	64,448
Health and welfare	14,725
Education	386,458
Parks, recreation, and cultural	29,532
Community development	<u>41,547</u>
Total Depreciation Expense	<u>\$ 1,724,315</u>

Business-Type Activities

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 338,162	\$ -	\$ -	\$ 338,162
Construction in progress	-	13,772,791	-	13,772,791
Total Capital Assets Not Being Depreciated	338,162	13,772,791	-	14,110,953
Other Capital Assets				
Buildings and improvements	1,047,994	-	-	1,047,994
Infrastructure and equipment	35,415,580	52,001	-	35,467,581
Vehicles	241,135	-	12,443	228,692
Total Other Capital Assets	36,704,709	52,001	12,443	36,744,267
Less: Accumulated depreciation for				
Buildings and improvements	91,417	27,369	-	118,786
Infrastructure and equipment	9,995,233	826,972	-	10,822,205
Vehicles	163,825	16,196	12,443	167,578
Total Accumulated Depreciation	10,250,475	870,537	12,443	11,108,569
Other Capital Assets, Net	26,454,234	(818,536)	-	25,635,698
Net Capital Assets	<u>\$ 26,792,396</u>	<u>\$ 12,954,255</u>	<u>\$ -</u>	<u>\$ 39,746,651</u>
Depreciation expense for business-type activities		<u>\$ 870,537</u>		

Component Unit School Board

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,362,200	\$ -	\$ -	\$ 1,362,200
Total Capital Assets Not Being Depreciated	1,362,200	-	-	1,362,200
Other Capital Assets				
Buildings and improvements	2,366,453	-	-	2,366,453
Furniture, equipment, and vehicles	12,250,394	484,130	-	12,734,524
Total Other Capital Assets	14,616,847	484,130	-	15,100,977
Less: Accumulated depreciation for				
Buildings and improvements	1,643,610	47,786	-	1,691,396
Furniture, equipment, and vehicles	7,001,269	654,429	-	7,655,698
Total Accumulated Depreciation	8,644,879	702,215	-	9,347,094
Other Capital Assets, Net	5,971,968	(218,085)	-	5,753,883
Net Capital Assets	<u>\$ 7,334,168</u>	<u>\$ (218,085)</u>	<u>\$ -</u>	<u>\$ 7,116,083</u>
Depreciation expense was allocated to education		<u>\$ 702,215</u>		

8 Long-Term Debt

PRIMARY GOVERNMENT

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

Year(s) Ended June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Component Unit School Board</u>	
	<u>General Bonds Payable</u>		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>				
2011	\$ 2,605,577	\$ 1,486,899	\$ 325,590	\$ 1,720,536	\$ -	\$ -
2012	2,347,247	1,387,132	272,516	1,716,417	-	-
2013	2,211,315	1,295,084	425,558	1,710,568	-	-
2014	2,145,274	1,208,307	433,698	1,702,171	-	-
2015	2,170,358	1,124,818	491,958	1,693,204	-	-
2016-2020	10,107,488	4,322,886	4,216,525	8,073,011	-	-
2021-2025	8,999,090	2,261,574	5,617,980	6,938,742	-	-
2026-2030	6,420,000	504,351	6,907,870	5,330,050	-	-
2031-2035	-	-	8,385,000	3,372,893	-	-
2036-2040	-	-	8,440,000	921,097	-	-
Net OPEB obligation	461,127	-	-	-	703,550	-
Compensated absences	545,411	-	74,292	-	386,868	-
Total	38,012,887	13,591,051	35,590,987	33,178,689	1,090,418	-
Less						
Unamortized discount	-	-	(360,647)	-	-	-
Add						
Unamortized premium	563,956	-	-	-	-	-
	<u>\$38,576,843</u>	<u>\$13,591,051</u>	<u>\$35,230,340</u>	<u>\$33,178,689</u>	<u>\$1,090,418</u>	<u>\$ -</u>

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2010:

	<u>Balance July 1, 2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities					
General Fund					
Capital lease with RBC Centura for a public safety communications system purchased over 10 years. Semiannual payments of interest at 3.39 percent with annual principal payments from \$235,000 to \$311,000 per year.	\$ 1,722,000	\$ -	\$ 264,000	\$ 1,458,000	\$ 273,000
Public Facility Lease Revenue Bonds Series 2006A, issued November 15, 2006, with interest payable semiannually at interest rates varying from 4.00 percent to 5.00 percent. Principal is due annually for 20 years. The bond is payable to Regions Bank.	20,610,000	-	715,000	19,895,000	745,000
General Fund - School Bonds					
Literary Loan with the Virginia Department of Treasury, issued December 15, 2009, with interest payable annually at 2.00 percent. Principal is due annually for 20 years.	7,500,000	-	-	7,500,000	375,000

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Bonds (Virginia Public School Authority, 1991 Series A) issued June 1991, due in various installments ranging from \$110,000 to \$375,000; rates from 6.10 percent to 7.80 percent; final maturity 12/15/2010. Interest due semiannually 6/15 and 12/15, starting December 15, 1991, w ith U.S. Bank.	605,000	-	305,000	300,000	300,000
General Obligation Bond, consolidated the 1991 Series B and 1992 Series into one issue (Virginia Public School Authority, 1994 Series) due in various installments for 20 years at varying rates between 5.00 percent and 7.00 percent through December 15, 2011 w ith U.S. Bank.	440,000	-	150,000	290,000	140,000
General Obligation Bond (Virginia Public School Authority, 1994 Series) due in various installments for 20 years at varying rates between 6.10 percent and 6.60 percent through July 15, 2015 w ith U.S. Bank.	75,000	-	15,000	60,000	15,000
General Obligation Bonds (Virginia Public School Authority, Fall 1993) due in various installments ranging from \$15,000 to \$220,000; rates from 4.475 percent to 5.00 percent. Interest due semiannually, 6/15 and 12/15, w ith U.S. Bank.	175,000	-	70,000	105,000	45,000
General Obligation Bonds (Virginia Public School Authority, 1992 Series B) issued October 28, 1992, due in various installments ranging from \$85,000 to \$180,000; rates from 5.10 percent to 8.12 percent; final maturity December 15, 2014 . Interest due semiannually, 6/15 and 12/15, starting June 15, 1993, w ith U.S. Bank.	375,000	-	105,000	270,000	100,000
General Obligation Bonds (Virginia Public School Authority, Series 2000B) due in various installments ranging from \$218,266 to \$304,970; rate of 5.10 percent. Interest due semiannually, 7/15 and 1/15, w ith U.S. Bank.	6,620,496	-	498,228	6,122,268	509,208
General Obligation Bonds (Virginia Public School Authority, Series 2002B) due in various installments ranging from \$60,596 to \$74,322 and rates from 2.35 percent to 5.10 percent. Interest due semiannually, 7/15 and 1/15, w ith U.S. Bank.	937,502	-	61,896	875,606	62,190

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due With</u> <u>One Year</u>
General Obligation Refunding Note, Series 1998 issued July 1, 1998 with SunTrust Bank due July 1, 2013; payable annually beginning July 1, 1999 in annual installments of \$49,910 for 15 years with a rate of 6.62 percent; the proceeds of this note were used to pay off the outstanding Virginia Retirement System obligation.	169,097	-	38,622	130,475	41,113
Net OPEB obligation	303,000	158,127	-	461,127	
Compensated Absences - General Fund	385,167	10,328	-	395,495	
Compensated Absences - Welfare Fund	<u>148,697</u>	<u>1,219</u>	<u>-</u>	<u>149,916</u>	
Total Governmental Activities	40,065,959	169,674	2,222,746	38,012,887	2,605,500
Add					
Unamortized Premium on Bond Series 2006A and 2006B Bonds	<u>593,638</u>	<u>-</u>	<u>29,682</u>	<u>563,956</u>	29,682
Total Long-Term Indebtedness - Governmental Activities	40,659,597	169,674	2,252,428	38,576,843	2,635,200
Business-Type Activities					
Virginia Resources Authority, \$4,022,364 note payable, payable in semiannual installments of \$100,559 over 20 years with no interest.	1,810,064	-	201,118	1,608,946	201,118
Equipment Loan with SunTrust Bank payable in semiannual installments of \$28,574 over 7 years with interest at 2.94 percent.	110,173	-	54,304	55,869	55,869
VRA Virginia Pooled Financing Program, Series 2008B issued November 2008 with US Bank due November 2038; payable annually beginning October 2012 in varying annual installments for 30 years with a rate of 5.444 percent.	32,060,000	-	-	32,060,000	
Revenue Refunding Bond, Series 2007 issued June 18, 2007 with BB&T due June 30, 2028; payable annually beginning June 30, 2010 in annual installments of \$141,550 for 20 years with a rate of 4.12 percent; the proceeds of this note were used to pay off the outstanding Rural Development Bond.	1,857,670	-	65,790	1,791,880	68,500
Compensated Absences - Water and Sewer Fund	<u>63,649</u>	<u>10,643</u>	<u>-</u>	<u>74,292</u>	
Subtotal	35,901,556	10,643	321,212	35,590,987	325,500
Less: Unamortized Discount on Series 2008B Bonds	<u>(373,527)</u>	<u>-</u>	<u>(12,880)</u>	<u>(360,647)</u>	(12,880)
Total Business-Type Activities	<u>35,528,029</u>	<u>10,643</u>	<u>308,332</u>	<u>35,230,340</u>	312,600
Total Primary Government	<u>\$ 76,187,626</u>	<u>\$ 180,317</u>	<u>\$ 2,560,760</u>	<u>\$ 73,807,183</u>	<u>\$ 2,947,900</u>
Component Unit School Board					
Governmental Activities					
Operating Fund					
Compensated Absences - School Board	\$ 372,991	\$ 13,877	\$ -	\$ 386,868	\$ -
Net OPEB obligation	<u>547,000</u>	<u>156,550</u>	<u>-</u>	<u>703,550</u>	<u>-</u>
Total Component Unit School Board	<u>\$ 919,991</u>	<u>\$ 170,427</u>	<u>\$ -</u>	<u>\$ 1,090,418</u>	<u>\$ -</u>

9 Claims, Judgments, and Compensated Absences

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the County has accrued the liability arising from outstanding claims, judgments, and compensated absences. Each County employee earns vacation at the rate of a minimum of 1 day per month up to 1 ¾ days per month based on years of service. Sick leave is earned at the rate of 1 ¼ days per month. Sick pay is paid based on 25 percent of unused sick leave up to a maximum of \$5,000. Accumulated vacation up to thirty days is paid upon termination. The County has outstanding compensated absences totaling \$545,411 in the governmental activities. The balance in the business-type activities is \$74,292. The balance in the Component Unit School Board is \$386,868.

10 Deferred Revenues

Governmental funds report deferred revenue in connection with receivables for resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet recognizable. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Primary Government

Property taxes	\$ 723,125
Prepaid taxes	<u>42,259</u>

Total Primary Government \$ 765,384

Component Unit School Board

Small programs	\$ 43,830
Rental textbooks	234,260
At Risk	65,409
Expenditure refunds	88,984
Mentor teacher	6,396
Other school programs from donations	<u>134,022</u>

Total Component Unit School Board \$ 572,901

11 Contingent Liabilities (Including Federally Assisted Programs - Compliance Audits)

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

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

12 Defined Benefit Pension Plan

A. Plan Description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia 23218-2500.

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 annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. 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's contribution rate for the fiscal year ended 2010 was 10.42% of annual covered payroll. The Component Unit School Board's contribution rate for non-professional employees for the fiscal year ended 2010 was 2.21% of annual covered payroll. The Component Unit School Board contributed \$1,027,942 to the teacher cost-sharing pool at a rate of 8.81% for the employer share.

C. Annual Pension Cost

For fiscal year 2010, the County's annual pension cost of \$567,035 and \$23,367 for the County and the County School Board non-professionals, respectively, was equal to the County's required and actual contributions.

Three-Year Trend Information for County

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$ 475,672	100.0%	\$ -
June 30, 2009	713,042	100.0%	-
June 30, 2010	567,035	100.0%	-

Three-Year Trend Information for Non-Professional School Board

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$ 35,589	100.0%	\$ -
June 30, 2009	23,347	100.0%	-
June 30, 2010	23,367	100.0%	-

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

D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 84.68% funded. The actuarial accrued liability for benefits was \$29,454,530, and the actuarial value of assets was \$24,940,862, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,513,668. The covered payroll (annual payroll of active employees covered by the plan) was \$6,973,628, and ratio of the UAAL to the covered payroll was 64.72%.

For the nonprofessional School Board, as of June 30, 2009, the most recent actuarial valuation date, the plan was 107.94% funded. The actuarial accrued liability for benefits was \$3,585,630, and the actuarial value of assets was \$3,870,383, resulting in an unfunded actuarial accrued liability (UAAL) of \$(284,753). The covered payroll (annual payroll of active employees covered by the plan) was \$1,062,865, and ratio of the UAAL to the covered payroll was (26.79)%.

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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for County

<u>Actuarial Valuation Date</u>	(a) <u>Actuarial Value of Assets</u>	(b) <u>Actuarial Accrued Liability (AAL)</u>	(b-a) <u>Unfunded Actuarial Accrued Liability (UAAL)</u>	(a/b) <u>Funded Ratio</u>	(c) <u>Covered Payroll</u>	((b-a)/c) <u>UAAL as a Percentage of Covered Payroll</u>
Southampton County						
June 30, 2007	\$22,173,429	\$ 23,202,024	\$ 1,028,595	95.57%	\$6,576,274	15.64%
June 30, 2008	24,385,782	27,535,167	3,149,385	88.56%	6,962,783	45.23%
June 30, 2009	24,940,862	29,454,530	4,513,668	84.68%	6,973,628	64.72%
Southampton County School Board						
June 30, 2007	\$ 3,565,725	\$ 3,315,241	\$ (250,484)	107.56%	\$ 944,134	-26.53%
June 30, 2008	3,916,384	3,443,765	(472,619)	113.72%	991,797	-47.65%
June 30, 2009	3,870,383	3,585,630	(284,753)	107.94%	1,062,865	-26.79%

Notes to Required Supplementary Information

This information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>County</u>	<u>Component Unit School Board</u>
Valuation Date	June 30, 2009	June 30, 2009
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay, Open	Level Percent of Pay, Open
Payroll Growth Rate	3.00%	3.00%
Remaining Amortization Period	20 years	20 years
Asset Valuation Method	5-Year Smoothed Market Value	5-Year Smoothed Market Value
Actuarial Assumptions		
Investment rate of return ¹	7.50%	7.50%
Projected salary increases ¹		
NonLaw Enforcement Officer Employees	3.75% to 5.60%	3.75% to 5.60%
Law Enforcement Officer Employees	3.50% to 4.75%	3.50% to 4.75%
Cost-of-living adjustments	2.50%	2.50%

¹Includes inflation of 2.50%

13 Designated Fund Balances

Fund balances have been designated for the following purposes:

<u>Fund</u>	<u>Designation</u>	<u>Amount</u>
Federal Grants Fund	Subsequent years' appropriations	\$ 35,187
Forfeiture Fund	Subsequent years' appropriations	176,071
Law Library Fund	Subsequent years' appropriations	20,350
Canteen Fund	Subsequent years' appropriations	43,913
Inmate Fund	Subsequent years' appropriations	445,152
Total Primary Government		<u>\$ 720,673</u>

14 Legal Compliance

A. Expenditures in Excess of Appropriations

No expenditures exceeded appropriations.

B. Fund Deficits

The business-type activities (also reported as the Water and Sewer Fund) had an unrestricted net asset deficit of \$1,048,813.

15 Surety Bond Information

The following constitutional and appointed officers are insured through the Commonwealth of Virginia Faithful Performance of Duty Bond Plan in effect at June 30, 2010:

Travelers Casualty and Security Company of Virginia

Richard L. Francis, Clerk of Circuit Court	\$ 500,000
David K. Britt, Treasurer	400,000
Amy B. Carr, Commissioner of Revenue	3,000
Vernie W. Francis, Jr., Sheriff	30,000

Zurich North America

Charles E. Turner, Superintendent of Schools and Clerk of School Board	10,000
Dr. M. Timothy Kelly, Assistant Superintendent of Schools	10,000

Selective Insurance - Surety

Michael W. Johnson, County Administrator	10,000
Dallas O. Jones, Chairman	1,000
Walter L. Young, Jr., Vice Chairman	1,000
Walter D. Brown, III, Supervisor	1,000
Carl J. Faison, Supervisor	1,000
Anita T. Felts, Supervisor	1,000
Ronald M. West, Supervisor	1,000
Moses Wyche, Supervisor	1,000

16 Appropriation to School from General Fund

Following is a summary of adjustments made to the local school appropriation when converting from fund financial statements to government-wide statements:

Appropriation from General Fund	<u>\$ 9,432,482</u>
Total Appropriation per Fund Financial Statements	9,432,482
Depreciation on new school buildings	386,458
Debt on school buildings belonging to General Fund paid by School Fund	<u>(2,667,968)</u>
Appropriation to School Fund per Government-Wide Statements	<u>\$ 7,150,972</u>

17 Other Postemployment Benefits

Plan Description

In addition to pension benefits offered by Virginia Retirement Services, the County provides postemployment healthcare benefits. These benefits are governed by the County and can be amended by the County and School Board. The County and School Board provide healthcare and prescription drug insurance to retirees and their dependents. The full cost of the insurance is paid by the retiree. All full time active employees, who retire or are disabled directly from the County or School Board and meet the eligibility criteria, may participate.

Cash and Cash Equivalents

The County and School Board have established an OPEB Trust Fund for funding a portion of the costs for their OPEB plans. These funds are accounted for in the fiduciary funds of the County. As of June 30, 2010, the balances in these accounts were \$32,002 and \$58,005 for the County and the School Board, respectively, giving a total of \$90,007 in the fiduciary funds.

Funding Policy

The County uses a partial funding approach using a discount rate of 7.25 percent with a 10-Year Phase In. Amortization of the Unfunded Actuarial Accrued Liability is a Level of percentage of payroll.

Net OPEB Obligations and Annual OPEB Cost

This summary identifies the value of benefits at July 1, 2007 and costs for the fiscal years through June 30, 2010, reflecting the partial funding approach, utilizing a discount rate of 7.25 percent (10-Year Phase In), and amortizing the Unfunded Actuarial Accrued Liability as a level of percentage of payroll. A summary of the net OPEB obligation is as follows:

	<u>County</u>	<u>Component Unit School Board</u>
Annual OPEB Cost (Expense)		
Annual Required Contribution (ARC)	\$ 238,359	\$ 283,946
Interest on Net OPEB Obligation	21,968	39,658
Adjustment to ARC	<u>(20,200)</u>	<u>(37,054)</u>
Annual OPEB Cost (Expense)	240,127	286,550
Contributions Made		
To Trust Fund	32,000	58,000
Implicit rate subsidy	<u>50,000</u>	<u>72,000</u>
Increase in Net OPEB Obligation	158,127	156,550
Net OPEB Obligation - Beginning of Year	<u>303,000</u>	<u>547,000</u>
Net OPEB Obligation - End of Year	<u>\$ 461,127</u>	<u>\$ 703,550</u>

Three-year trend information is as follows:

County

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/08	\$ 204,000	22.06%	\$ 159,000
06/30/09	204,000	29.80%	303,000
06/30/10	240,127	25.40%	461,127

Component Unit School Board

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/08	\$ 343,000	16.33%	\$ 287,000
06/30/09	345,000	24.64%	547,000
06/30/10	286,550	29.66%	703,550

Required Supplementary Information is as follows:

County

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Liability (AAL) - Projected Unit Credit</u> (b)	<u>Unfunded AAL (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percentage of Covered Payroll</u> (b-a)/(c)
06/30/2008	\$ -	\$ 1,533,089	\$ 1,533,089	0.00%	\$ 5,246,076	29.22%
06/30/2009	16,000	1,734,745	1,718,745	0.92%	5,954,054	28.87%

Component Unit School Board

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Liability (AAL) - Projected Unit Credit</u> (b)	<u>Unfunded AAL (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percentage of Covered Payroll</u> (b-a)/(c)
06/30/2008	\$ -	\$ 3,791,943	\$ 3,791,943	0.00%	\$ 9,477,098	40.01%
06/30/2009	29,000	3,178,280	3,149,280	0.91%	9,694,574	32.48%

REQUIRED SUPPLEMENTARY INFORMATION



County of Southampton, Virginia

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real property taxes	\$ 9,201,372	\$ 9,201,372	\$ 8,813,986	\$ (387,386)
Mobile home taxes	74,863	74,863	66,542	(8,321)
Personal property taxes	5,614,473	5,614,473	4,863,293	(751,180)
Public service corporation property taxes	635,479	635,479	731,562	96,083
Machinery and tools taxes	500,074	500,074	496,652	(3,422)
Farm implement/machinery seasonal taxes	322,135	322,135	360,221	38,086
Merchants' capital and contractors' equipment	140,969	140,969	160,241	19,272
Delinquent taxes	240,000	240,000	536,310	296,310
Interest on taxes	55,000	55,000	103,961	48,961
Penalties and fees on late taxes	130,000	137,930	189,180	51,250
Total General Property Taxes	16,914,365	16,922,295	16,321,948	(600,347)
Other Local Taxes				
Local sales and use taxes	450,000	450,000	485,345	35,345
Communication sales tax	575,000	575,000	574,838	(162)
Consumption tax	44,000	44,000	53,112	9,112
Franchise license tax	-	-	101	101
Transient occupancy tax	-	-	7,864	7,864
Business license taxes	100,000	100,000	135,231	35,231
Motor vehicle licenses	339,000	339,000	367,091	28,091
Tax on recordation and wills	100,000	100,000	125,018	25,018
Total Other Local Taxes	1,608,000	1,608,000	1,748,600	140,600
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	17,500	17,500	21,514	4,014
Building permits	65,000	65,000	95,740	30,740
Other permits, licenses, and fees	15,690	15,690	10,955	(4,735)
Total Permits, Privilege Fees, and Regulatory Licenses	98,190	98,190	128,209	30,019
Fines and Forfeitures	554,554	554,554	625,133	70,579
Revenue from Use of Money and Property	87,000	87,000	34,898	(52,102)
Charges for Services				
Miscellaneous	4,800	9,379	24,706	15,327
Services charges - tax exempt	38,000	38,000	50,516	12,516
School resource officer reimbursement	48,482	48,482	48,071	(411)
Circuit Court - Isle of Wight	19,683	19,683	19,683	-
Reimbursements for utilities and salaries	52,000	172,539	189,993	17,454
Courthouse maintenance fees	23,000	23,000	25,253	2,253

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Commonwealth's Attorney - City of Franklin	22,000	22,000	22,000	-
Ambulance transfers	185,000	185,000	304,127	119,127
Collection fee account	4,436	4,436	38,634	34,198
Total Charges for Services	<u>397,401</u>	<u>522,519</u>	<u>722,983</u>	<u>200,464</u>
Recovered Costs				
City of Franklin shared costs	157,215	157,215	157,215	-
Reimbursement home program funds	-	165,487	165,487	-
Insurance claims	-	38,523	42,396	3,873
Miscellaneous recoveries	-	32,397	55,431	23,034
General obligation debt	16,490	16,490	16,490	-
Hospitalization insurance	-	65,428	66,717	1,289
Total Recovered Costs	<u>173,705</u>	<u>475,540</u>	<u>503,736</u>	<u>28,196</u>
Miscellaneous				
Miscellaneous	-	2,792	7,024	4,232
Industrial corridor tax revenue	590,000	590,000	673,530	83,530
Camp Campbell Foundation	-	42,700	42,700	-
Total Miscellaneous	<u>590,000</u>	<u>635,492</u>	<u>723,254</u>	<u>87,762</u>
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	55,000	55,000	67,325	12,325
Mobile home titling tax	15,000	15,000	21,345	6,345
Recordation and grantors' tax - State	32,000	32,000	42,161	10,161
Total Noncategorical Aid	<u>102,000</u>	<u>102,000</u>	<u>130,831</u>	<u>28,831</u>
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Commonwealth's Attorney	360,471	360,471	339,721	(20,750)
Sheriff and Sheriff's auto	2,781,120	2,590,134	2,394,398	(195,736)
Commissioner of the Revenue	104,843	104,843	95,025	(9,818)
Treasurer	96,477	96,477	88,806	(7,671)
PSAP Wireless 911	42,056	192,056	186,005	(6,051)
Electoral Board and General Registrar	49,141	49,141	41,280	(7,861)
Clerk of Court	296,199	325,151	296,728	(28,423)
Jail operations	417,917	417,917	309,626	(108,291)
Miscellaneous State grants	-	993	25,244	24,251
Circuit Court Grant	-	8,048	8,048	-
Virginia Commission for the Arts	-	5,000	5,000	-
Department of Historic Resources	-	47,500	47,500	-
Litter Control Grant	-	10,916	10,916	-
Emergency Medical Services	-	17,005	17,005	-
Victim Witness Grant	48,026	48,026	51,018	2,992
Comprehensive Services Act	54,746	306,332	261,728	(44,604)
Total Categorical Aid	<u>4,250,996</u>	<u>4,580,010</u>	<u>4,178,048</u>	<u>(401,962)</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Total Revenue from the Commonwealth of Virginia	4,352,996	4,682,010	4,308,879	(373,131)
Revenue from the Federal Government				
ARRA Summer Youth Work Program	-	21,898	21,898	-
Compensation Board - Recovery Act JAG State	-	-	153,679	153,679
Emergency Preparedness Grant	-	32,850	32,850	-
Highway Safety Grant	-	11,531	11,531	-
Total Revenue from the Federal Government	-	66,279	219,958	153,679
Total Intergovernmental Revenue	4,352,996	4,748,289	4,528,837	(219,452)
Total Revenues	24,776,211	25,651,879	25,337,598	(314,281)
Expenditures				
Current				
<i>General Government Administration</i>				
Board of Supervisors	261,563	284,148	229,071	55,077
County Administrator	334,654	339,911	339,734	177
Commissioner of Revenue	274,401	274,988	268,736	6,252
Treasurer	272,661	310,773	310,773	-
Data processing	212,407	212,670	208,688	3,982
Insurance	168,300	160,537	157,067	3,470
Accounting	233,543	233,962	233,952	10
Delinquent taxes	20,000	20,000	-	20,000
Board of Assessors	7,600	7,600	7,600	-
Board of Elections	151,411	151,638	141,092	10,546
Total General Government Administration	1,936,540	1,996,227	1,896,713	99,514
<i>Judicial Administration</i>				
Circuit Court	72,865	88,227	79,005	9,222
General District Court	24,866	24,906	20,492	4,414
Magistrate	1,366	1,366	594	772
Victim Witness Assistance Program	68,154	68,154	66,875	1,279
Clerk of the Circuit Court	469,273	508,607	488,990	19,617
Sheriff - Bailiff	430,556	447,785	447,222	563
Courthouse Security	69,008	69,008	14,073	54,935
Commonwealth's Attorney	509,580	531,236	462,340	68,896
Total Judicial Administration	1,645,668	1,739,289	1,579,591	159,698
<i>Public Safety</i>				
Sheriff's Department	1,665,682	1,744,902	1,650,058	94,844
Project Life Saver	-	13,407	1,114	12,293
School resource officer	48,482	48,482	48,072	410
Fire departments	293,413	297,942	296,602	1,340
Camp Campbell funds	-	42,700	42,700	-
Rescue squads	920,879	944,484	941,018	3,466
911	155,513	305,513	273,412	32,101

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Wireless 911	44,375	44,375	44,106	269
Emergency services	93,123	127,032	115,787	11,245
Forestry	23,367	23,367	21,729	1,638
Detention	2,667,937	2,731,376	2,594,884	136,492
Probation	105,614	105,614	70,532	35,082
Inspections	120,838	122,244	121,983	261
Animal control	98,571	99,447	92,280	7,167
Medical Examiner	500	500	240	260
Total Public Safety	<u>6,238,294</u>	<u>6,651,385</u>	<u>6,314,517</u>	<u>336,868</u>
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	99,402	99,872	91,952	7,920
Refuse collection	730,810	761,347	772,347	(11,000)
Refuse disposal	1,665,562	1,663,733	1,644,264	19,469
Maintenance of buildings and grounds	470,948	485,807	453,953	31,854
Total Public Works	<u>2,966,722</u>	<u>3,010,759</u>	<u>2,962,516</u>	<u>48,243</u>
<i>Health and Welfare</i>				
Health Department	316,606	316,606	316,606	-
Mental health	76,605	76,605	76,605	-
ARRA Summer Youth	-	23,856	23,856	-
Comprehensive services	80,882	456,056	456,056	-
Welfare and Social Services	15,446	15,446	15,446	-
Total Health and Welfare	<u>489,539</u>	<u>888,569</u>	<u>888,569</u>	<u>-</u>
<i>Education</i>				
Appropriation to public school system	10,768,851	11,900,893	9,432,482	2,468,411
Total Education	<u>10,768,851</u>	<u>11,900,893</u>	<u>9,432,482</u>	<u>2,468,411</u>
<i>Parks, Recreation, and Cultural</i>				
Regional library	253,433	253,433	253,433	-
Miscellaneous contributions	48,450	116,981	69,530	47,451
Total Parks, Recreation, and Cultural	<u>301,883</u>	<u>370,414</u>	<u>322,963</u>	<u>47,451</u>
<i>Community Development</i>				
Planning and community development	279,376	303,342	301,040	2,302
Economic development	150,000	150,000	150,000	-
Home Rehabilitation	-	165,487	165,487	-
Revenue sharing agreement	36,000	36,000	32,773	3,227
Soil and Water Conservation District and Chowan Cooperative Extension Program	9,766	122,422	122,422	-
Total Community Development	<u>52,939</u>	<u>52,939</u>	<u>7,583</u>	<u>45,356</u>
Total Community Development	<u>528,081</u>	<u>830,190</u>	<u>779,305</u>	<u>50,885</u>
<i>Debt Service</i>				
Total Expenditures	<u>8,855</u>	<u>8,855</u>	<u>8,515</u>	<u>340</u>
Total Expenditures	<u>24,884,433</u>	<u>27,396,581</u>	<u>24,185,171</u>	<u>3,211,410</u>
Excess (Deficiency) of Revenues Over Expenditures	(108,222)	(1,744,702)	1,152,427	2,897,129

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Other Financing Sources (Uses)				
Transfers in	-	231,966	203,930	(28,036)
Transfers out	<u>(994,449)</u>	<u>(1,188,680)</u>	<u>(1,088,122)</u>	<u>100,558</u>
Total Other Financing Sources (Uses)	<u>(994,449)</u>	<u>(956,714)</u>	<u>(884,192)</u>	<u>72,522</u>
Net Change in Fund Balance before Transfer from Surplus	(1,102,671)	(2,701,416)	268,235	2,969,651
Transfer from Surplus Funds	<u>1,102,671</u>	<u>2,701,416</u>	<u>-</u>	<u>(2,701,416)</u>
Net Change in Fund Balance after Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	268,235	<u>\$ 268,235</u>
Fund Balance - Beginning of Year			<u>6,139,833</u>	
Fund Balance - End of Year			<u>\$ 6,408,068</u>	

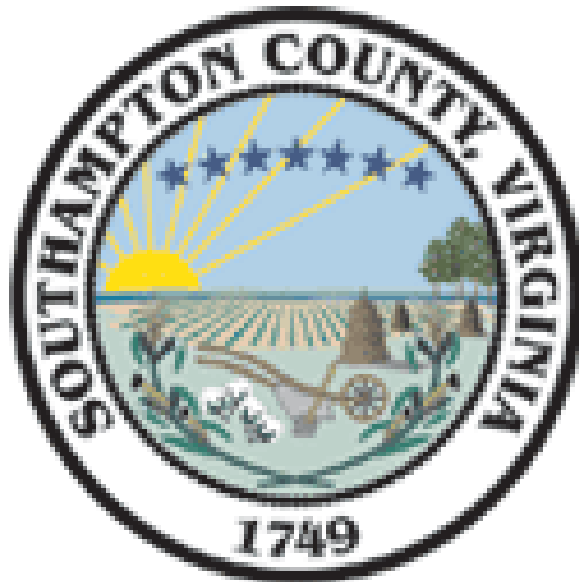
Public Assistance Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues				
Intergovernmental				
Revenue from the Commonwealth of Virginia	\$ 789,288	\$ 813,870	\$ 766,080	\$ (47,790)
Revenue from the Federal Government	<u>1,354,753</u>	<u>1,396,964</u>	<u>1,314,920</u>	<u>(82,044)</u>
Total Intergovernmental Revenue	<u>2,144,041</u>	<u>2,210,834</u>	<u>2,081,000</u>	<u>(129,834)</u>
Total Revenues	2,144,041	2,210,834	2,081,000	(129,834)
Expenditures				
Current				
<i>Health and Welfare</i>				
Welfare and Social Services	<u>2,496,400</u>	<u>2,583,193</u>	<u>2,352,801</u>	<u>230,392</u>
Total Expenditures	<u>2,496,400</u>	<u>2,583,193</u>	<u>2,352,801</u>	<u>230,392</u>
Excess (Deficiency) of Revenues Over Expenditures	(352,359)	(372,359)	(271,801)	100,558
Other Financing Sources (Uses)				
Transfers in	<u>352,359</u>	<u>372,359</u>	<u>271,801</u>	<u>(100,558)</u>
Total Other Financing Sources (Uses)	<u>352,359</u>	<u>372,359</u>	<u>271,801</u>	<u>(100,558)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

Capital Projects - Utility Tax Building Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Other Local Taxes				
Utility taxes	\$ 464,000	\$ 464,000	\$ 500,472	\$ 36,472
Revenue from Use of Money and Property				
Interest income	-	-	1,521	1,521
Rental of property	<u>60,556</u>	<u>60,556</u>	<u>60,706</u>	<u>150</u>
Total Revenue from Use of Money and Property	60,556	60,556	62,227	1,671
Miscellaneous				
	-	-	21,523	21,523
Total Revenues	524,556	524,556	584,222	59,666
Expenditures				
Current				
General Administration	1,370,278	1,370,278	27,410	1,342,868
Judicial Administration	93,035	93,035	-	93,035
Public Safety	597,119	597,119	285,446	311,673
Public Works	25,000	91,243	93,615	(2,372)
Capital outlay - Turner Tract	-	608,580	608,580	-
Capital outlay - new school building	-	71,560	71,560	-
Debt Service	<u>2,112,203</u>	<u>2,112,203</u>	<u>1,230,644</u>	<u>881,559</u>
Total Expenditures	<u>4,197,635</u>	<u>4,944,018</u>	<u>2,317,255</u>	<u>2,626,763</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,673,079)	(4,419,462)	(1,733,033)	2,686,429
Other Financing Sources (Uses)				
Transfers in	300,000	300,000	300,000	-
Transfers (out)	<u>-</u>	<u>-</u>	<u>(371,595)</u>	<u>(371,595)</u>
Total Other Financing Sources (Uses)	<u>300,000</u>	<u>300,000</u>	<u>(71,595)</u>	<u>(371,595)</u>
Net Change in Fund Balance Before Reserve	(3,373,079)	(4,119,462)	(1,804,628)	2,314,834
From Reserve Funds	<u>3,373,079</u>	<u>4,119,462</u>	<u>-</u>	<u>(4,119,462)</u>
Net Change in Fund Balance After Reserve	<u>\$ -</u>	<u>\$ -</u>	(1,804,628)	<u>\$ (1,804,628)</u>
Fund Balance - Beginning of Year			<u>10,121,943</u>	
Fund Balance - End of Year			<u>\$ 8,317,315</u>	

OTHER SUPPLEMENTARY INFORMATION



County of Southampton, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2010

	<u>Federal Grants Fund</u>	<u>Special Revenue Funds</u>			<u>Inmate Fund</u>	<u>Total Other Governmental Funds</u>
		<u>Forfeiture Fund</u>	<u>Law Library Fund</u>	<u>Canteen Fund</u>		
Assets						
Cash and investments	\$ 35,187	\$ 176,071	\$ 19,504	\$ 44,889	\$ 445,164	\$ 720,815
Accounts receivable	-	-	1,222	-	-	1,222
Total Assets	<u>\$ 35,187</u>	<u>\$ 176,071</u>	<u>\$ 20,726</u>	<u>\$ 44,889</u>	<u>\$ 445,164</u>	<u>\$ 722,037</u>
Liabilities						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 376	\$ 976	\$ 12	\$ 1,364
Total Liabilities	-	-	376	976	12	1,364
Fund Balance						
Designated						
Subsequent years' expenditures	<u>35,187</u>	<u>176,071</u>	<u>20,350</u>	<u>43,913</u>	<u>445,152</u>	<u>720,673</u>
Total Fund Balance	<u>35,187</u>	<u>176,071</u>	<u>20,350</u>	<u>43,913</u>	<u>445,152</u>	<u>720,673</u>
Total Liabilities and Fund Balance	<u>\$ 35,187</u>	<u>\$ 176,071</u>	<u>\$ 20,726</u>	<u>\$ 44,889</u>	<u>\$ 445,164</u>	<u>\$ 722,037</u>

County of Southampton, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Other Governmental Funds

At June 30, 2010

	<u>Special Revenue Funds</u>						<u>Total Other Governmental Funds</u>
	<u>Federal Grants Fund</u>	<u>911 Fund</u>	<u>Forfeiture Fund</u>	<u>Law Library Fund</u>	<u>Canteen Fund</u>	<u>Inmate Fund</u>	
Revenues							
Use of money and property	\$ -	\$ -	\$ 1,246	\$ 18	\$ -	\$ -	\$ 1,264
Charges for services	-	-	-	6,035	73,873	-	79,908
Miscellaneous	-	-	-	-	-	155,486	155,486
Intergovernmental							
From the Commonwealth of Virginia	-	-	15,902	-	-	-	15,902
From the Federal Government	-	-	36,973	-	-	-	36,973
Total Revenues	-	-	54,121	6,053	73,873	155,486	289,533
Expenditures							
Current							
Judicial administration	-	-	-	3,851	-	-	3,851
Public safety	-	37,258	51,134	-	67,627	33,805	189,824
Total Expenditures	-	37,258	51,134	3,851	67,627	33,805	193,675
Excess (Deficiency) of Revenues Over Expenditures	-	(37,258)	2,987	2,202	6,246	121,681	95,858
Other Financing Sources (Uses)							
Transfers out	-	-	-	-	-	(203,930)	(203,930)
Total Other Financing Sources (Uses)	-	-	-	-	-	(203,930)	(203,930)
Net Change in Fund Balances	-	(37,258)	2,987	2,202	6,246	(82,249)	(108,072)
Fund Balance - Beginning of Year	35,187	37,258	173,084	18,148	37,667	527,401	828,745
Fund Balance - End of Year	<u>\$ 35,187</u>	<u>\$ -</u>	<u>\$ 176,071</u>	<u>\$ 20,350</u>	<u>\$ 43,913</u>	<u>\$ 445,152</u>	<u>\$ 720,673</u>

County of Southampton, Virginia

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

At June 30, 2010

	<u>Special Welfare</u>	<u>Blackwater Regional Library</u>	<u>OPEB Trust Accounts</u>	<u>Totals</u>
Assets				
Cash	<u>\$ 45,656</u>	<u>\$ 343,637</u>	<u>\$ 90,007</u>	<u>\$ 479,300</u>
Liabilities				
Amounts held for others	<u>\$ 45,656</u>	<u>\$ 343,637</u>	<u>\$ 90,007</u>	<u>\$ 479,300</u>
Total Liabilities	<u>\$ 45,656</u>	<u>\$ 343,637</u>	<u>\$ 90,007</u>	<u>\$ 479,300</u>

County of Southampton, Virginia

Component Unit School Board

Combining Balance Sheet

At June 30, 2010

	School Operating Fund	School Food Services Fund	School Endowment Fund	Total Governmental Funds
Assets				
Cash and investments	\$ 2,320,009	\$ 80,928	\$ 22,399	\$ 2,423,336
Accounts receivable	24,828	209	-	25,037
Due from other governments	<u>979,973</u>	<u>47,387</u>	<u>-</u>	<u>1,027,360</u>
Total Assets	<u>\$ 3,324,810</u>	<u>\$ 128,524</u>	<u>\$ 22,399</u>	<u>\$ 3,475,733</u>
Liabilities				
Accounts payable	\$ 247,278	\$ 263	\$ -	\$ 247,541
Accrued liabilities	2,504,631	61,876	-	2,566,507
Deferred revenue	<u>572,901</u>	<u>-</u>	<u>-</u>	<u>572,901</u>
Total Liabilities	3,324,810	62,139	-	3,386,949
Fund Balance				
Designated				
Food services	-	66,385	-	66,385
Endowment	<u>-</u>	<u>-</u>	<u>22,399</u>	<u>22,399</u>
Total Fund Balance	<u>-</u>	<u>66,385</u>	<u>22,399</u>	<u>88,784</u>
Total Liabilities and Fund Balance	<u>\$ 3,324,810</u>	<u>\$ 128,524</u>	<u>\$ 22,399</u>	<u>\$ 3,475,733</u>

County of Southampton, Virginia

Component Unit School Board

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

At June 30, 2010

Total Fund Balances for Governmental Funds \$ 88,784

Total net assets reported for governmental activities in the Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 1,362,200
Buildings and improvements, net of depreciation	675,057
Furniture, equipment, and vehicles, net of depreciation	<u>5,078,826</u>

Total Capital Assets 7,116,083

Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net assets are as follows:

Net OPEB obligation	(703,550)
Compensated absences	<u>(386,868)</u>

Total Liabilities (1,090,418)

Total Net Assets of Governmental Activities \$ 6,114,449

County of Southampton, Virginia

Component Unit School Board

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances

Year Ended June 30, 2010

	School Operating Fund	School Food Services Fund	School Endowment Fund	Total School Funds
Revenues				
Use of money and property	\$ -	\$ 374	\$ 559	\$ 933
Charges for services	59,310	405,655	-	464,965
Miscellaneous	50,896	-	-	50,896
Recovered costs	443,921	-	-	443,921
Intergovernmental				
From County of Southampton, Virginia	9,432,482	-	-	9,432,482
From the Commonwealth of Virginia	16,838,779	20,013	-	16,858,792
From the Federal Government	<u>4,168,870</u>	<u>673,581</u>	<u>-</u>	<u>4,842,451</u>
 Total Revenues	 30,994,258	 1,099,623	 559	 32,094,440
Expenditures				
Education	28,326,290	1,043,242	-	29,369,532
Debt service	<u>2,667,968</u>	<u>-</u>	<u>-</u>	<u>2,667,968</u>
 Total Expenditures	 <u>30,994,258</u>	 <u>1,043,242</u>	 <u>-</u>	 <u>32,037,500</u>
 Net Change in Fund Balances	 -	 56,381	 559	 56,940
 Fund Balances - Beginning of Year	 <u>-</u>	 <u>10,004</u>	 <u>21,840</u>	 <u>31,844</u>
 Fund Balances - End of Year	 <u>\$ -</u>	 <u>\$ 66,385</u>	 <u>\$ 22,399</u>	 <u>\$ 88,784</u>

County of Southampton, Virginia

Component Unit School Board

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2010

Net Change in Fund Balances	\$ 56,940
Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Balances of long-term liabilities affecting net assets are as follows:	
Net OPEB obligation	(156,550)
Compensated absences	(13,877)
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 depreciation was exceeded by capital outlays in the current period.	<u>(218,085)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (331,572)</u></u>

County of Southampton, Virginia

Component Unit School Board

School Operating Fund

Budgetary Comparison Schedule

Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues				
Charges for services	\$ 2,000	\$ 12,663	\$ 59,310	\$ 46,647
Miscellaneous	-	186,506	50,896	(135,610)
Recovered costs	-	425,256	443,921	18,665
Intergovernmental				
From County of Southampton, Virginia	10,768,851	11,900,893	9,432,482	(2,468,411)
From the Commonwealth of Virginia	18,005,716	18,530,378	16,838,779	(1,691,599)
From the Federal Government	<u>3,018,900</u>	<u>4,433,490</u>	<u>4,168,870</u>	<u>(264,620)</u>
Total Revenues	31,795,467	35,489,186	30,994,258	(4,494,928)
Expenditures				
Current				
<i>Education</i>				
Instruction	20,729,519	24,004,248	20,161,490	3,842,758
Administration, attendance, and health	1,314,417	1,439,829	1,459,534	(19,705)
Transportation	2,745,051	3,061,593	2,812,726	248,867
Operation and maintenance	3,437,332	3,470,809	3,174,754	296,055
School food services	117,593	119,376	119,376	-
Facilities	204,026	208,466	95,736	112,730
Technology	629,375	566,711	502,674	64,037
Debt service	<u>2,618,154</u>	<u>2,618,154</u>	<u>2,667,968</u>	<u>(49,814)</u>
Total Expenditures	<u>31,795,467</u>	<u>35,489,186</u>	<u>30,994,258</u>	<u>4,494,928</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

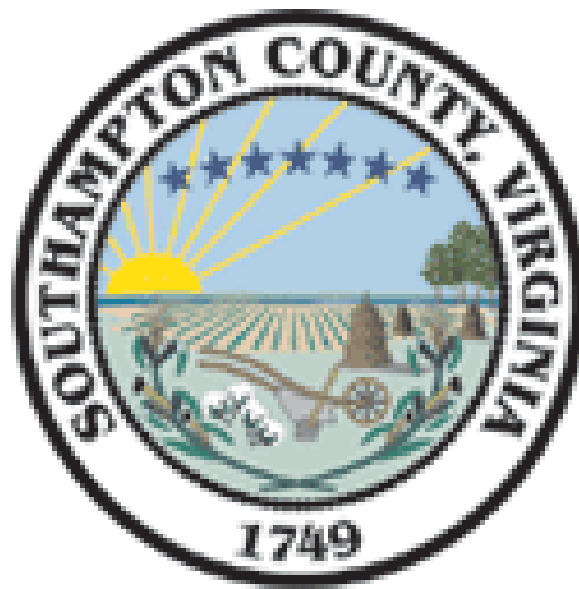
County of Southampton, Virginia

Jail Canteen and Other Revenue and Expense Information

Year Ended June 30, 2010

	<u>Inmate Canteen</u>		<u>Jail Telephone Commission</u>		<u>Inmate Medical Co-payments</u>		<u>Other Inmate Collections and Work Release</u>		<u>Totals</u>	
	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Expenditures</u>
Canteen Fund #736	\$ 73,873	\$ 67,627	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,873	\$ 67,627
Inmate Enterprise Fund #737	-	-	22,141	17,200	11,078	-	122,267	16,605	155,486	33,805
Total	<u>\$ 73,873</u>	<u>\$ 67,627</u>	<u>\$ 22,141</u>	<u>\$ 17,200</u>	<u>\$ 11,078</u>	<u>\$ -</u>	<u>\$ 122,267</u>	<u>\$ 16,605</u>	<u>\$ 229,359</u>	<u>\$ 101,432</u>

COMPLIANCE SECTION





**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 Southampton, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Southampton, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County of Southampton, Virginia's basic financial statements and have issued our report thereon dated January 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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



Creddie, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
January 7, 2011



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Members of the
Board of Supervisors
County of Southampton, Virginia

Compliance

We have audited the compliance of County of Southampton, Virginia with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The County of Southampton, Virginia’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County of Southampton, Virginia’s management. Our responsibility is to express an opinion on County of Southampton, Virginia’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, OMB Circular A-133, and specifications 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 Southampton, Virginia’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of County of Southampton, Virginia’s compliance with those requirements.

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

Internal Control Over Compliance

The management of County of Southampton, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered County of Southampton, Virginia’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Southampton, 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.

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

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

Credle, Jones & Alga, P.C.

Credle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
January 7, 2011

County of Southampton, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
U. S. Department of Agriculture			
Pass-Through Payments			
<i>State Department of Agriculture</i>			
Food Distribution - Schools	10.555	N/A	\$ 66,801
<i>Department of Social Services</i>			
Food Stamp Cluster			
Administration for Food Stamp Program	10.561	765	<u>289,780</u>
Total Food Stamp Cluster			289,780
<i>Department of Education</i>			
Child Nutrition Cluster			
National School Lunch Program	10.555	197	498,418
School Breakfast Program	10.553	197	<u>175,163</u>
Total Child Nutrition Cluster			<u>673,581</u>
Subtotal - U. S. Department of Agriculture			1,030,162
U. S. Department of Health and Human Services			
Pass-Through Payments			
<i>Department of Social Services</i>			
Child Care Cluster			
Child Care and Development Block Grant	93.575	765	127,211
Child Care Mandatory and Matching Funds	93.596	765	109,599
ARRA - Child Care and Development Block Grant	93.713	765	<u>44,742</u>
Total Child Care Cluster			281,552
<i>Department of Social Services</i>			
Promoting Safe and Stable Families	93.556	765	16,194
Temporary Assistance to Needy Families	93.558	765	238,748
Refugee and Entrant Assistance	93.566	765	606
Low Income Home Energy Assistance	93.568	765	17,883
Child Welfare Services	93.645	765	716
Foster Care - Title IV-E	93.658	765	123,800
ARRA - Foster Care - Title IV-E	93.658	765	7,923
Adoption Assistance	93.659	765	19,049
ARRA - Adoption Assistance	93.659	765	1,630
Chafee Foster Care Independence Program	93.674	765	2,199
Social Services Block Grant	93.667	765	134,621
State Children's Insurance Program	93.767	765	13,081
Medical Assistance Program (Medicaid; Title XIX)	93.778	765	<u>167,138</u>
Subtotal - U. S. Department of Health and Human Services			1,025,140

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
U. S. Department of Transportation			
Pass-Through Payments			
<i>Department of Motor Vehicles</i>			
Ground Transportation System	20.602	140	<u>11,531</u>
Total			11,531
Direct Payments			
Federal asset forfeitures	16.000	N/A	<u>36,973</u>
Subtotal - U. S. Department of Transportation			48,504
U. S. Department of Justice			
Pass-Through Payments			
<i>Compensation Board</i>			
Recovery Act JAG Funding	16.803	157	<u>153,679</u>
Subtotal - U. S. Department of Justice			153,679
U. S. Department of Homeland Security			
Pass-Through Payments			
<i>Department of Emergency Services</i>			
Emergency Preparedness	97.073	127	<u>32,850</u>
Subtotal - U. S. Department of Homeland Security			32,850
U. S. Department of Education			
Pass-Through Payments			
<i>Department of Education</i>			
Special Education Cluster			
Special Education - Grants to States (Title VI Flow-Through)	84.027	197	630,845
ARRA Special Education - Grants to States (Title VI Flow-Through)	84.027	197	499,292
Special Education - Preschool Grants (Title VI)	84.173	197	<u>7,760</u>
Total Special Education Cluster			1,137,897
Title I	84.010	197	574,938
ARRA Title I	84.389	197	97,504
Vocational Education - Basic Grant	84.048	197	48,597
Drug Free Schools and Communities	84.186	197	9,602
Title IV Part B-21 Century Community Learning	84.287	197	151,289
Title II Part D Ed Technology Formula Grant	84.318	197	2,651
ARRA Title II Part D Ed Technology Formula Grant	84.318	197	15,187
Reading First	84.357	197	241,664
ARRA State Fiscal Stabilization Fund (SFSF) - School share	84.397	197	1,598,889
Title II Part A Improving Teacher Quality	84.367	197	137,254
Adult Literacy	84.002	197	<u>29,375</u>
Subtotal - U. S. Department of Education - School			4,044,847
U. S. Department of Labor			
Direct Payments - School			
Opportunity, Inc. Program 850	17.259	N/A	104,704
ARRA Opportunity, Inc. Program 850	17.259	N/A	19,319
Direct Payments - County			
ARRA Summer Youth Program	17.259	N/A	<u>21,898</u>
Subtotal - U. S. Department of Labor			<u>145,921</u>
Grand Totals			<u>\$ 6,481,103</u>

Notes to Schedule of Expenditures of Federal Awards

1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the County and is presented on GAAP. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. *Commodities – Food Distribution*

Nonmonetary assistance in the form of food distribution amounting to \$66,801 for the schools is reported in the schedule as being received and disbursed.

County of Southampton, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

1. SUMMARY OF AUDITOR'S RESULTS

- (a) The auditor's report expresses an **unqualified opinion** on the financial statements of the County of Southampton, Virginia.
- (b) **No significant deficiencies** relating to the audit of the financial statements are reported in the 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*.
- (c) **No instances of noncompliance** material to the financial statements of the County of Southampton, Virginia were disclosed during the audit.
- (d) **No significant deficiencies** relating to the audit of the major federal award programs are reported in the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.
- (e) The auditor's report on compliance for the major federal award programs for the County of Southampton, Virginia expresses an **unqualified opinion** on all major federal programs.
- (f) There were **no audit findings** relative to the major federal award programs for the County of Southampton, Virginia to be reported in this schedule.
- (g) The programs tested as major programs included:
 - 1. **CFDA #10.555 and 10.553, Child Nutrition Cluster**
 - 2. **CFDA #84.027 and 84.173, Special Education Cluster**
 - 3. **CFDA #84.397, ARRA State Fiscal Stabilization Fund**
 - 4. **CFDA #84.010 and 84.389, Title I and ARRA Title I**
- (h) The **threshold** for distinguishing Types A and B programs was **\$300,000**.
- (i) The County of Southampton, Virginia **was** determined to be a **low-risk auditee**.

2. FINDINGS - FINANCIAL STATEMENT AUDIT

None

3. FINDINGS AND QUESTIONED COSTS - MAJOR PROGRAMS AUDIT

None

County of Southampton, Virginia

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2010

FINANCIAL STATEMENTS

There were no findings in the prior year.