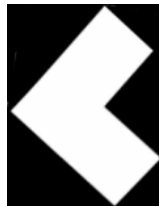


County of Southampton, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2005



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

County of Southampton, Virginia

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FINANCIAL SECTION





**Creedle
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A Professional Corporation

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American Institute of Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

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 the County of Southampton, Virginia, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of 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 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, 2005, 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 November 29, 2005, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 1 through 9 and 44 through 49, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
November 29, 2005

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, 2005. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter and the County's financial statements.

Financial Highlights for FY 2005

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 \$37,506,138. Of this amount, \$5,771,821 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 of the County's governmental activities were \$22,070,492 and expenses amounted to \$21,398,780. The County's total net assets increased \$671,712.
- For business-type activities, revenues were \$1,481,087 and expenses were \$1,748,895. The net assets decreased by \$267,808.

Highlights for Fund Financial Statements

- As of June 30, 2005, the County Governmental Funds reported combined fund balances of \$8,382,928, an increase of \$2,543,927 in comparison with the prior year. Approximately 53.6% of the combined fund balances, \$4,496,704, is available to meet the County's current and future needs.
- The General Fund reported a fund balance of \$4,496,704, a decrease of \$59,366 from June 30, 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report consists of three sections: financial, statistical, 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 ***statistical section*** includes selected financial and demographic data related to the County, generally presented on a multi-year basis.
- The ***compliance section*** is required under the provisions of 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*, if applicable.

In the past, the primary focus of local government financial statements has summarized fund type information on a current financial resource basis. This approach has been modified and now consists of two kinds of statements, each with a different view of the County's finances. The new government-wide financial statements provide both long-term and short-term information about the County's overall financial status. The fund financial statements, which have been provided in the past, focus on individual parts of the County's government, reporting the County's operations in more detail than the government-wide statements. The basic financial statements also contain notes to explain in greater detail, the information found in the financial statements.

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, 2005 and 2004

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit School Board</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Assets								
Current and other assets	\$ 9,128,260	\$ 6,811,511	\$ 714,152	\$ 923,907	\$ 9,842,412	\$ 7,735,418	\$ 2,595,494	\$ 2,702,181
Capital assets (net)	<u>35,700,697</u>	<u>36,341,582</u>	<u>15,465,501</u>	<u>15,804,150</u>	<u>51,166,198</u>	<u>52,145,732</u>	<u>7,054,636</u>	<u>7,057,232</u>
Total Assets	<u>\$ 44,828,957</u>	<u>\$ 43,153,093</u>	<u>\$ 16,179,653</u>	<u>\$ 16,728,057</u>	<u>\$ 61,008,610</u>	<u>\$ 59,881,150</u>	<u>\$ 9,650,130</u>	<u>\$ 9,759,413</u>
Liabilities								
Other liabilities	\$ 1,268,284	\$ 2,962,132	\$ 342,973	\$ 338,953	\$ 1,611,257	\$ 3,301,085	\$ 2,862,366	\$ 2,919,117
Long-term liabilities	<u>17,198,123</u>	<u>14,500,123</u>	<u>4,693,092</u>	<u>4,977,708</u>	<u>21,891,215</u>	<u>19,477,831</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>18,466,407</u>	<u>17,462,255</u>	<u>5,036,065</u>	<u>5,316,661</u>	<u>23,502,472</u>	<u>22,778,916</u>	<u>2,862,366</u>	<u>2,919,117</u>
Net Assets								
Invested in capital assets, net of related debt	<u>21,200,574</u>	<u>20,553,486</u>	<u>10,533,743</u>	<u>10,592,588</u>	<u>31,734,317</u>	<u>31,146,074</u>	<u>7,054,636</u>	<u>7,057,232</u>
Unrestricted	<u>5,161,976</u>	<u>5,137,352</u>	<u>609,845</u>	<u>818,808</u>	<u>5,771,821</u>	<u>5,956,160</u>	<u>(266,872)</u>	<u>(216,936)</u>
Total Net Assets	<u>26,362,550</u>	<u>25,690,838</u>	<u>11,143,588</u>	<u>11,411,396</u>	<u>37,506,138</u>	<u>37,102,234</u>	<u>6,787,764</u>	<u>6,840,296</u>
Total Liabilities and Net Assets	<u>\$ 44,828,957</u>	<u>\$ 43,153,093</u>	<u>\$ 16,179,653</u>	<u>\$ 16,728,057</u>	<u>\$ 61,008,610</u>	<u>\$ 59,881,150</u>	<u>\$ 9,650,130</u>	<u>\$ 9,759,413</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 \$37,506,138 at June 30, 2005. The largest portion of the reporting entity's net assets, \$31,734,317, 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, 2005:

Summary of Changes in Net Assets

For the Fiscal Years Ended June 30, 2005 and 2004

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit School Board</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues								
Program Revenues								
Charges for services	\$ 1,253,406	\$ 1,125,846	\$ 1,052,044	\$ 1,011,063	\$ 2,305,450	\$ 2,136,909	\$ 547,045	\$ 557,433
Operating grants and contributions	5,773,437	7,749,150	-	-	5,773,437	7,749,150	17,168,387	15,842,354
General Revenues								
General property taxes, real and personal	12,038,438	11,542,132	-	-	12,038,438	11,542,132	-	-
Other taxes	2,216,223	1,867,293	-	-	2,216,223	1,867,293	-	-
Payment from County of Southampton, VA Education	-	-	-	-	-	-	7,243,431	7,147,087
Noncategorical aid from state	146,044	168,089	-	-	146,044	168,089	-	-
Use of property	45,556	60,556	-	-	45,556	60,556	-	-
Investment earnings	116,996	23,859	6,768	2,796	123,764	26,655	2,716	673
Miscellaneous	902,667	969,682	-	-	902,667	969,682	186,547	35,525
Transfers	(422,275)	(469,779)	422,275	469,779	-	-	-	-
Total Revenues	<u>22,070,492</u>	<u>23,036,828</u>	<u>1,481,087</u>	<u>1,483,638</u>	<u>23,551,579</u>	<u>24,520,466</u>	<u>25,148,126</u>	<u>23,583,072</u>
Expenses								
General government administration	1,569,956	1,053,056	-	-	1,569,956	1,053,056	-	-
Judicial administration	1,056,653	950,743	-	-	1,056,653	950,743	-	-
Public safety	5,723,810	8,136,571	-	-	5,723,810	8,136,571	-	-
Public works	1,451,493	1,938,985	-	-	1,451,493	1,938,985	-	-
Health and welfare	2,249,737	2,157,887	-	-	2,249,737	2,157,887	-	-
Education	7,243,431	7,147,087	-	-	7,243,431	7,147,087	25,200,658	23,990,274
Parks, recreation, and cultural	210,998	208,597	-	-	210,998	208,597	-	-
Community development	1,179,944	519,398	-	-	1,179,944	519,398	-	-
Water and sewer	-	-	1,748,895	1,571,299	1,748,895	1,571,299	-	-
Interest on long-term debt	712,758	813,659	-	-	712,758	813,659	-	-
Total Expenses	<u>21,398,780</u>	<u>22,925,983</u>	<u>1,748,895</u>	<u>1,571,299</u>	<u>23,147,675</u>	<u>24,497,282</u>	<u>25,200,658</u>	<u>23,990,274</u>
Increase (Decrease) in Net Assets	671,712	110,845	(267,808)	(87,661)	403,904	23,184	(52,532)	(407,202)
Beginning Net Assets	25,690,838	25,344,120	11,411,396	11,499,057	37,102,234	36,843,177	6,840,296	7,483,371
Prior Year Adjustment	-	235,873	-	-	-	235,873	-	(235,873)
Ending Net Assets	<u>\$ 26,362,550</u>	<u>\$ 25,690,838</u>	<u>\$ 11,143,588</u>	<u>\$ 11,411,396</u>	<u>\$ 37,506,138</u>	<u>\$ 37,102,234</u>	<u>\$ 6,787,764</u>	<u>\$ 6,840,296</u>

Governmental activities increased the County's net assets by \$671,712 for fiscal year 2005. Revenues from governmental activities totaled \$22,070,492. Taxes comprise the largest source of these revenues, totaling \$14,254,661 or 64.6% of all governmental activities revenue. Of this amount, real and personal property taxes comprise 84.4% of the taxes collected.

The total cost of all governmental activities for this fiscal year was \$21,398,780. Education continues to be the County's largest program and highest priority with expenses totaling \$7,243,431. Public Safety expenses, which total \$5,723,810, represent the second largest expense, followed by Health and Welfare expenses which total \$2,249,737.

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, 2005 and 2004

	<u>2005</u>		<u>2004</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	\$ 1,569,956	\$ (1,275,771)	\$ 1,053,056	\$ (758,748)
Judicial administration	1,056,653	(637,066)	950,743	(643,339)
Public safety	5,723,810	(1,662,691)	8,136,571	(1,503,836)
Public works	1,451,493	(1,178,041)	1,938,985	(1,806,027)
Health and welfare	2,249,737	(667,613)	2,157,887	(685,976)
Education	7,243,431	(7,243,431)	7,147,087	(7,147,087)
Parks, recreation, and cultural	210,998	(205,998)	208,597	(208,597)
Community development	1,179,944	(788,568)	519,398	(483,718)
Interest on long-term debt	712,758	(712,758)	813,659	(813,659)
Total	\$ 21,398,780	\$ (14,371,937)	\$ 22,925,983	\$ (14,050,987)

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2005, the County's Governmental Funds reported a combined ending fund balance of \$8,382,928, an increase of \$2,543,927 in comparison with the prior year. Approximately 53.6%, or \$4,496,704, 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 \$4,496,704 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 21.4% of total fund expenditures.

- The General Fund contributed \$8,214,906 in operating funds to finance the Schools' operations and the Capital Projects Utility Tax Building Fund contributed \$355,894.

Included in the Other Governmental Funds is the Capital Projects Fund which has a total fund balance of \$3,886,224, all of which is designated for ongoing and future capital projects.

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, 2005 and 2004

	<u>2005</u>			<u>2004</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	\$ 11,918,110	\$ 11,925,755	\$ 12,038,438	\$ 11,126,988	\$ 11,151,696	\$ 11,542,132
Other	2,193,344	2,841,677	3,654,110	2,168,873	2,524,301	3,167,392
Intergovernmental	<u>3,379,629</u>	<u>4,068,030</u>	<u>4,203,643</u>	<u>3,302,993</u>	<u>6,317,943</u>	<u>6,357,787</u>
Total	17,491,083	18,835,462	19,896,191	16,598,854	19,993,940	21,067,311
Expenditures						
Expenditures	<u>17,804,334</u>	<u>20,198,084</u>	<u>19,419,800</u>	<u>16,949,087</u>	<u>21,291,609</u>	<u>20,645,460</u>
Excess (Deficiency) of Revenues Over Expenditures	(313,251)	(1,362,622)	476,391	(350,233)	(1,297,669)	421,851
Other Financing Sources (Uses)						
Transfers in	153,348	210,134	40,022	1,011,560	1,975,170	128,848
Transfers out	<u>(664,585)</u>	<u>(664,585)</u>	<u>(575,779)</u>	<u>(661,327)</u>	<u>(677,501)</u>	<u>(578,268)</u>
Total	<u>(511,237)</u>	<u>(454,451)</u>	<u>(535,757)</u>	350,233	1,297,669	(449,420)
Change in Fund Balance	(824,488)	(1,817,073)	(59,366)	-	-	(27,569)
Transfer from Surplus	<u>824,488</u>	<u>1,817,073</u>	-	-	-	-
Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (59,366)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,569)</u>

The final amended budget appropriations, including expenditures and transfers out, exceeded the original appropriation by \$2,393,750. This increase is due primarily to special community and economic development projects, such as the Governor's Opportunity Fund and Home Rehabilitation.

Final amended budget revenues and transfers in were more than the original budget by \$1,344,379, primarily due to the same projects mentioned above.

Actual revenues exceeded final budget amounts by \$1,060,729, or 6%, while actual expenditures were \$778,284, or 3.8% less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2005, the County's investment in capital assets totals \$21,200,574, which is net capital assets less related debt for governmental activities and \$10,533,743 for business-type activities.

During fiscal year 2005, the County's net capital assets (including additions, decreases, and depreciation) decreased \$687,722, or 1.9%, for governmental activities and \$322,060, or 2%, for business-type activities, as summarized below:

Change in Capital Assets

Governmental Activities

	<u>Balance June 30, 2004</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2005</u>
Land and land improvements	\$ 1,300,300	\$ (115,000)	\$ 1,185,300
Buildings and improvements	41,534,155	223,022	41,757,177
Furniture, equipment, and vehicles	3,190,939	195,001	3,385,940
Total Capital Assets	46,025,394	303,023	46,328,417
Less: Accumulated depreciation and amortization	(9,636,975)	(990,745)	(10,627,720)
Total Capital Assets, Net	<u>\$ 36,388,419</u>	<u>\$ (687,722)</u>	<u>\$ 35,700,697</u>

Business-Type Activities

	<u>Balance June 30, 2004</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2005</u>
Land and land improvements	\$ 245,562	\$ -	\$ 245,562
Buildings and improvements	352,944	-	352,944
Infrastructure and equipment	22,387,118	193,347	22,580,465
Vehicles	206,865	(1,266)	205,599
Total Capital Assets	23,192,489	192,081	23,384,570
Less: Accumulated depreciation and amortization	(7,404,928)	(514,141)	(7,919,069)
Total Capital Assets, Net	<u>\$ 15,787,561</u>	<u>\$ (322,060)</u>	<u>\$ 15,465,501</u>

*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.

Long-Term Debt

As of June 30, 2005, the County's long-term obligations total \$22,479,501.

	<u>Balance June 30, 2004</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2005</u>
Governmental Activities			
Long-term debt	\$ 15,788,096	\$ 1,410,027	\$ 17,198,123
Compensated absences			
General Fund	313,358	(133,703)	179,655
Welfare Fund	<u>152,059</u>	<u>(27,316)</u>	<u>124,743</u>
Total Governmental Activities	16,253,513	1,249,008	17,502,521
Business-Type Activities			
Long-term debt	5,211,562	(279,803)	4,931,759
Compensated absences			
Water and Sewer Fund	<u>45,949</u>	<u>(728)</u>	<u>45,221</u>
Total Business-Type Activities	<u>5,257,511</u>	<u>(280,531)</u>	<u>4,976,980</u>
Total Primary Government	<u>\$ 21,511,024</u>	<u>\$ 968,477</u>	<u>\$ 22,479,501</u>
Component Unit School Board			
Compensated absences	<u>\$ 255,649</u>	<u>\$ 32,796</u>	<u>\$ 288,445</u>

There is no legal limit on the amount of general obligation bonded indebtedness that the County can at any time incur or have outstanding. 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

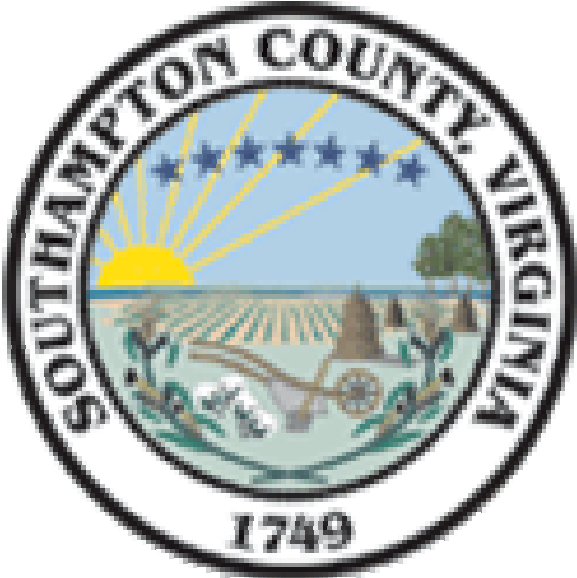
- The average unemployment rate for the County of Southampton, Virginia in June 2005 was 4.6%, an increase of 0.8% from June 2004. This compares unfavorably to the state's rate of 3.8% and favorably to the national rate of 5.2%. The September 2005 unemployment rate for the County was 4.5% compared to the state's rate of 3.5% and the national rate of 4.8%.
- According to the 2000 U.S. Census, the population in Southampton County, Virginia was 17,482, a decrease of 2.7%, since the 1990 U.S. Census.
- The per capita income in Southampton County, Virginia was \$16,930, compared to \$23,975 for the state, according to the 2000 U.S. Census data.

The fiscal year 2006 Adopted Budget anticipates General Fund revenues and expenditures to be \$15,359,686, a 9.2% increase over the fiscal year 2005 budget. Revenues are comprised primarily of General Property Taxes at 83.7% with Other Local Taxes comprising 5.4%. The County's transfer to fund Education operations continues to be the largest expenditure area at 57.2% of total expenditures.

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 Julia G. Williams, Finance Director, County of Southampton, Virginia, 26022 Administration Center Drive, Courtland, Virginia 23837, telephone 757-653-3015, or visit the County's web site at www.southamptoncounty.org.

BASIC FINANCIAL STATEMENTS



County of Southampton, Virginia

Statement of Net Assets

At June 30, 2005

	<u>Primary Government</u>			<u>Component Unit School Board</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Assets				
Cash and cash equivalents	\$ 7,680,112	\$ 571,803	\$ 8,251,915	\$ 1,608,794
Receivables, net	579,751	142,349	722,100	49,345
Due from other governments	868,397	-	868,397	937,355
Capital Assets				
Land and construction in progress	1,185,300	245,562	1,430,862	988,200
Other capital assets, net of accumulated depreciation	34,515,397	15,219,939	49,735,336	6,066,436
Capital Assets, Net	<u>35,700,697</u>	<u>15,465,501</u>	<u>51,166,198</u>	<u>7,054,636</u>
Total Assets	<u>\$ 44,828,957</u>	<u>\$ 16,179,653</u>	<u>\$ 61,008,610</u>	<u>\$ 9,650,130</u>
Liabilities				
Accounts payable and accrued expenses	\$ 376,935	\$ 15,935	\$ 392,870	\$ 2,433,514
Interest payable	218,554	-	218,554	-
Customer deposits	-	43,150	43,150	-
Compensated absences	304,398	45,221	349,619	288,445
Deferred revenue	368,397	-	368,397	140,407
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	-	283,888	283,888	-
<i>Due in more than one year</i>				
Bonds, loans, and capital leases payable	<u>17,198,123</u>	<u>4,647,871</u>	<u>21,845,994</u>	<u>-</u>
Total Liabilities	18,466,407	5,036,065	23,502,472	2,862,366
Net Assets				
Invested in capital assets, net of related debt	21,200,574	10,533,743	31,734,317	7,054,636
Unrestricted	<u>5,161,976</u>	<u>609,845</u>	<u>5,771,821</u>	<u>(266,872)</u>
Total Net Assets	<u>26,362,550</u>	<u>11,143,588</u>	<u>37,506,138</u>	<u>6,787,764</u>
Total Liabilities and Net Assets	<u>\$ 44,828,957</u>	<u>\$ 16,179,653</u>	<u>\$ 61,008,610</u>	<u>\$ 9,650,130</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, 2005

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Component Unit School Board</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>	
Primary Government							
Governmental Activities							
General government administration	\$ 1,569,956	\$ 81,477	\$ 212,708	\$ (1,275,771)	\$ -	\$ (1,275,771)	\$ -
Judicial administration	1,056,653	83,264	336,323	(637,066)	-	(637,066)	-
Public safety	5,723,810	799,842	3,261,277	(1,662,691)	-	(1,662,691)	-
Public works	1,451,493	260,345	13,107	(1,178,041)	-	(1,178,041)	-
Health and welfare	2,249,737	28,478	1,553,646	(667,613)	-	(667,613)	-
Education	7,243,431	-	-	(7,243,431)	-	(7,243,431)	-
Parks, recreation, and cultural	210,998	-	5,000	(205,998)	-	(205,998)	-
Community development	1,179,944	-	391,376	(788,568)	-	(788,568)	-
Interest on long-term debt	712,758	-	-	(712,758)	-	(712,758)	-
Total Governmental Activities	21,398,780	1,253,406	5,773,437	(14,371,937)	-	(14,371,937)	-
Business-Type Activities							
Regional Water and Sewer Fund	1,748,895	1,052,044	-	-	(696,851)	(696,851)	-
Total Business-Type Activities	1,748,895	1,052,044	-	-	(696,851)	(696,851)	-
Total Primary Government	<u>\$ 23,147,675</u>	<u>\$ 2,305,450</u>	<u>\$ 5,773,437</u>	(14,371,937)	(696,851)	(15,068,788)	-
Component Unit							
Southampton County School Board	<u>\$ 25,200,658</u>	<u>\$ 547,045</u>	<u>\$ 17,168,387</u>				(7,485,226)
General Revenues							
Taxes							
General property taxes, real and personal				12,038,438	-	12,038,438	-
Other local taxes				2,216,223	-	2,216,223	-
Payment from County of Southampton, VA							
Education				-	-	-	7,243,431
Noncategorical aid from state				146,044	-	146,044	-
Use of property				45,556	-	45,556	-
Investment earnings				116,996	6,768	123,764	2,716
Miscellaneous				902,667	-	902,667	186,547
Transfers				(422,275)	422,275	-	-
Total General Revenues				<u>15,043,649</u>	<u>429,043</u>	<u>15,472,692</u>	<u>7,432,694</u>
Change in Net Assets				671,712	(267,808)	403,904	(52,532)
Net Assets - Beginning of Year				<u>25,690,838</u>	<u>11,411,396</u>	<u>37,102,234</u>	<u>6,840,296</u>
Net Assets - End of Year				<u>\$ 26,362,550</u>	<u>\$ 11,143,588</u>	<u>\$ 37,506,138</u>	<u>\$ 6,787,764</u>

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

County of Southampton, Virginia

Balance Sheet

Governmental Funds

At June 30, 2005

	<u>General Fund</u>	<u>Public Assistance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 3,954,461	\$ -	\$ 3,843,286	\$ 7,797,747
Property taxes receivable, net	404,411	-	-	404,411
Accounts receivable	81,229	-	94,111	175,340
Due from other governments	<u>737,828</u>	<u>130,569</u>	<u>-</u>	<u>868,397</u>
 Total Assets	 <u>\$ 5,177,929</u>	 <u>\$ 130,569</u>	 <u>\$ 3,937,397</u>	 <u>\$ 9,245,895</u>
Liabilities				
Pooled cash deficit	\$ -	\$ 117,635	\$ -	\$ 117,635
Accounts payable and accrued liabilities	320,726	5,036	51,173	376,935
Deferred revenue	20,937	7,898	-	28,835
Deferred revenue - property taxes	<u>339,562</u>	<u>-</u>	<u>-</u>	<u>339,562</u>
 Total Liabilities	 681,225	 130,569	 51,173	 862,967
Fund Balance				
Designated				
Subsequent years' expenditures	-	-	3,886,224	3,886,224
Unreserved/Undesignated	<u>4,496,704</u>	<u>-</u>	<u>-</u>	<u>4,496,704</u>
 Total Fund Balance	 <u>4,496,704</u>	 <u>-</u>	 <u>3,886,224</u>	 <u>8,382,928</u>
 Total Liabilities and Fund Balance	 <u>\$ 5,177,929</u>	 <u>\$ 130,569</u>	 <u>\$ 3,937,397</u>	 <u>\$ 9,245,895</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, 2005

Total fund balances for Governmental Funds		\$ 8,382,928
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	1,185,300	
Buildings and improvements, net of accumulated depreciation	33,053,269	
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>1,462,128</u>	
Total Capital Assets		35,700,697
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	(17,198,123)	
Interest payable	(218,554)	
Compensated absences	<u>(304,398)</u>	
Total		<u>(17,721,075)</u>
Total net assets of governmental activities		<u>\$ 26,362,550</u>

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, 2005

	<u>General Fund</u>	<u>Public Assistance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 12,038,438	\$ -	\$ -	\$ 12,038,438
Other local taxes	1,152,783	-	1,063,440	2,216,223
Permits, privilege fees, and regulatory licenses	132,365	-	-	132,365
Fines and forfeitures	632,070	-	-	632,070
Use of money and property	90,442	-	187,110	277,552
Charges for services	367,911	-	92,582	460,493
Miscellaneous	719,383	12,650	170,634	902,667
Recovered costs	559,156	-	-	559,156
<i>Intergovernmental</i>				
Revenue from the Commonwealth of Virginia	4,003,621	416,497	124,058	4,544,176
Revenue from the Federal Government	<u>200,022</u>	<u>1,137,149</u>	<u>66,612</u>	<u>1,403,783</u>
Total Revenues	19,896,191	1,566,296	1,704,436	23,166,923
Expenditures				
Current				
General government administration	1,459,078	-	273,912	1,732,990
Judicial administration	1,022,938	-	9,119	1,032,057
Public safety	4,932,321	-	867,444	5,799,765
Public works	1,735,623	-	162,152	1,897,775
Health and welfare	466,484	1,800,234	-	2,266,718
Education - public school system	8,214,906	-	355,894	8,570,800
Parks, recreation, and cultural	194,188	-	-	194,188
Community development	1,389,615	-	7,166	1,396,781
Debt service	<u>4,647</u>	<u>-</u>	<u>-</u>	<u>4,647</u>
Total Expenditures	<u>19,419,800</u>	<u>1,800,234</u>	<u>1,675,687</u>	<u>22,895,721</u>
Excess (Deficiency) of Revenues Over Expenditures	476,391	(233,938)	28,749	271,202
Other Financing Sources (Uses)				
Proceeds from debt	-	-	2,695,000	2,695,000
Transfers in	40,022	250,724	30,905	321,651
Transfers out	<u>(575,779)</u>	<u>(16,786)</u>	<u>(151,361)</u>	<u>(743,926)</u>
Total Other Financing Sources (Uses)	<u>(535,757)</u>	<u>233,938</u>	<u>2,574,544</u>	<u>2,272,725</u>
Net Change in Fund Balance	(59,366)	-	2,603,293	2,543,927
Fund Balance - Beginning of Year	<u>4,556,070</u>	<u>-</u>	<u>1,282,931</u>	<u>5,839,001</u>
Fund Balance - End of Year	<u>\$ 4,496,704</u>	<u>\$ -</u>	<u>\$ 3,886,224</u>	<u>\$ 8,382,928</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, 2005

Net change in fund balances - total Governmental Funds		\$ 2,543,927
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.		(640,885)
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.		
Proceeds from debt	(2,698,000)	
Repayments on debt	<u>1,287,973</u>	
Net Adjustment		(1,410,027)
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:		
Compensated absences	161,019	
Interest payable	<u>17,678</u>	
Net Adjustment		<u>178,697</u>
Change in net assets of governmental activities		<u>\$ 671,712</u>

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, 2005

**Business-Type
Activities -
Enterprise Fund
Water and Sewer
Fund**

Assets

Current Assets

Cash and investments	\$	571,803
Receivables, net		142,349
Total Current Assets		714,152

Noncurrent Assets

Capital assets, net		15,465,501
Total Noncurrent Assets		15,465,501

Total Assets	\$	16,179,653
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Liabilities

Current Liabilities

Accounts payable and accrued expenses	\$	15,935
Short-term portion of debt		283,888
Total Current Liabilities		299,823

Noncurrent Liabilities

Customer deposits		43,150
Compensated absences		45,221
Long-term debt		4,647,871
Total Noncurrent Liabilities		4,736,242

Total Liabilities		5,036,065
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Net Assets

Invested in capital assets, net of related debt		10,533,743
Unrestricted		609,845
Total Net Assets		11,143,588

Total Liabilities and Net Assets	\$	16,179,653
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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, 2005

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Operating Revenues	
Charges for services, net	\$ 1,042,709
Miscellaneous	9,335
	1,052,044
Operating Expenses	
Personal services and benefits	533,350
Repairs and maintenance	144,271
Engineering costs	110,720
Legal and professional fees	2,415
Utilities	141,487
Chemicals and lab	36,517
Vehicle and power equipment	79,705
Insurance	20,286
Other supplies	19,852
Depreciation	535,384
Other charges	22,509
	1,646,496
Operating Income (Loss)	(594,452)
Nonoperating Revenues (Expenses)	
Interest income	6,768
Interest expense	(102,399)
	(95,631)
Income (Loss) Before Transfers	(690,083)
Transfers in	422,275
Change in Net Assets	(267,808)
Total Net Assets - Beginning of Year	11,411,396
Total Net Assets - End of Year	\$ 11,143,588

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, 2005

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,043,816
Other receipts	25,922
Payments for personnel and related costs	(534,078)
Payments to suppliers and other operating costs	<u>(584,982)</u>
Net Cash Used in Operating Activities	(49,322)
Cash Flows from Noncapital Financing Activities	
Transfers from other funds	<u>422,275</u>
Net Cash Provided by Noncapital Financing Activities	422,275
Cash Flows from Capital and Related Financing Activities	
Purchases and construction of capital assets	(213,325)
Principal paid on capital debt	(279,801)
Interest paid on capital debt	<u>(102,399)</u>
Net Cash Used in Capital and Related Financing Activities	(595,525)
Cash Flows from Investing Activities	
Interest income	<u>6,768</u>
Net Decrease in Cash and Cash Equivalents	(215,804)
Cash and Cash Equivalents - Beginning of Year	<u>787,607</u>
Cash and Cash Equivalents - End of Year	<u>\$ 571,803</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ (594,452)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation expense	535,384
Gain on disposition of fixed assets	16,587
Changes in assets and liabilities	
Receivables, net	(6,048)
Accounts payable and accrued expenses	(7,220)
Compensated absences	(728)
Customer deposits	<u>7,155</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (49,322)</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, 2005

	Agency Funds
Assets	
Cash and investments	\$ 615,548
Total Assets	<u>\$ 615,548</u>
Liabilities	
Amounts held for others	\$ 615,548
Total Liabilities	<u>\$ 615,548</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, 2005

<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	\$ 24,715,911	\$ 547,045	\$ 17,168,387	\$ (7,000,479)
Depreciation	<u>484,747</u>	<u>-</u>	<u>-</u>	<u>(484,747)</u>
Total School Board	<u>\$ 25,200,658</u>	<u>\$ 547,045</u>	<u>\$ 17,168,387</u>	(7,485,226)
General Revenues				
				7,243,431
				2,716
				<u>186,547</u>
Total General Revenues				<u>7,432,694</u>
				(52,532)
				<u>6,840,296</u>
				<u>\$ 6,787,764</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, 2005

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 new requirements and a new 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 new 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. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government’s original budget to the current comparison of final budget and actual results for its major funds.

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% 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 \$172,188 in operating funds in fiscal year 2005. 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 2005:

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.

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

The County may adopt budgets for other funds, such as the Agency Funds, for use as a management control device over such 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, 2005, 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 \$349,138 at June 30, 2005 and is composed of the following:

General Fund - taxes receivable	\$ 349,138
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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 to 50 years
Furniture and other equipment	3 to 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, 2005, 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 46.2 percent of the County's total investment.

The following is a summary of investments:

	<u>Carrying Amount</u>	<u>Market Value</u>
Primary Government		
Repurchase Agreements	\$ 4,093,019	\$ 4,093,019
Morgan Keegen and Company	<u>1,053,403</u>	<u>1,053,403</u>
Total Investments	5,146,422	<u><u>\$ 5,146,422</u></u>
Total Deposits	<u>3,718,417</u>	
Total Investments and Deposits - Primary Government	8,864,839	
Cash on Hand	<u>2,624</u>	
Total - Primary Government	<u><u>\$ 8,867,463</u></u>	
Component Unit School Board		
Total Investments	<u>\$ -</u>	<u>\$ -</u>
Total Deposits	<u>\$ 1,608,794</u>	
Total - School Board	<u><u>\$ 1,608,794</u></u>	

The following is a summary and reconciliation of the pooled cash and investments at June 30, 2005:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Primary Government				
Cash and cash equivalents	\$ 2,533,690	\$ 571,803	\$ -	\$ 3,105,493
Investments	5,146,422	-	-	5,146,422
Cash and investments with fiscal agents	-	-	615,548	615,548
Total Primary Government	7,680,112	571,803	615,548	8,867,463
Component Unit School Board				
Cash and cash equivalents	1,608,794	-	-	1,608,794
Grand Total	<u>\$ 9,288,906</u>	<u>\$ 571,803</u>	<u>\$ 615,548</u>	<u>\$ 10,476,257</u>

Cash on Hand. The County also had cash on hand of \$2,624.

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 2004 were levied by the County Board of Supervisors in May 2004 on the assessed value listed as of January 1, 2004.

Property taxes for calendar year 2005 were levied by the County Board of Supervisors in May 2005 on the assessed value listed as of January 1, 2005.

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, 2005 consist of the following:

Primary Government

Governmental Activities

	<u>General</u>	<u>Other Nonmajor</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Property taxes	\$ 753,549	\$ -	\$ 753,549	\$ -	\$ 753,549	\$ -
Utility taxes	-	93,910	93,910	-	93,910	-
Other	81,229	201	81,430	-	81,430	49,345
Water and sewer	-	-	-	142,349	142,349	-
Total	834,778	94,111	928,889	142,349	1,071,238	49,345
Allowance for uncollectibles	<u>(349,138)</u>	-	<u>(349,138)</u>	-	<u>(349,138)</u>	-
Net Receivables	<u>\$ 485,640</u>	<u>\$ 94,111</u>	<u>\$ 579,751</u>	<u>\$ 142,349</u>	<u>\$ 722,100</u>	<u>\$ 49,345</u>

5 Due from Other Governmental Units

	<u>Governmental Activities</u>			<u>Component Unit School Board</u>
	<u>General</u>	<u>Other Nonmajor</u>	<u>Total</u>	
Commonwealth of Virginia				
Local and State sales taxes	\$ -	\$ -	\$ -	\$ 242,035
Mobile home tax	10,671	-	10,671	-
Public assistance funds	-	130,569	130,569	-
Victim witness	14,166	-	14,166	-
Comprehensive services	4,542	-	4,542	-
Salary reimbursements and fringes	237,727	-	237,727	63,885
Other	254	-	254	88,171
Technology	-	-	-	161,751
Special Education	-	-	-	28,357
Federal Money from State				
FEMA	388,064	-	388,064	-
Title I	-	-	-	97,625
Domestic Preparedness	75,154	-	75,154	-
Title VIB Flowthrough	-	-	-	180,712
Title IIA	-	-	-	43,620
Other Federal Pass-Through	7,250	-	7,250	-
School Lunch Program	-	-	-	31,199
Total	<u>\$ 737,828</u>	<u>\$ 130,569</u>	<u>\$ 868,397</u>	<u>\$ 937,355</u>

6 Interfund Balances and Activity

Balance due to/from other funds at June 30, 2005:

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	\$ 250,724	\$ -
To School Fund for local appropriation	8,214,906	-
To Enterprise Fund for operating costs and debt service	325,055	-
From Welfare Fund for local recoveries	-	16,786
From Inmate Fund for reimbursement of expenses	-	23,236

Total General Fund	8,790,685	40,022
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Public Assistance - Welfare Fund

From General Fund	-	250,724
To General Fund	16,786	-

911 Fund

To Utility Tax Building Fund	30,905	-
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School Fund

From Utility Tax Building Fund for debt service	-	355,894
From General Fund for local appropriation	-	8,214,906

Inmate Fund

To General Fund for reimbursement of expenses	23,236	-
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Enterprise Fund

From Utility Tax Building Fund for engineering costs	-	97,220
From General Fund for operating costs and debt service	-	325,055

Utility Tax Building Fund

From 911 Fund	-	30,905
To Enterprise Fund for engineering costs	97,220	-
To School Fund for debt service payments	355,894	-

Total Transfers	<u>\$ 9,314,726</u>	<u>\$ 9,314,726</u>
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Component Unit School Board

There were no transfers among the Component Unit School Board funds.
There were no interfund obligations in the Component Unit School Board.

Primary Government

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,300,300	\$ -	\$ 115,000	\$ 1,185,300
Total Capital Assets Not Being Depreciated	1,300,300	-	115,000	1,185,300
Other Capital Assets				
Buildings and improvements	41,534,155	223,022	-	41,757,177
Furniture, equipment, and vehicles	<u>3,190,939</u>	<u>377,561</u>	<u>182,560</u>	<u>3,385,940</u>
Total Other Capital Assets	44,725,094	600,583	182,560	45,143,117
Less: Accumulated depreciation for				
Buildings and improvements	7,789,530	914,378	-	8,703,908
Furniture, equipment, and vehicles	<u>1,847,445</u>	<u>220,711</u>	<u>144,344</u>	<u>1,923,812</u>
Total Accumulated Depreciation	<u>9,636,975</u>	<u>1,135,089</u>	<u>144,344</u>	<u>10,627,720</u>
Other Capital Assets, Net	<u>35,088,119</u>	<u>(534,506)</u>	<u>38,216</u>	<u>34,515,397</u>
Net Capital Assets	<u>\$ 36,388,419</u>	<u>\$ (534,506)</u>	<u>\$ 153,216</u>	<u>\$ 35,700,697</u>

Depreciation expense was allocated as follows:

General government administration	\$ 119,466
Judicial administration	24,596
Public safety	153,569
Public works	67,101
Health and welfare	10,335
Education	732,413
Parks, recreation, and cultural	16,810
Community development	<u>10,799</u>
Total Depreciation Expense	<u>\$ 1,135,089</u>

Business-Type Activities

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 245,562	\$ -	\$ -	\$ 245,562
Total Capital Assets Not Being Depreciated	245,562	-	-	245,562
Other Capital Assets				
Buildings and improvements	352,944	-	-	352,944
Infrastructure and equipment	22,387,118	193,347	-	22,580,465
Vehicles	206,865	19,977	21,243	205,599
Total Other Capital Assets	22,946,927	213,324	21,243	23,139,008
Less: Accumulated depreciation for				
Buildings and improvements	23,444	9,677	-	33,121
Infrastructure and equipment	7,286,167	506,395	-	7,792,562
Vehicles	95,317	19,312	21,243	93,386
Total Accumulated Depreciation	7,404,928	535,384	21,243	7,919,069
Other Capital Assets, Net	15,541,999	(322,060)	-	15,219,939
Net Capital Assets	<u>\$ 15,787,561</u>	<u>\$ (322,060)</u>	<u>\$ -</u>	<u>\$ 15,465,501</u>
Depreciation expense was allocated to education		<u>\$ 535,384</u>		

Component Unit School Board

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 988,200	\$ -	\$ -	\$ 988,200
Total Capital Assets Not Being Depreciated	988,200	-	-	988,200
Other Capital Assets				
Buildings and improvements	2,225,700	-	-	2,225,700
Furniture, equipment, and vehicles	9,951,716	301,130	61,205	10,191,641
Total Other Capital Assets	12,177,416	301,130	61,205	12,417,341
Less: Accumulated depreciation for				
Buildings and improvements	1,380,299	51,917	-	1,432,216
Furniture, equipment, and vehicles	4,547,064	432,830	61,205	4,918,689
Total Accumulated Depreciation	5,927,363	484,747	61,205	6,350,905
Other Capital Assets, Net	6,250,053	(183,617)	-	6,066,436
Net Capital Assets	<u>\$ 7,238,253</u>	<u>\$ (183,617)</u>	<u>\$ -</u>	<u>\$ 7,054,636</u>
Depreciation expense was allocated to education		<u>\$ 484,747</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,	Governmental Activities General Bonds Payable		Business-Type Activities		Component Unit School Board	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 1,526,760	\$ 848,576	\$ 283,888	\$ 98,314	\$ -	\$ -
2007	1,509,251	772,567	286,901	95,300	-	-
2008	1,516,589	692,132	290,030	92,172	-	-
2009	1,525,710	610,023	293,278	88,923	-	-
2010	1,502,746	526,995	296,651	85,550	-	-
2011-2015	5,570,489	1,648,970	1,299,554	384,555	-	-
2016-2020	3,217,488	624,166	899,230	323,804	-	-
2021-2025	829,090	31,528	370,376	249,304	-	-
2026-2030	-	-	463,636	156,044	-	-
2031-2035	-	-	448,215	42,076	-	-
Compensated absences	304,398	-	45,221	-	288,445	-
Total	\$ 17,502,521	\$ 5,754,957	\$ 4,976,980	\$ 1,616,042	\$ 288,445	\$ -

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2005:

	Balance July 1, 2004	Increase	Decrease	Balance June 30, 2005	Due Within One Year
Primary Government					
Governmental Activities					
General Fund					
Capital lease with IBM Corporation for new computer equipment purchased over 5 years. Quarterly payments of \$3,818.86 with an interest rate of approximately 5 percent.	\$ 29,409	\$ -	\$ 14,068	\$ 15,341	\$ 15,341
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.	-	2,698,000	-	2,698,000	235,000
General Fund - School Bonds					
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 12/15/1991, with SunTrust Bank.	2,015,000	-	265,000	1,750,000	275,000

	<u>Balance</u> <u>July 1, 2004</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
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 percent and 7 percent through 12/15/2011 with SunTrust Bank.	1,340,000	-	190,000	1,150,000	185,000
General Obligation Bond (Virginia Public School Authority, 1994 Series) due in various installments for 20 years at varying rates between 6.1 percent and 6.6 percent through 07/15/2015 with SunTrust Bank.	150,000	-	15,000	135,000	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 percent. Interest due semiannually, 6/15 and 12/15, with SunTrust Bank.	715,000	-	120,000	595,000	120,000
General Obligation Bonds (Virginia Public School Authority, 1992 Series B) issued 10/28/1992, due in various installments ranging from \$85,000 to \$180,000; rates from 5.1 percent to 8.12 percent; final maturity 12/15/2014. Interest due semiannually, 6/15 and 12/15, starting 6/15/1993, with SunTrust Bank.	980,000	-	135,000	845,000	125,000
General Obligation Bonds (Virginia Public School Authority, Series 2000 B) due in various installments ranging from \$218,266 to \$304,970; rate of 5.10 percent. Interest due semiannually, 7/15 and 1/15, with SunTrust Bank.	8,985,916	-	460,278	8,525,638	465,698
General Obligation Bonds (Virginia Public School Authority, Series 2002 B) due in various installments ranging from \$60,596 to \$74,322 and rates from 2.35 percent to 5.1 percent. Interest due semiannually, 7/15 and 1/15, with SunTrust Bank.	1,242,974	-	60,596	1,182,378	60,834
General Obligation Refunding Note, Series 1998 issued July 1, 1998 with SunTrust Bank due 7/1/2013; payable annually beginning 7/1/1999 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.	329,797	-	28,031	301,766	29,887
Compensated Absences - General Fund	313,358	-	133,703	179,655	-
Compensated Absences - Welfare Fund	152,059	-	27,316	124,743	-
Total Governmental Activities	16,253,513	2,698,000	1,448,992	17,502,521	1,526,760

	<u>Balance</u> <u>July 1, 2004</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
Business-Type Activities					
Virginia Resources Authority, \$4,022,364 note payable, payable in semiannual installments of \$100,559 over 20 years with no interest.	2,815,655	-	201,118	2,614,537	201,118
Equipment Loan with Suntrust Bank payable in semiannual installments of \$28,573.73 over 7 years with interest at 2.94 percent.	359,690	-	45,749	313,941	48,320
Rural Development, \$2,250,000 Revenue Bonds, Series 1994 A payable over 40 years not to exceed 5 percent interest. The monthly payments are \$10,328.	2,036,217	-	32,936	2,003,281	34,450
Compensated Absences - Water and Sewer Fund	<u>45,949</u>	<u>-</u>	<u>728</u>	<u>45,221</u>	<u>-</u>
Total Business-Type Activities	<u>5,257,511</u>	<u>-</u>	<u>280,531</u>	<u>4,976,980</u>	<u>283,888</u>
Total Primary Government	<u>\$ 21,511,024</u>	<u>\$ 2,698,000</u>	<u>\$ 1,729,523</u>	<u>\$ 22,479,501</u>	<u>\$ 1,810,648</u>
Component Unit School Board					
Governmental Activities					
Operating Fund					
Compensated Absences - School Board	<u>\$ 255,649</u>	<u>\$ 32,796</u>	<u>\$ -</u>	<u>\$ 288,445</u>	<u>-</u>
Total Component Unit School Board	<u>\$ 255,649</u>	<u>\$ 32,796</u>	<u>\$ -</u>	<u>\$ 288,445</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 \$2,500. Accumulated vacation up to thirty days is paid upon termination. The County has outstanding compensated absences totaling \$304,398 in the governmental activities. The balance in the business-type activities is \$45,221. The balance in the Component Unit School Board is \$288,445.

10 Deferred Revenue

Primary Government

Property taxes	\$ 339,563
Prepaid taxes	20,936
Welfare revenue	<u>7,898</u>
Total Primary Government	<u>\$ 368,397</u>

Component Unit School Board

Algebra Reading	\$ 71,185
Mentor teacher	17,168
Other school programs from donations	<u>52,054</u>
Total Component Unit School Board	<u>\$ 140,407</u>

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, 2005, 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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. 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 increases limited to 5 percent per year beginning in their second year of retirement. 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/2004AnnuRept.pdf> or obtained by writing to the System 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 percent of their annual salary to the VRS. The employer may assume this 5 percent member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2005 was 3 percent of annual covered payroll. The Component Unit School Board's contribution rate for non-professional employees for the fiscal year ended 2005 was 0.75 percent of annual covered payroll. The Component Unit School Board contributed \$731,340 to the teacher cost-sharing pool at a rate of 6.03 percent.

C. Annual Pension Cost

For fiscal year 2005, the County's annual pension cost of \$180,036 and \$7,660 for the County and the County School Board non-professionals, respectively, was equal to the County's required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return, (b) projected salary increases ranging from 4.00 percent to 7.00 percent per year, and (c) 3.00 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00 percent. 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.

REQUIRED SUPPLEMENTARY INFORMATION

Schedules 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, 2002	\$ 17,353,746	\$ 15,305,731	\$ (2,048,015)	113.38%	\$ 5,123,074	-39.98%
June 30, 2003	17,727,181	16,552,597	(1,174,584)	107.10%	5,290,935	-22.20%
June 30, 2004	18,058,545	17,750,870	(307,675)	101.73%	5,411,038	-5.69%
Southampton County School Board						
June 30, 2002	2,884,757	2,346,998	(537,759)	122.91%	861,354	-62.43%
June 30, 2003	2,909,345	2,434,945	(474,400)	119.48%	766,944	-61.86%
June 30, 2004	2,927,987	2,684,338	(243,649)	109.08%	930,869	-26.17%

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, 2004	June 30, 2004
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent, Open	Level Percent, Open
Payroll Growth Rate	3.00%	3.00%
Remaining Amortization Period	9 years	13 years
Asset Valuation Method	Modified Market	Modified Market
Actuarial Assumptions		
Investment rate of return ¹	8.00%	8.00%
Projected salary increases ¹		
NonLaw Enforcement Officer Employees	4.25% to 6.10%	4.25% to 6.10%
Law Enforcement Officer Employees	4.50% to 5.75%	4.50% to 5.75%
Cost-of-living adjustments	3.00%	3.00%

¹Includes inflation of 3%.

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	\$ 72,912
911 Fund	Subsequent years' appropriations	54,873
Forfeiture Fund	Subsequent years' appropriations	110,434
Law Library Fund	Subsequent years' appropriations	9,738
Canteen Fund	Subsequent years' appropriations	39,030
Inmate Fund	Subsequent years' appropriations	335,507
Utility Tax Building Fund	Subsequent years' appropriations	<u>3,263,730</u>
Total Primary Government		<u>\$ 3,886,224</u>

14 Legal Compliance

A. Expenditures in Excess of Appropriations

No expenditures exceeded appropriations.

B. Fund Deficits

No funds had fund deficits.

15 Surety Bond Information

The following constitutional officers are insured through the Commonwealth of Virginia Faithful Performance of Duty Bond Plan in effect at June 30, 2005

Fidelity and Deposit Company of Maryland - Surety

Wayne M. Cosby, Clerk of Circuit Court	\$ 100,000
David K. Britt, Treasurer	400,000
John Robert Harrup, Commissioner of Revenue	3,000
Vernie W. Francis, Jr., Sheriff	30,000

Fidelity and Deposit Company of Maryland - Surety

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

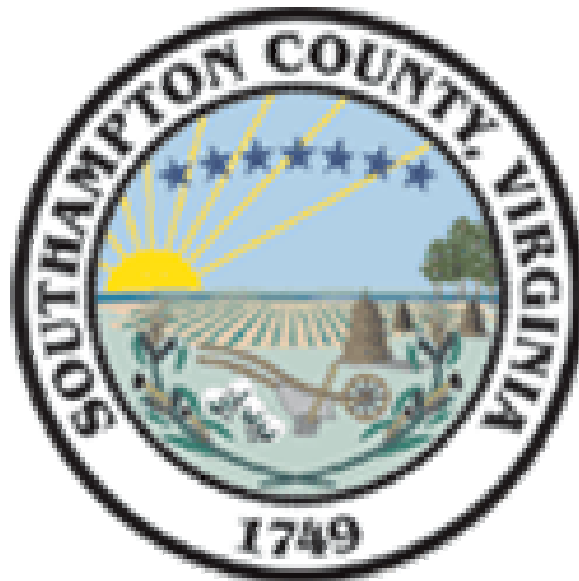
Michael W. Johnson, County Administrator	10,000
Dallas O. Jones, Chairman	1,000
Walter L. Young, Jr., Vice Chairman	1,000
Walter D. Brown, III, Supervisor	1,000
Carl J. Faison, Supervisor	1,000
Anita T. Felts, Supervisor	1,000
Ronald M. West, Supervisor	1,000
Moses Wyche, Supervisor	1,000

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	\$ 8,214,906
Transfer from Capital Projects Utility Tax Fund	<u>355,894</u>
Total Appropriation per Fund Financial Statements	8,570,800
Debt on school buildings belonging to General Fund paid by School Fund	(2,059,782)
Depreciation on school buildings	<u>732,413</u>
Appropriation to School Fund per Government-Wide Statements	<u>\$ 7,243,431</u>

REQUIRED SUPPLEMENTARY INFORMATION



County of Southampton, Virginia

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2005

	<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	\$ 5,712,116	\$ 5,712,116	\$ 5,686,930	\$ (25,186)
Mobile home taxes	73,022	73,022	71,099	(1,923)
Personal property taxes	4,235,793	4,235,793	4,120,651	(115,142)
Public service corporation property taxes	633,966	633,966	624,381	(9,585)
Machinery and tools taxes	400,574	400,574	529,263	128,689
Farm implement/machinery seasonal taxes	340,410	340,410	313,071	(27,339)
Merchants' capital and contractors' equipment	129,229	129,229	144,009	14,780
Delinquent taxes	210,000	217,645	277,028	59,383
Interest on taxes	48,000	48,000	60,380	12,380
Penalties on taxes	135,000	135,000	211,626	76,626
Total General Property Taxes	11,918,110	11,925,755	12,038,438	112,683
Other Local Taxes				
Local sales and use taxes	312,423	312,423	467,318	154,895
Consumption tax	34,500	34,500	49,730	15,230
Business license taxes	70,000	70,000	108,119	38,119
Franchise taxes	18,000	18,000	31,841	13,841
Motor vehicle licenses	301,000	301,000	331,890	30,890
Tax on recordation and wills	63,000	63,000	163,885	100,885
Total Other Local Taxes	798,923	798,923	1,152,783	353,860
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	16,000	16,000	14,410	(1,590)
Building permits	72,000	72,000	113,682	41,682
Other permits, licenses, and fees	3,250	3,250	4,273	1,023
Total Permits, Privilege Fees, and Regulatory Licenses	91,250	91,250	132,365	41,115
Fines and Forfeitures	462,507	462,507	632,070	169,563
Revenue from Use of Money and Property	25,000	25,000	90,442	65,442
Charges for Services				
Miscellaneous	4,202	16,168	40,625	24,457
Service charges - tax exempt	30,351	30,351	40,852	10,501
School resource officer	32,064	32,730	32,730	-
Circuit Court - Isle of Wight	14,077	14,077	13,965	(112)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Reimbursements for utilities and salaries	47,000	109,938	127,980	18,042
Courthouse maintenance fees	21,000	21,000	24,791	3,791
Collection fee account	3,686	4,436	37,428	32,992
Correction and detention	-	49,540	49,540	-
Total Charges for Services	<u>152,380</u>	<u>278,240</u>	<u>367,911</u>	<u>89,671</u>
Recovered Costs				
City of Franklin shared costs	121,008	121,008	121,008	-
Insurance claims	-	66,302	45,525	(20,777)
Miscellaneous recoveries	-	13,390	17,545	4,155
General obligation debt	22,276	22,276	46,020	23,744
Reimbursement of Home Program Funds	-	227,636	227,636	-
Hospitalization insurance	-	46,180	46,457	277
SEVAMP - visiting nurse	-	54,965	54,965	-
Total Recovered Costs	<u>143,284</u>	<u>551,757</u>	<u>559,156</u>	<u>7,399</u>
Miscellaneous				
Miscellaneous	-	15,000	25,383	10,383
Valley Protein	-	-	70,000	70,000
Industrial corridor tax revenue	520,000	520,000	525,000	5,000
Camp Campbell Foundation	-	99,000	99,000	-
Total Miscellaneous	<u>520,000</u>	<u>634,000</u>	<u>719,383</u>	<u>85,383</u>
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
ABC profits	8,618	8,618	8,611	(7)
Wine taxes	9,034	9,034	9,026	(8)
Rolling stock taxes - motor vehicle carriers tax	55,000	55,000	57,589	2,589
Mobile home titling tax	30,000	30,000	40,336	10,336
Recordation and grantors' tax - state	34,660	34,660	30,482	(4,178)
Total Noncategorical Aid	<u>137,312</u>	<u>137,312</u>	<u>146,044</u>	<u>8,732</u>
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Commonwealth's Attorney	268,154	278,305	268,940	(9,365)
Sheriff and Sheriff's auto	2,421,171	2,452,310	2,452,310	-
Commissioner of the Revenue	77,760	77,760	80,990	3,230
Treasurer	74,332	74,332	76,788	2,456
Medical Examiners	900	900	-	(900)
Electoral Board and General Registrar	39,906	39,906	54,930	15,024
Clerk - fringe benefits	-	-	10,788	10,788
Recycle grant	-	1,856	1,856	-
Jail operations	318,165	318,165	422,744	104,579
Jail beds	-	-	15,512	15,512

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Extradition expenses	-	5,848	5,848	-
Miscellaneous state grants	-	13,936	12,693	(1,243)
Litter Control Grant	-	11,251	11,251	-
Emergency medical services	-	15,707	7,854	(7,853)
School resource officer	-	-	5,532	5,532
Victim Witness Grant	-	51,161	51,063	(98)
Governor's Opportunity Fund	-	350,000	350,000	-
Comprehensive Services Act	41,929	39,259	28,478	(10,781)
Total Categorical Aid	<u>3,242,317</u>	<u>3,730,696</u>	<u>3,857,577</u>	<u>126,881</u>
Total Revenue from the Commonwealth of Virginia	3,379,629	3,868,008	4,003,621	135,613
Revenue from the Federal Government				
Domestic Preparedness Equipment	-	192,397	192,397	-
Emergency Management Preparedness Grant	-	2,000	2,000	-
Department of Criminal Justice Services	-	5,625	5,625	-
Total Revenue from the Federal Government	<u>-</u>	<u>200,022</u>	<u>200,022</u>	<u>-</u>
Total Intergovernmental Revenue	<u>3,379,629</u>	<u>4,068,030</u>	<u>4,203,643</u>	<u>135,613</u>
Total Revenues	17,491,083	18,835,462	19,896,191	1,060,729
Expenditures				
Current				
<i>General Government Administration</i>				
Board of Supervisors	143,349	159,179	111,438	47,741
County Administrator	260,346	271,363	266,773	4,590
Commissioner of Revenue	207,075	209,062	198,027	11,035
Treasurer	191,722	193,148	194,726	(1,578)
Data processing	193,378	177,110	170,106	7,004
Insurance	98,605	100,985	95,020	5,965
Accounting	151,000	152,212	149,835	2,377
Delinquent taxes	56,700	64,345	64,344	1
Board of Assessors	162,000	162,000	93,818	68,182
Board of Elections	118,612	120,679	114,991	5,688
Total General Government Administration	<u>1,582,787</u>	<u>1,610,083</u>	<u>1,459,078</u>	<u>151,005</u>

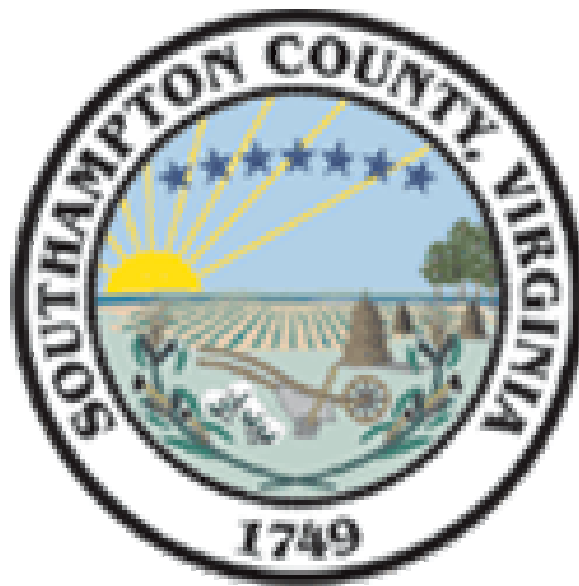
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Judicial Administration</i>				
Circuit Court	59,411	64,900	55,623	9,277
General District Court	19,523	19,546	16,938	2,608
Magistrate	1,338	1,338	986	352
Victim Witness Assistance Program	-	51,161	51,067	94
Clerk of the Circuit Court	125,799	134,397	127,202	7,195
Sheriff - Bailiff	366,423	380,577	372,480	8,097
Courthouse Security	35,199	35,199	35,044	155
Commonwealth's Attorney	345,398	385,211	363,598	21,613
Total Judicial Administration	953,091	1,072,329	1,022,938	49,391
<i>Public Safety</i>				
Sheriff's Department	1,208,603	1,319,840	1,236,876	82,964
School resource officer	32,064	32,730	32,730	-
Fire and rescue services	819,478	1,029,459	1,019,809	9,650
Emergency services	28,250	268,168	264,132	4,036
Forestry	13,257	13,257	12,982	275
Detention	2,081,212	2,191,493	2,186,103	5,390
Probation	61,165	61,165	57,172	3,993
Inspections	50,738	51,792	51,634	158
Animal control	70,485	71,098	70,883	215
Medical Examiner	1,500	1,500	-	1,500
Total Public Safety	4,366,752	5,040,502	4,932,321	108,181
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	41,000	41,000	33,337	7,663
Refuse collection	906,045	906,045	835,711	70,334
Refuse disposal	358,992	461,012	447,055	13,957
Maintenance of buildings and grounds	395,808	426,053	419,520	6,533
Total Public Works	1,701,845	1,834,110	1,735,623	98,487
<i>Health and Welfare</i>				
Health Department	268,133	268,133	268,133	-
Mental health	64,600	65,110	65,110	-
Family preservation services	-	18,651	18,651	-
Senior citizens	-	54,965	54,965	-
Comprehensive services	61,935	77,612	46,645	30,967
Welfare and social services	15,010	15,010	12,980	2,030
Total Health and Welfare	409,678	499,481	466,484	32,997
<i>Education</i>				
Appropriation to public school system	8,158,133	8,506,545	8,214,906	291,639
Total Education	8,158,133	8,506,545	8,214,906	291,639

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
<i>Parks, Recreation, and Cultural</i>				
Regional library	172,188	172,188	172,188	-
Miscellaneous contributions	17,000	22,000	22,000	-
Total Parks, Recreation, and Cultural	<u>189,188</u>	<u>194,188</u>	<u>194,188</u>	-
<i>Community Development</i>				
Planning and community development	156,308	174,906	170,666	4,240
Economic development	135,659	140,900	144,099	(3,199)
Virtual Building Grant	-	101,370	86,485	14,885
Home Rehabilitation	-	227,636	227,636	-
Governor's Opportunity Funds - Narricot Industries	-	350,000	350,000	-
VDOT Industrial Access Projection	-	234,204	234,204	-
Revenue sharing agreement	94,000	94,000	81,778	12,222
Soil and Water Conservation District and Chowan	9,410	47,104	47,104	-
Cooperative extension program	47,483	49,353	47,643	1,710
Total Community Development	<u>442,860</u>	<u>1,419,473</u>	<u>1,389,615</u>	<u>29,858</u>
<i>Debt Service</i>	-	21,373	4,647	16,726
Total Expenditures	<u>17,804,334</u>	<u>20,198,084</u>	<u>19,419,800</u>	<u>778,284</u>
Excess (Deficiency) of Revenues Over Expenditures	(313,251)	(1,362,622)	476,391	1,839,013
Other Financing Sources (Uses)				
Transfers in	153,348	210,134	40,022	(170,112)
Transfers out	(664,585)	(664,585)	(575,779)	88,806
Total Other Financing Sources (Uses)	<u>(511,237)</u>	<u>(454,451)</u>	<u>(535,757)</u>	<u>(81,306)</u>
Net Change in Fund Balance	(824,488)	(1,817,073)	(59,366)	1,757,707
Transfer from surplus funds	824,488	1,817,073	-	(1,817,073)
Excess (Deficiency) of Revenues Over Expenditures After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(59,366)	<u>\$ (59,366)</u>
Fund Balance - Beginning of Year			<u>4,556,070</u>	
Fund Balance - End of Year			<u>\$ 4,496,704</u>	

Public Assistance Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Miscellaneous	\$ -	\$ 12,650	\$ 12,650	\$ -
Intergovernmental				
Revenue from the Commonwealth of Virginia	450,204	477,609	416,497	(61,112)
Revenue from the Federal Government	<u>1,229,180</u>	<u>1,304,003</u>	<u>1,137,149</u>	<u>(166,854)</u>
Total Intergovernmental Revenue	<u>1,679,384</u>	<u>1,781,612</u>	<u>1,553,646</u>	<u>(227,966)</u>
Total Revenues	1,679,384	1,794,262	1,566,296	(227,966)
Expenditures				
Current				
<i>Health and Welfare</i>				
Welfare and social services	<u>2,018,914</u>	<u>2,133,792</u>	<u>1,800,234</u>	<u>333,558</u>
Total Expenditures	<u>2,018,914</u>	<u>2,133,792</u>	<u>1,800,234</u>	<u>333,558</u>
Excess (Deficiency) of Revenues Over Expenditures	(339,530)	(339,530)	(233,938)	105,592
Other Financing Sources (Uses)				
Transfers in	339,530	339,530	250,724	(88,806)
Transfers out	<u>-</u>	<u>-</u>	<u>(16,786)</u>	<u>(16,786)</u>
Total Other Financing Sources (Uses)	<u>339,530</u>	<u>339,530</u>	<u>233,938</u>	<u>(105,592)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

OTHER SUPPLEMENTARY INFORMATION



County of Southampton, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2005

	<u>Federal Grants Fund</u>	<u>911 Fund</u>	<u>Special Revenue Funds</u>		<u>Canteen Fund</u>	<u>Inmate Fund</u>	<u>Capital Projects Utility Tax Building Fund</u>	<u>Total Other Governmental Funds</u>
			<u>Forfeiture Fund</u>	<u>Law Library Fund</u>				
Assets								
Cash and investments	\$ 72,912	\$ 59,289	\$ 110,446	\$ 9,903	\$ 45,069	\$ 335,507	\$ 3,210,160	\$ 3,843,286
Accounts receivable	-	201	-	-	-	-	93,910	94,111
Total Assets	<u>\$ 72,912</u>	<u>\$ 59,490</u>	<u>\$ 110,446</u>	<u>\$ 9,903</u>	<u>\$ 45,069</u>	<u>\$ 335,507</u>	<u>\$ 3,304,070</u>	<u>\$ 3,937,397</u>
Liabilities								
Accounts payable and accrued liabilities	\$ -	\$ 4,617	\$ 12	\$ 165	\$ 6,039	\$ -	\$ 40,340	\$ 51,173
Total Liabilities	-	4,617	12	165	6,039	-	40,340	51,173
Fund Balance								
Designated								
Subsequent years' expenditures	<u>72,912</u>	<u>54,873</u>	<u>110,434</u>	<u>9,738</u>	<u>39,030</u>	<u>335,507</u>	<u>3,263,730</u>	<u>3,886,224</u>
Total Fund Balance	<u>72,912</u>	<u>54,873</u>	<u>110,434</u>	<u>9,738</u>	<u>39,030</u>	<u>335,507</u>	<u>3,263,730</u>	<u>3,886,224</u>
Total Liabilities and Fund Balance	<u>\$ 72,912</u>	<u>\$ 59,490</u>	<u>\$ 110,446</u>	<u>\$ 9,903</u>	<u>\$ 45,069</u>	<u>\$ 335,507</u>	<u>\$ 3,304,070</u>	<u>\$ 3,937,397</u>

County of Southampton, Virginia

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

Other Governmental Funds

At June 30, 2005

	Federal Grants Fund	911 Fund	Special Revenue Funds			Inmate Fund	Capital Projects	Total Other Governmental Funds
			Forfeiture Fund	Law Library Fund	Canteen Fund		Utility Tax Building Fund	
Revenues								
Other local taxes	\$ -	\$ 140,170	\$ -	\$ -	\$ -	\$ -	\$ 923,270	\$ 1,063,440
Use of money and property	-	-	428	26	-	-	186,656	187,110
Charges for services	-	-	-	7,080	85,502	-	-	92,582
Miscellaneous	-	-	-	-	-	170,634	-	170,634
Intergovernmental								
From the Commonwealth of Virginia	41,376	63,713	18,969	-	-	-	-	124,058
From the Federal Government	-	-	66,612	-	-	-	-	66,612
Total Revenues	41,376	203,883	86,009	7,106	85,502	170,634	1,109,926	1,704,436
Expenditures								
Current								
General government administration	-	-	-	-	-	-	273,912	273,912
Judicial administration	-	-	-	9,119	-	-	-	9,119
Public safety	-	170,520	31,384	-	93,592	73,404	498,544	867,444
Public works	-	-	-	-	-	-	162,152	162,152
Education	-	-	-	-	-	-	355,894	355,894
Community development	7,166	-	-	-	-	-	-	7,166
Total Expenditures	7,166	170,520	31,384	9,119	93,592	73,404	1,290,502	1,675,687
Excess (Deficiency) of Revenues Over Expenditures	34,210	33,363	54,625	(2,013)	(8,090)	97,230	(180,576)	28,749
Other Financing Sources (Uses)								
Proceeds from debt	-	-	-	-	-	-	2,695,000	2,695,000
Transfers in	-	-	-	-	-	-	30,905	30,905
Transfers out	-	(30,905)	-	-	-	(23,236)	(97,220)	(151,361)
Total Other Financing Sources (Uses)	-	(30,905)	-	-	-	(23,236)	2,628,685	2,574,544
Net Change in Fund Balances	34,210	2,458	54,625	(2,013)	(8,090)	73,994	2,448,109	2,603,293
Fund Balance - Beginning of Year	38,702	52,415	55,809	11,751	47,120	261,513	815,621	1,282,931
Fund Balance - End of Year	\$ 72,912	\$ 54,873	\$ 110,434	\$ 9,738	\$ 39,030	\$ 335,507	\$ 3,263,730	\$ 3,886,224

County of Southampton, Virginia

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

At June 30, 2005

	<u>Special Welfare</u>	<u>Blackwater Regional Library</u>	<u>Totals</u>
Assets			
Cash	<u>\$ 39,320</u>	<u>\$ 576,228</u>	<u>\$ 615,548</u>
Liabilities			
Amounts held for others	<u>\$ 39,320</u>	<u>\$ 576,228</u>	<u>\$ 615,548</u>
Total Liabilities	<u>\$ 39,320</u>	<u>\$ 576,228</u>	<u>\$ 615,548</u>

County of Southampton, Virginia

Component Unit School Board

Combining Balance Sheet

At June 30, 2005

	<u>School Operating Fund</u>	<u>School Food Services Fund</u>	<u>School Endowment Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 1,557,353	\$ 31,713	\$ 19,728	\$ 1,608,794
Accounts receivable	49,345	-	-	49,345
Due from other governments	906,156	31,199	-	937,355
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 2,512,854</u>	<u>\$ 62,912</u>	<u>\$ 19,728</u>	<u>\$ 2,595,494</u>
Liabilities				
Accounts payable	\$ 263,687	\$ -	\$ -	\$ 263,687
Accrued liabilities	2,108,760	61,067	-	2,169,827
Deferred revenue	140,407	-	-	140,407
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	2,512,854	61,067	-	2,573,921
Fund Balance				
Designated				
Endowment	-	-	19,728	19,728
Food services	-	1,845	-	1,845
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balance	<u>-</u>	<u>1,845</u>	<u>19,728</u>	<u>21,573</u>
Total Liabilities and Fund Balance	<u>\$ 2,512,854</u>	<u>\$ 62,912</u>	<u>\$ 19,728</u>	<u>\$ 2,595,494</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, 2005

Total fund balances for Governmental Funds \$ 21,573

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	988,200
Buildings and improvements, net of depreciation	793,484
Furniture, equipment, and vehicles, net of depreciation	<u>5,272,952</u>

Total Capital Assets 7,054,636

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:

Compensated absences	<u>(288,445)</u>
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Total Net Assets of Governmental Activities \$ 6,787,764

County of Southampton, Virginia

Component Unit School Board

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

Year Ended June 30, 2005

	<u>School Fund</u>	<u>School Food Services Fund</u>	<u>School Endowment Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Use of money and property	\$ -	\$ 1,639	\$ 1,077	\$ 2,716
Charges for services	19,805	527,240	-	547,045
Miscellaneous	186,547	-	-	186,547
Recovered costs	357,184	4,000	-	361,184
Intergovernmental				
From County of Southampton, Virginia	8,570,800	-	-	8,570,800
From the Commonwealth of Virginia	14,991,187	12,255	-	15,003,442
From the Federal Government	<u>1,710,822</u>	<u>454,123</u>	<u>-</u>	<u>2,164,945</u>
 Total Revenues	 25,836,345	 999,257	 1,077	 26,836,679
Expenditures				
Education	23,776,563	1,017,474	-	24,794,037
Debt service	<u>2,059,782</u>	<u>-</u>	<u>-</u>	<u>2,059,782</u>
 Total Expenditures	 <u>25,836,345</u>	 <u>1,017,474</u>	 <u>-</u>	 <u>26,853,819</u>
 Excess (Deficiency) of Revenues Over Expenditures	 -	 (18,217)	 1,077	 (17,140)
 Fund Balances - Beginning of Year	 <u>-</u>	 <u>20,062</u>	 <u>18,651</u>	 <u>38,713</u>
 Fund Balances - End of Year	 <u>\$ -</u>	 <u>\$ 1,845</u>	 <u>\$ 19,728</u>	 <u>\$ 21,573</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, 2005

Net change in fund balances	\$ (17,140)
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:	
Compensated absences	(32,796)
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>(2,596)</u>
Change in net assets of governmental activities	<u>\$ (52,532)</u>

County of Southampton, Virginia

Component Unit School Board

School Operating Fund

Budgetary Comparison Schedule

Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Charges for services	\$ 2,000	\$ 18,275	\$ 19,805	\$ 1,530
Miscellaneous	-	270,321	186,547	(83,774)
Recovered costs	-	248,597	357,184	108,587
Intergovernmental				
From County of Southampton, Virginia	8,514,528	8,862,940	8,570,800	(292,140)
From the Commonwealth of Virginia	14,876,748	15,265,231	14,991,187	(274,044)
From the Federal Government	<u>1,489,206</u>	<u>1,866,252</u>	<u>1,710,822</u>	<u>(155,430)</u>
 Total Revenues	 24,882,482	 26,531,616	 25,836,345	 (695,271)
Expenditures				
Current				
<i>Education</i>				
Instruction	16,875,838	18,359,488	17,670,151	(689,337)
Administration, attendance, and health	1,093,343	1,065,488	1,065,255	(233)
Transportation	2,100,840	2,197,299	2,194,277	(3,022)
Operation and maintenance	2,560,396	2,670,501	2,664,324	(6,177)
School food services	67,756	76,445	80,444	3,999
Facilities	124,026	102,112	102,112	-
Debt service	<u>2,060,283</u>	<u>2,060,283</u>	<u>2,059,782</u>	<u>(501)</u>
 Total Expenditures	 <u>24,882,482</u>	 <u>26,531,616</u>	 <u>25,836,345</u>	 <u>(695,271)</u>
 Excess (Deficiency) of Revenues Over Expenditures	 -	 -	 -	 -
 Fund Balance - Beginning of Year	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Fund Balance - End of Year	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

STATISTICAL SECTION



County of Southampton, Virginia

General Governmental Revenues by Source⁽¹⁾

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Other Local Taxes</u>	<u>Permits, Privilege Fees, and Regulatory Licenses</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>	<u>Charges for Services</u>	<u>Miscellaneous</u>	<u>Recovered Costs</u>	<u>Inter-Governmental</u>	<u>Total</u>
1996	\$7,415,036	\$1,426,641	\$ 94,795	\$ 123,923	\$ 717,322	\$ 568,361	\$ 430,792	\$ 441,041	\$ 14,509,354	\$25,727,265
1997	8,126,071	1,517,065	100,853	207,972	489,118	546,816	658,580	479,433	15,362,434	27,488,342
1998	8,494,780	1,517,838	91,224	236,855	518,675	563,231	711,422	396,399	16,287,169	28,817,593
1999	8,869,933	1,513,041	103,359	224,384	485,680	671,555	713,931	465,055	18,252,115	31,299,053
2000	9,165,401	1,572,826	100,051	219,132	609,339	629,965	882,767	686,433	18,435,035	32,300,949
2001	10,005,670	1,711,148	84,099	300,751	676,503	739,888	1,012,924	642,941	22,521,225	37,695,149
2002	10,490,345	1,747,432	102,353	444,781	266,856	891,938	773,921	627,995	21,270,480	36,616,101
2003	10,851,728	1,725,095	105,678	712,567	180,367	888,468	871,538	544,202	21,212,340	37,091,983
2004	11,542,132	1,922,915	119,687	683,580	85,088	880,012	1,005,207	615,311	23,759,593	40,613,525
2005	12,038,438	2,216,223	132,365	632,070	280,268	1,007,538	1,089,214	920,340	23,116,346	41,432,802

⁽¹⁾ Includes All Governmental Funds and Discretely Presented Component Unit School Board. Does not include Primary Government appropriations to School Board.

County of Southampton, Virginia

General Governmental Expenditures by Function ⁽¹⁾

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>	<u>Education</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Non-Departmental</u>	<u>Debt Service</u>	<u>Total</u>
1996	\$ 1,062,025	\$ 531,309	\$ 2,816,703	\$ 1,177,330	\$ 1,954,887	\$ 15,111,722	\$ 115,395	\$ 345,189	\$ 1,163,411	\$ 96,500	\$ 1,876,030	\$ 26,250,501
1997	974,940	589,469	3,055,539	1,186,963	2,010,763	16,756,718	117,777	234,332	1,983,074	106,000	1,774,425	28,790,000
1998	974,211	576,240	3,347,328	1,199,709	1,967,834	17,459,667	126,310	311,973	255,192	113,000	1,748,977	28,080,441
1999	1,285,249	626,539	4,041,713	1,395,082	2,104,811	18,153,835	150,602	900,837	-	-	2,148,868	30,807,536
2000	1,421,096	688,222	4,434,489	1,399,689	2,129,549	21,409,683	152,052	456,500	-	-	1,476,631	33,567,911
2001	1,258,745	824,593	5,015,226	1,886,011	2,097,678	29,864,653	191,926	2,592,246	-	-	7,737,198	51,468,276
2002	1,309,914	898,400	4,864,703	1,750,044	2,186,764	23,471,257	308,881	1,143,490	-	-	2,618,796	38,552,249
2003	1,247,152	918,274	4,981,394	1,743,345	2,122,410	22,194,582	182,970	360,671	480,404	-	3,837,826	38,069,028
2004	1,332,901	937,539	8,073,750	1,897,098	2,152,420	22,995,509	179,065	448,115	-	-	2,409,140	40,425,537
2005	1,732,990	1,032,057	5,799,765	1,897,775	2,266,718	24,794,037	194,188	1,396,781	-	-	2,064,429	41,178,740

⁽¹⁾ Includes All Governmental Funds and Discretely Presented Component Unit School Board. Does not include Primary Government appropriations to School Board.

County of Southampton, Virginia

Assessed Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools ⁽¹⁾	Merchant's Capital	Public Service Corporation		Total
						Real Estate	Personal Property	
1996	\$ 595,370,500	\$ 62,379,165	\$ 7,789,558	\$ 36,560,161	\$ 5,934,673	\$ 42,013,387	\$ 74,158	\$ 750,121,602
1997	697,615,500	66,602,387	8,514,551	42,320,137	6,565,073	45,767,268	54,851	867,439,767
1998	707,644,400	71,135,609	9,138,762	45,261,503	6,507,856	49,254,941	45,472	888,988,543
1999	720,095,600	71,557,399	10,148,462	49,759,875	6,245,087	45,407,342	35,538	903,249,303
2000	732,026,100	75,738,524	10,513,608	54,047,142	6,637,609	45,240,404	45,256	924,248,643
2001	828,455,500	84,102,464	10,026,895	52,122,708	6,406,037	51,950,044	22,800	1,033,086,448
2002	841,424,800	92,984,489	10,328,370	53,748,480	6,133,903	52,733,316	25,357	1,057,378,715
2003	843,512,000	89,762,266	10,604,639	40,397,848	5,449,451	104,909,069	54,436	1,094,689,709
2004	856,694,500	115,775,923	11,369,618	41,856,765	5,958,992	104,909,075	28,224	1,136,593,097
2005	868,693,000	115,859,855	11,230,823	43,779,916	5,689,205	93,010,785	61,823	1,138,325,407

⁽¹⁾ Includes farm machinery and contractor's equipment.

Property Tax Rates - Last Ten Fiscal Years

Tax Rates per Hundred Dollars of Assessed Valuation

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Farm Machinery and Seasonal	Merchant's Capital	Public Service Corporation	
							Real Estate	Personal Property
1996	.60	4.00	.60	2.40	2.00	.50	.60	4.00
1997	.58	4.00	.58	2.40	2.00	.50	.58	4.00
1998	.58	4.00	.58	2.40	1.95/1.25	.50	.58	4.00
1999	.61	4.00	.61	2.40	1.95/1.25	.50	.61	4.00
2000	.61	4.00	.61	2.40	1.95/1.25	.50	.61	4.00
2001	.60	4.00	.60	2.40	1.95/1.25	.50	.60	4.00
2002	.60	4.00	.60	2.40	1.95/1.25	.50	.60	4.00
2003	.65	4.00	.65	2.40	1.95/1.25	.50	.65	4.00
2004	.65	4.00	.65	2.40	1.95/1.25	.50	.65	4.00
2005	.67	4.00	.67	2.40	1.95/1.25	.50	.67	4.00

County of Southampton, Virginia

Property Tax Levies and Collections

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1996	\$ 7,264,837	\$ 7,199,199	99.10%	\$ 215,837	\$ 7,415,036	102.07%	\$ 354,398	4.88%
1997	7,993,325	7,753,258	97.00%	215,084	7,968,342	99.69%	406,800	5.09%
1998	8,311,817	8,043,345	96.77%	278,467	8,321,812	100.12%	437,623	5.27%
1999	8,719,979	8,518,192	97.69%	187,579	8,705,771	99.84%	470,125	5.39%
2000	9,033,866	8,755,624	96.92%	227,785	8,983,409	99.44%	622,384	6.89%
2001	9,866,373	9,581,703	97.11%	228,608	9,810,311	99.43%	649,539	6.58%
2002	10,342,181	10,067,617	97.35%	245,610	10,313,227	99.72%	783,477	7.58%
2003	10,707,395	10,434,026	97.45%	230,977	10,665,003	99.60%	905,366	8.46%
2004	11,418,191	11,054,215	96.81%	265,169	11,319,384	99.13%	1,096,765	9.61%
2005	11,708,655	11,489,404	98.13%	277,028	11,766,432	100.49%	753,549	6.44%

County of Southampton, Virginia

Ratio of Net General Obligation Bonded Debt
to Assessed Taxable Value and Net General Obligation Bonded Debt Per Capita

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value (in thousands)</u>	<u>Net Bonded Debt</u>	<u>Ratio on Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1996	17,500	\$ 750,122	\$ 12,813,825	.0171	\$ 732.22
1997	17,500	867,440	12,052,971	.0139	688.74
1998	17,500	888,989	11,111,930	.0125	634.97
1999	17,500	903,249	10,076,109	.0112	575.78
2000	17,500	924,249	14,801,734	.0160	845.81
2001	17,482	1,033,086	18,649,887	.0181	1,066.81
2002	17,482	1,057,379	22,193,528	.0210	1,269.51
2003	17,482	1,094,689	23,108,310	.0211	1,321.83
2004	17,482	1,136,593	20,999,658	.0185	1,201.22
2005	17,482	1,138,325	22,129,882	.0194	1,265.87

County of Southampton, Virginia

Special Assessment Billings and Collections

Last Ten Fiscal Years

Special assessments of property taxes have not been made and, accordingly, are not presented. The County has not utilized special assessments for public works improvements or other purposes.

County of Southampton, Virginia

Computation of Legal Debt Margin

At June 30, 2005

Total Assessed Value of Taxed Real Estate	<u>\$ 868,693,000</u>
Debt Limit - 10 Percent of Total Assessed Value	\$ 86,869,300
Amount of Debt Applicable to Debt Limit General obligation debt	<u>22,129,882</u>
Legal Debt Margin	<u>\$ 64,739,418</u>

County of Southampton, Virginia

Jail Canteen and Other Revenue and Expense Information

Year Ended June 30, 2005

	<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	\$ 85,502	\$ 93,592	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,502	\$ 93,592
Inmate Enterprise Fund #737	-	-	23,641	38,234	7,624	-	139,369	35,170	170,634	73,404
Total	<u>\$ 85,502</u>	<u>\$ 93,592</u>	<u>\$ 23,641</u>	<u>\$ 38,234</u>	<u>\$ 7,624</u>	<u>\$ -</u>	<u>\$ 139,369</u>	<u>\$ 35,170</u>	<u>\$ 256,136</u>	<u>\$ 166,996</u>

COMPLIANCE SECTION





**Creedle
Jones
& Alga**

A Professional Corporation

*Certified Public Accountants
Sherwood H. Creedle, CPA
Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA*

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

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

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 the County of Southampton, Virginia, as of and for the year ended June 30, 2005, which collectively comprise the County of Southampton, Virginia's basic financial statements and have issued our report thereon dated November 29, 2005. 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 the County of Southampton, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the County of Southampton, Virginia in a separate letter dated November 29, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 the audit committee, management, Board of Supervisors, 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.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
November 29, 2005



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

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

Compliance

We have audited the compliance of the 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, 2005. 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 the County of Southampton, Virginia's management. Our responsibility is to express an opinion on the 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 the 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 on the County of Southampton, Virginia's compliance with those requirements.

In our opinion, the 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, 2005.

Internal Control Over Compliance

The management of the County of Southampton, Virginia, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Southampton, Virginia's internal control over compliance with 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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Supervisors, 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.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
November 29, 2005

County of Southampton, Virginia
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2005

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	\$ 55,801
<i>Department of Social Services</i>			
Food Stamp Cluster			
Administration for Food Stamp Program	10.561	765	188,958
Total Food Stamp Cluster			<u>188,958</u>
<i>Department of Education</i>			
Child Nutrition Cluster			
National School Lunch Program	10.555	197	320,305
School Breakfast Program	10.553	197	124,207
Total Child Nutrition Cluster			<u>444,512</u>
Subtotal - U. S. Department of Agriculture			689,271
U. S. Department of Health and Human Services			
Pass-Through Payments			
<i>Department of Social Services</i>			
Family Preservation and Support Services	93.556	765	13,989
Temporary Assistance to Needy Families	93.558	765	172,763
Child Care and Development Fund	93.596	765	117,223
Refugee and Entrant Assistance - State Admin. Programs	93.566	765	277
Low Income Energy Assistance	93.568	765	22,030
Payments to States for Child Care Assistance	93.575	765	119,050
Foster Care - Title IV-E	93.658	765	122,863
Adoption Assistance	93.659	765	4,298
Chafee Foster Care Independence Program	93.674	765	1,063
Social Services Block Grant	93.667	765	211,129
Chafee Education and Training Vouchers Program	93.599	765	615
Medical Assistance Program (Title XIX)	93.778	765	<u>162,891</u>
Subtotal - U. S. Department of Health and Human Services			948,191
U. S. Department of Justice			
Pass-Through Payments			
<i>Department of Criminal Justice Services</i>			
Drug Control and System Improvement - Byrne Formula	16.579	140	3,929
Local Law Enforcement Block Grants	16.592	140	<u>1,696</u>
Subtotal - U. S. Department of Justice			5,625

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
Humanities			
Pass-Through Payments			
<i>The Library of Virginia</i>			
LSCA Construction Grants	45.310	202	<u>16,620</u>
Subtotal - Humanities			16,620
U. S. Department of Homeland Security			
Pass-Through Payments			
<i>Department of Emergency Services</i>			
Disaster Relief Public Assistance	97.036	127	6,253
Emergency Management Preparedness Grant	97.042	127	2,000
State Homeland Security Grant Program	97.044	127	<u>117,243</u>
Subtotal - U. S. Department of Homeland Security			125,496
U. S. Department of Education			
Pass-Through Payments			
<i>Department of Education</i>			
Special Education Cluster			
Special Education - Grants to States (Title VI Flowthrough)	84.027	197	601,752
Special Education - Preschool Grants (Title VI)	84.173	197	<u>16,998</u>
Total Special Education Cluster			618,750
Title I	84.010	197	600,770
Vocational Education - Basic Grant	84.048	197	32,473
Drug Free Schools and Communities	84.186	197	15,046
Title VI - Rural and Low Income Schools	84.358	197	29,284
State Assessments and Related Activities - NCLB - Testing	84.369	197	9,924
Title II - Part A	84.367	197	198,611
Literacy Challenge Grant	84.318	197	18,004
Adult Literacy	84.002	197	<u>34,218</u>
Subtotal - U. S. Department of Education			<u>1,557,080</u>
Grand Totals			<u>\$ 3,342,283</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 \$55,801 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, 2005

1. Summary of Audit Results

- (a) The auditor's report expresses an unqualified opinion on the financial statements of the County of Southampton, Virginia.
- (b) No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting 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 reportable conditions 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 # 84.010 Title I
 - 3. CFDA # 84.027 and 84.173 Special Education Cluster
- (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 Relating to the Financial Statements Reported in Accordance With *Government Auditing Standards*:

None.

3. Findings and Questioned Costs Relating to Federal Awards:

None.

County of Southampton, Virginia

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2005

FINANCIAL STATEMENTS – COMPONENT UNIT SCHOOL BOARD

There were no findings in the prior year.