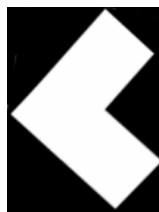


County of Southampton, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2007



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

County of Southampton, Virginia

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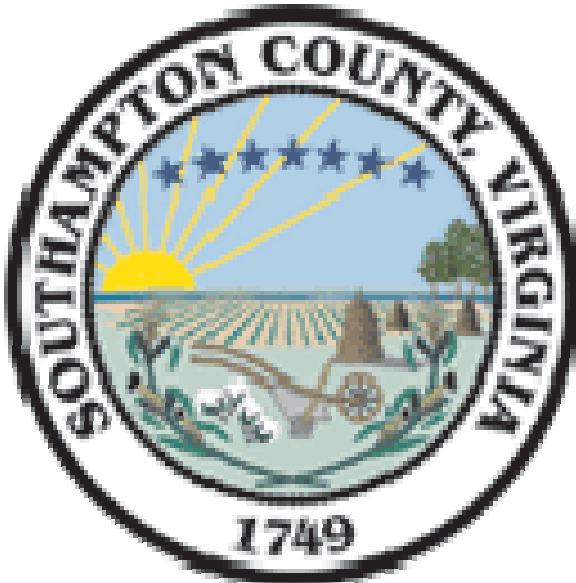
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FINANCIAL SECTION





**Creedle
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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, 2007, 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, 2007, and the respective changes in financial position, and, where applicable, cash flows 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 20, 2007, 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 assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 1 through 9 and 45 through 50, 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 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.

Credle, Jones & Alga, P.C.

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

South Hill, Virginia
November 20, 2007

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, 2007. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter and the County's financial statements.

Financial Highlights for Fiscal Year 2007

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 \$28,985,323. Of this amount, \$28,985,323 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. The investment in capital assets is negative because of the money borrowed for the new school and industrial park. This money has been borrowed but construction was not fully started.
- For the fiscal year, general and program revenues of the County's governmental activities were \$27,490,290 and expenses amounted to \$26,843,101. The County's total net assets increased \$647,189.
- For business-type activities, revenues were \$1,479,346 and expenses were \$1,781,647. The net assets decreased by \$302,301.

Highlights for Fund Financial Statements

- As of June 30, 2007, the County's Governmental Funds reported combined fund balances of \$35,263,702, an increase of \$27,330,779 in comparison with the prior year. Approximately 18.02% of the combined fund balances, \$6,355,498, is available to meet the County's current and future needs. This large increase is due primarily from bond proceeds for a new school and an industrial park.
- The General Fund reported a fund balance of \$6,355,498, an increase of \$1,404,538 from June 30, 2006.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

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

The first government-wide statement - the Statement of Net Assets - presents information on all of the County's assets and liabilities. The difference between assets and liabilities, net assets, can be used as one way to measure the County's financial health, or financial condition. Over time,

increases or decreases in the net assets can be one indicator of whether the County's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the County's property tax base and the condition of County facilities.

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

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

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

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

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

Fund Financial Statements

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

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

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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

	Summary of Net Assets							
	As of June 30, 2007 and 2006							
	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2007	2006	2007	2006	2007	2006	2007	2006
Assets								
Current and other assets	\$ 36,918,529	\$ 8,699,010	\$ 747,245	\$ 871,688	\$ 37,665,774	\$ 9,570,698	\$ 3,073,649	\$ 2,876,319
Capital assets (net)	<u>37,859,530</u>	<u>36,557,639</u>	<u>14,571,955</u>	<u>15,017,921</u>	<u>52,431,485</u>	<u>51,575,560</u>	<u>7,284,301</u>	<u>7,125,263</u>
Total Assets	<u>\$ 74,778,059</u>	<u>\$ 45,256,649</u>	<u>\$ 15,319,200</u>	<u>\$ 15,889,609</u>	<u>\$ 90,097,259</u>	<u>\$ 61,146,258</u>	<u>\$ 10,357,950</u>	<u>\$ 10,001,582</u>
Liabilities								
Other liabilities	\$ 3,694,929	\$ 2,756,403	\$ 431,211	\$ 376,723	\$ 4,126,140	\$ 3,133,126	\$ 3,353,339	\$ 888,488
Long-term liabilities	<u>42,097,807</u>	<u>14,162,112</u>	<u>4,086,175</u>	<u>4,408,771</u>	<u>46,183,982</u>	<u>18,570,883</u>	<u>-</u>	<u>2,262,877</u>
Total Liabilities	<u>45,792,736</u>	<u>16,918,515</u>	<u>4,517,386</u>	<u>4,785,494</u>	<u>50,310,122</u>	<u>21,704,009</u>	<u>3,353,339</u>	<u>3,151,365</u>
Net Assets								
Invested in capital assets, net of related debt	(5,754,866)	20,886,276	10,228,664	10,370,050	4,473,798	31,256,326	7,284,301	7,125,263
Unrestricted	<u>34,740,189</u>	<u>7,451,858</u>	<u>573,150</u>	<u>734,065</u>	<u>35,313,339</u>	<u>8,185,923</u>	<u>(279,690)</u>	<u>(275,046)</u>
Total Net Assets	<u>28,985,323</u>	<u>28,338,134</u>	<u>10,801,814</u>	<u>11,104,115</u>	<u>39,787,137</u>	<u>39,442,249</u>	<u>7,004,611</u>	<u>6,850,217</u>
Total Liabilities and Net Assets	<u>\$ 74,778,059</u>	<u>\$ 45,256,649</u>	<u>\$ 15,319,200</u>	<u>\$ 15,889,609</u>	<u>\$ 90,097,259</u>	<u>\$ 61,146,258</u>	<u>\$ 10,357,950</u>	<u>\$ 10,001,582</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 thereof) 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 \$46,791,748 at June 30, 2007. The largest portion of the reporting entity's net assets, \$11,758,099, 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, 2007:

Summary of Changes in Net Assets

For the Fiscal Years Ended June 30, 2007 and 2006

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit School Board</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues								
Program Revenues								
Charges for services	\$ 1,471,453	\$ 1,501,956	\$ 1,217,347	\$ 1,123,701	\$ 2,688,800	\$ 2,625,657	\$ 488,630	\$ 475,121
Operating grants and contributions	6,563,023	5,738,937	-	-	6,563,023	5,738,937	19,914,444	18,408,524
General Revenues								
General property taxes, real and personal	14,874,178	13,390,066	-	-	14,874,178	13,390,066	-	-
Other taxes	2,369,813	2,262,388	-	-	2,369,813	2,262,388	-	-
Payment from County of Southampton, VA								
Education	-	-	-	-	-	-	7,455,192	7,534,501
Noncategorical aid from state	153,403	131,840	-	-	153,403	131,840	-	-
Use of property	60,556	199,369	-	-	60,556	199,369	-	-
Investment earnings	1,349,728	159,975	8,307	10,973	1,358,035	170,948	3,110	4,185
Miscellaneous	901,828	1,086,324	-	-	901,828	1,086,324	272,563	135,682
Transfers	(253,692)	(550,104)	253,692	550,104	-	-	-	-
Total Revenues	27,490,290	23,920,751	1,479,346	1,684,778	28,969,636	25,605,529	28,133,939	26,558,013
Expenses								
General government administration	2,142,381	1,680,135	-	-	2,142,381	1,680,135	-	-
Judicial administration	1,493,212	1,064,162	-	-	1,493,212	1,064,162	-	-
Public safety	8,259,131	5,526,988	-	-	8,259,131	5,526,988	-	-
Public works	2,087,665	1,811,708	-	-	2,087,665	1,811,708	-	-
Health and welfare	2,567,379	2,424,670	-	-	2,567,379	2,424,670	-	-
Education	7,485,418	7,534,501	-	-	7,485,418	7,534,501	27,979,545	26,495,560
Parks, recreation, and cultural	247,480	235,909	-	-	247,480	235,909	-	-
Community development	989,425	1,093,559	-	-	989,425	1,093,559	-	-
Water and sewer	-	-	1,649,600	1,724,251	1,649,600	1,724,251	-	-
Interest on long-term debt	1,571,010	573,535	132,047	-	1,703,057	573,535	-	-
Total Expenses	26,843,101	21,945,167	1,781,647	1,724,251	28,624,748	23,669,418	27,979,545	26,495,560
Increase (Decrease) in Net Assets	647,189	1,975,584	(302,301)	(39,473)	344,888	1,936,111	154,394	62,453
Beginning Net Assets	28,338,134	26,362,550	11,104,115	11,143,588	39,442,249	37,506,138	6,850,217	6,787,764
Ending Net Assets	\$ 28,985,323	\$ 28,338,134	\$ 10,801,814	\$ 11,104,115	\$ 39,787,137	\$ 39,442,249	\$ 7,004,611	\$ 6,850,217

Governmental activities increased the County's net assets by \$647,189 for fiscal year 2007. Revenues from governmental activities totaled \$27,490,290. Taxes comprise the largest source of these revenues, totaling \$17,243,991 or 62.7% of all governmental activities revenue. Of this amount, real and personal property taxes comprise 86.3% of the taxes collected.

The total cost of all governmental activities for this fiscal year was \$26,843,101. Public Safety was the County's largest program and highest priority with expenses totaling \$8,259,131. Education expenses, which total \$7,485,418, represent the second largest expense.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2007 and 2006

	<u>2007</u>		<u>2006</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 2,142,381	\$ (1,661,386)	\$ 1,680,135	\$ (1,228,115)
Judicial administration	1,493,212	(654,312)	1,064,162	(630,379)
Public safety	8,259,131	(3,549,360)	5,526,988	(1,247,202)
Public works	2,087,665	(1,896,816)	1,811,708	(1,420,141)
Health and welfare	2,567,379	(758,418)	2,424,670	(745,933)
Education	7,485,418	(7,485,418)	7,534,501	(7,534,501)
Parks, recreation, and cultural	247,480	(242,480)	235,909	(230,909)
Community development	989,425	(989,425)	1,093,559	(1,093,559)
Interest on long-term debt	<u>1,571,010</u>	<u>(1,571,010)</u>	<u>573,535</u>	<u>(573,535)</u>
Total	<u>\$ 26,843,101</u>	<u>\$ (18,808,625)</u>	<u>\$ 21,945,167</u>	<u>\$ (14,704,274)</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2007, the County's Governmental Funds reported a combined ending fund balance of \$35,263,702, an increase of \$27,330,779 in comparison with the prior year. Approximately 18.02%, or \$6,355,498, is available for spending at the government's discretion (unreserved/undesignated fund balance).

The General Fund is the main operating fund of the County. At the end of the current fiscal year, the General Fund had an unreserved fund balance of \$6,355,498 and a reserved fund balance of \$28,908,204. 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 29.6% of total fund expenditures.

- The General Fund contributed \$8,901,034 in operating funds to finance the Schools' operations and the Capital Projects Utility Tax Building Fund contributed \$466,613.

Included in the Other Governmental Funds is the Capital Projects Fund which has a total fund balance of \$28,106,997, all of which is designated for ongoing and future capital projects, predominantly a new school building and an industrial park.

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, 2007 and 2006

	<u>2007</u>			<u>2006</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	\$ 14,678,719	\$ 14,678,719	\$ 14,874,178	\$ 12,851,079	\$ 12,858,482	\$ 13,390,066
Other	2,761,903	3,109,089	4,311,839	2,569,045	2,949,290	3,920,227
Intergovernmental	<u>4,128,400</u>	<u>4,473,800</u>	<u>4,745,375</u>	<u>3,659,438</u>	<u>4,026,148</u>	<u>3,956,691</u>
Total	21,569,022	22,261,608	23,931,392	19,079,562	19,833,920	21,266,984
Expenditures						
	<u>20,789,947</u>	<u>22,120,166</u>	<u>21,472,103</u>	<u>19,080,279</u>	<u>20,885,291</u>	<u>20,152,864</u>
Excess (Deficiency) of Revenues Over Expenditures	779,075	141,442	2,459,289	(717)	(1,051,371)	1,114,120
Other Financing Sources (Uses)						
Transfers in	-	172,643	287,407	-	50,000	40,510
Transfers out	<u>(1,130,751)</u>	<u>(1,236,868)</u>	<u>(1,342,158)</u>	<u>(767,500)</u>	<u>(767,500)</u>	<u>(700,374)</u>
Total	<u>(1,130,751)</u>	<u>(1,064,225)</u>	<u>(1,054,751)</u>	<u>(767,500)</u>	<u>(717,500)</u>	<u>(659,864)</u>
Change in Fund Balance	(351,676)	(922,783)	1,404,538	(768,217)	(1,768,871)	454,256
Transfer from Surplus	<u>351,676</u>	<u>922,783</u>	-	768,217	1,768,871	-
Change in Fund Balance after Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,404,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 454,256</u>

The final amended budget appropriations for expenditures and transfers out exceeded the original appropriation by \$1,330,219. This increase is due primarily to special community and economic development projects, such as funds to local industries and grants received during the year.

Final amended budget revenues and transfers in were more than the original budget by \$692,586, primarily due to the same projects mentioned above.

Actual revenues exceeded final budget amounts by \$1,669,784, or 7.5%, while actual expenditures were \$648,063, or 2.9% less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2007, the County's investment in capital assets totals \$(5,754,866), which is net capital assets less related debt for governmental activities and \$10,228,664 for business-type activities. The figure is negative because debt has been assumed yet construction had not yet started.

During fiscal year 2007, the County's net capital assets (including additions, decreases, and depreciation) increased \$1,301,891, or 3.6%, for governmental activities and decreased \$445,966, or 2.97%, for business-type activities, as summarized in the following table:

Change in Capital Assets

Governmental Activities

	<u>Balance June 30, 2006</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2007</u>
Land and land improvements	\$ 1,092,897	\$ 2,446,076	\$ 3,538,973
Buildings and improvements	41,779,893	66,875	41,846,768
Furniture, equipment, and vehicles	<u>5,444,377</u>	<u>(10,806)</u>	<u>5,433,571</u>
Total Capital Assets	48,317,167	2,502,145	50,819,312
Less: Accumulated depreciation and amortization	<u>(11,759,528)</u>	<u>(1,200,254)</u>	<u>(12,959,782)</u>
Total Capital Assets, Net	<u>\$ 36,557,639</u>	<u>\$ 1,301,891</u>	<u>\$ 37,859,530</u>

Business-Type Activities

	<u>Balance June 30, 2006</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2007</u>
Land and land improvements	\$ 245,562	\$ -	\$ 245,562
Buildings and improvements	365,594	-	365,594
Infrastructure and equipment	22,658,955	94,786	22,753,741
Vehicles	<u>205,599</u>	<u>-</u>	<u>205,599</u>
Total Capital Assets	23,475,710	94,786	23,570,496
Less: Accumulated depreciation and amortization	<u>(8,457,789)</u>	<u>(540,752)</u>	<u>(8,998,541)</u>
Total Capital Assets, Net	<u>\$ 15,017,921</u>	<u>\$ (445,966)</u>	<u>\$ 14,571,955</u>

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

Long-Term Debt

As of June 30, 2007, the County's long-term obligations, excluding the Component Unit, total \$48,476,426.

	<u>Balance June 30, 2006</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2007</u>
Governmental Activities			
Long-term debt	\$ 15,671,363	\$ 27,290,031	\$ 42,961,394
Compensated absences			
General Fund	340,959	41,845	382,804
Welfare Fund	<u>140,106</u>	<u>603</u>	<u>140,709</u>
Total Governmental Activities	16,152,428	27,332,479	43,484,907
Add			
Unamortized premium			<u>653,002</u>
Total Long-Term Indebtedness - Primary Government			44,137,909
Business-Type Activities			
Long-term debt	4,647,871	(363,763)	4,284,108
Compensated absences			
Water and Sewer Fund	<u>47,801</u>	<u>6,608</u>	<u>54,409</u>
Total Business-Type Activities	<u>4,695,672</u>	<u>(357,155)</u>	<u>4,338,517</u>
Total Primary Government	<u>\$ 4,695,672</u>	<u>\$ (357,155)</u>	<u>\$ 48,476,426</u>
Component Unit School Board			
Compensated absences	<u>\$ 302,753</u>	<u>\$ (2,653)</u>	<u>\$ 300,100</u>

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

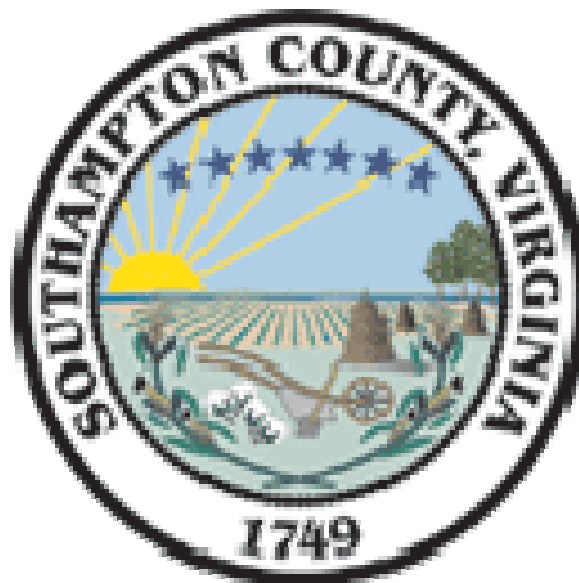
- The average unemployment rate for the County of Southampton, Virginia in June 2007 was 3.7%, a decrease of .3% from June 2006. This compares unfavorably to the state's rate of 3.2% and favorably to the national rate of 4.7.
- According to the 2000 U.S. Census, the population in Southampton County, Virginia was 17,482, a decrease of 2.7%, since the 1990 U.S. Census.
- The per capita income in Southampton County, Virginia was \$35,241, compared to \$23,975 for the state, according to the 2000 U.S. Census data.

The fiscal year 2008 Adopted Budget anticipates General Fund revenues and expenditures to be \$23,521,804, a 5.7% increase over the fiscal year 2007 budget. Revenues are comprised primarily of General Property Taxes at 66.6% with Other Local Taxes comprising 6.1%.

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 website at www.southamptoncounty.org.

BASIC FINANCIAL STATEMENTS



County of Southampton, Virginia

Statement of Net Assets

At June 30, 2007

	<u>Primary Government</u>			<u>Component Unit School Board</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Assets				
Cash, cash equivalents, and investments	\$ 35,522,066	\$ 446,942	\$ 35,969,008	\$ 2,169,615
Receivables, net	743,794	300,303	1,044,097	70,326
Due from other governments	652,669	-	652,669	833,708
Capital Assets				
Land and construction in progress	3,538,973	245,562	3,784,535	1,362,200
Other capital assets, net of accumulated depreciation	34,320,557	14,326,393	48,646,950	5,922,101
Capital Assets, Net	<u>37,859,530</u>	<u>14,571,955</u>	<u>52,431,485</u>	<u>7,284,301</u>
Total Assets	<u>\$ 74,778,059</u>	<u>\$ 15,319,200</u>	<u>\$ 90,097,259</u>	<u>\$ 10,357,950</u>
Liabilities				
Accounts payable and accrued expenses	\$ 1,476,914	\$ 128,419	\$ 1,605,333	\$ 2,814,399
Customer deposits	-	50,450	50,450	-
Compensated absences	523,513	54,409	577,922	300,100
Deferred revenue	177,913	-	177,913	238,840
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	1,516,589	252,342	1,768,931	-
<i>Due in more than one year</i>				
Bonds, loans, and capital leases payable	<u>42,097,807</u>	<u>4,031,766</u>	<u>46,129,573</u>	<u>-</u>
Total Liabilities	45,792,736	4,517,386	50,310,122	3,353,339
Net Assets				
Invested in capital assets, net of related debt	(5,754,866)	10,228,664	4,473,798	7,284,301
Unrestricted	<u>34,740,189</u>	<u>573,150</u>	<u>35,313,339</u>	<u>(279,690)</u>
Total Net Assets	<u>28,985,323</u>	<u>10,801,814</u>	<u>39,787,137</u>	<u>7,004,611</u>
Total Liabilities and Net Assets	<u>\$ 74,778,059</u>	<u>\$ 15,319,200</u>	<u>\$ 90,097,259</u>	<u>\$ 10,357,950</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, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			Component Unit School Board
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government							
Governmental Activities							
General government administration	\$ 2,142,381	\$ 225,284	\$ 255,711	\$ (1,661,386)		\$ (1,661,386)	
Judicial administration	1,493,212	70,993	767,907	(654,312)		(654,312)	
Public safety	8,259,131	996,807	3,712,964	(3,549,360)		(3,549,360)	
Public works	2,087,665	178,369	12,480	(1,896,816)		(1,896,816)	
Health and welfare	2,567,379	-	1,808,961	(758,418)		(758,418)	
Education	7,485,418	-	-	(7,485,418)		(7,485,418)	
Parks, recreation, and cultural	247,480	-	5,000	(242,480)		(242,480)	
Community development	989,425	-	-	(989,425)		(989,425)	
Interest and bond issue costs	1,571,010	-	-	(1,571,010)		(1,571,010)	
Total Governmental Activities	26,843,101	1,471,453	6,563,023	(18,808,625)		(18,808,625)	
Business-Type Activities							
Regional Water and Sewer Fund	1,781,647	1,217,347	-	-	\$ (564,300)	(564,300)	
Total Business-Type Activities	1,781,647	1,217,347	-	-	(564,300)	(564,300)	
Total Primary Government	\$ 28,624,748	\$ 2,688,800	\$ 6,563,023	(18,808,625)	(564,300)	(19,372,925)	
Component Unit							
Southampton County School Board	\$ 27,979,545	\$ 488,630	\$ 19,914,444				\$ (7,576,471)
General Revenues							
Taxes							
General property taxes, real and personal				14,874,178	-	14,874,178	-
Other local taxes				2,369,813	-	2,369,813	-
Payment from County of Southampton, VA							
Education				-	-	-	7,455,192
Noncategorical aid from state				153,403	-	153,403	-
Use of property				60,556	8,307	68,863	-
Investment earnings				1,349,728	-	1,349,728	3,110
Miscellaneous				901,828	-	901,828	272,563
Transfers				(253,692)	253,692	-	-
Total General Revenues				19,455,814	261,999	19,717,813	7,730,865
Change in Net Assets				647,189	(302,301)	344,888	154,394
Net Assets - Beginning of Year				28,338,134	11,104,115	39,442,249	6,850,217
Net Assets - End of Year				\$ 28,985,323	\$ 10,801,814	\$ 39,787,137	\$ 7,004,611

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

County of Southampton, Virginia

Balance Sheet

Governmental Funds

At June 30, 2007

	<u>General Fund</u>	<u>Public Assistance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 5,949,473	\$ -	\$ 29,708,330	\$ 35,657,803
Property taxes receivable, net	272,819	-	-	272,819
Accounts receivable	142,029	-	328,946	470,975
Due from other governments	<u>514,470</u>	<u>138,199</u>	<u>-</u>	<u>652,669</u>
 Total Assets	 <u>\$ 6,878,791</u>	 <u>\$ 138,199</u>	 <u>\$ 30,037,276</u>	 <u>\$ 37,054,266</u>
Liabilities				
Pooled cash deficit	\$ -	\$ 135,737	\$ -	\$ 135,737
Accounts payable and accrued liabilities	345,380	2,462	1,129,072	1,476,914
Deferred revenue - property taxes	<u>177,913</u>	<u>-</u>	<u>-</u>	<u>177,913</u>
 Total Liabilities	 523,293	 138,199	 1,129,072	 1,790,564
Fund Balance				
Designated				
Subsequent years' expenditures	-	-	28,908,204	28,908,204
Unreserved/Undesignated	<u>6,355,498</u>	<u>-</u>	<u>-</u>	<u>6,355,498</u>
 Total Fund Balance	 <u>6,355,498</u>	 <u>-</u>	 <u>28,908,204</u>	 <u>35,263,702</u>
 Total Liabilities and Fund Balance	 <u>\$ 6,878,791</u>	 <u>\$ 138,199</u>	 <u>\$ 30,037,276</u>	 <u>\$ 37,054,266</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, 2007

Total fund balances for Governmental Funds		\$ 35,263,702
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	3,538,973	
Buildings and improvements, net of accumulated depreciation	31,286,564	
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>3,033,993</u>	
Total Capital Assets		37,859,530
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	(43,614,396)	
Compensated absences	<u>(523,513)</u>	
Total		<u>(44,137,909)</u>
Total net assets of governmental activities		\$ <u>28,985,323</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, 2007

	<u>General Fund</u>	<u>Public Assistance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 14,874,178	\$ -	\$ -	\$ 14,874,178
Other local taxes	1,572,630	-	797,183	2,369,813
Permits, privilege fees, and regulatory licenses	178,369	-	-	178,369
Fines and forfeitures	584,227	-	-	584,227
Use of money and property	339,445	-	1,070,839	1,410,284
Charges for services	604,188	-	104,669	708,857
Miscellaneous	653,186	-	248,642	901,828
Recovered costs	379,794	-	-	379,794
<i>Intergovernmental</i>				
Revenue from the Commonwealth of Virginia	4,711,287	469,837	147,267	5,328,391
Revenue from the Federal Government	34,088	1,304,371	49,576	1,388,035
	<u>23,931,392</u>	<u>1,774,208</u>	<u>2,418,176</u>	<u>28,123,776</u>
Total Revenues				
Expenditures				
Current				
General government administration	1,604,512	-	-	1,604,512
Judicial administration	1,465,291	-	3,325	1,468,616
Public safety	5,900,007	-	2,131,344	8,031,351
Public works	2,074,851	-	43,335	2,118,186
Health and welfare	509,768	2,070,943	-	2,580,711
Education - public school system	8,901,034	-	466,613	9,367,647
Capital outlay - new school building	-	-	2,418,121	2,418,121
Parks, recreation, and cultural	217,948	-	-	217,948
Community development	789,821	-	207,075	996,896
Debt service	8,871	-	799,490	808,361
	<u>21,472,103</u>	<u>2,070,943</u>	<u>6,069,303</u>	<u>29,612,349</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	2,459,289	(296,735)	(3,651,127)	(1,488,573)
Other Financing Sources (Uses)				
Proceeds from debt	-	-	29,073,044	29,073,044
Transfers in	287,407	296,735	594,252	1,178,394
Transfers out	(1,342,158)	-	(89,928)	(1,432,086)
	<u>(1,054,751)</u>	<u>296,735</u>	<u>29,577,368</u>	<u>28,819,352</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balance	1,404,538	-	25,926,241	27,330,779
Fund Balance - Beginning of Year	4,950,960	-	2,981,963	7,932,923
Fund Balance - End of Year	<u>\$ 6,355,498</u>	<u>\$ -</u>	<u>\$ 28,908,204</u>	<u>\$ 35,263,702</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, 2007

Net change in fund balances - total Governmental Funds \$ 27,330,779

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. 1,301,891

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 of new debt	(29,453,002)	
Repayments on debt	<u>1,509,969</u>	
Net Adjustment		(27,943,033)

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	<u>(42,448)</u>	
Net Adjustment		<u>(42,448)</u>

Change in net assets of governmental activities \$ 647,189

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, 2007

		Business-Type Activities - Enterprise Fund Water and Sewer Fund
Assets		
Current Assets		
Cash and investments	\$	446,942
Receivables, net		300,303
Total Current Assets		747,245
Noncurrent Assets		
Capital assets, net		14,571,955
Total Noncurrent Assets		14,571,955
Total Assets	\$	15,319,200
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$	128,419
Short-term portion of debt		252,342
Total Current Liabilities		380,761
Noncurrent Liabilities		
Customer deposits		50,450
Compensated absences		54,409
Long-term debt		4,031,766
Total Noncurrent Liabilities		4,136,625
Total Liabilities		4,517,386
Net Assets		
Invested in capital assets, net of related debt		10,228,664
Unrestricted		573,150
Total Net Assets		10,801,814
Total Liabilities and Net Assets	\$	15,319,200

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, 2007

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Operating Revenues	
Charges for services, net	\$ 1,081,878
Operating grants	129,280
Miscellaneous	<u>6,189</u>
Total Operating Revenues	1,217,347
Operating Expenses	
Personal services	459,143
Fringe benefits	155,832
Repairs and maintenance	234,509
Legal and professional fees	6,092
Utilities	133,886
Chemicals, lab, permits	38,901
Vehicle and power equipment	29,007
Insurance	20,137
Other supplies and charges	31,341
Depreciation	<u>540,752</u>
Total Operating Expenses	<u>1,649,600</u>
Operating Income (Loss)	(432,253)
Nonoperating Revenues (Expenses)	
Interest income	8,307
Interest expense	(87,040)
Bond closing fees	<u>(45,007)</u>
Total Nonoperating Revenues (Expenses)	<u>(123,740)</u>
Income (Loss) Before Transfers	(555,993)
Operating Transfers	
Transfers in	451,172
Transfers out	<u>(197,480)</u>
Total Nonoperating Revenues (Expenses)	<u>253,692</u>
Change in Net Assets	(302,301)
Total Net Assets - Beginning of Year	<u>11,104,115</u>
Total Net Assets - End of Year	<u>\$ 10,801,814</u>

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

County of Southampton, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2007

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,061,147
Other receipts	10,653
Payments for personnel and related costs	(608,368)
Payments to suppliers and other operating costs	<u>(407,226)</u>
Net Cash Provided by Operating Activities	56,206
Cash Flows from Noncapital Financing Activities	
Net transfers from other funds	<u>253,691</u>
Net Cash Provided by Noncapital Financing Activities	253,691
Cash Flows from Capital and Related Financing Activities	
Purchases and construction of capital assets	(94,786)
Principal paid on capital debt	(363,762)
Interest paid on capital debt	(87,040)
Bond closing fees	<u>(45,007)</u>
Net Cash Used in Capital and Related Financing Activities	(590,595)
Cash Flows from Investing Activities	
Interest income	<u>8,307</u>
Net Decrease in Cash and Cash Equivalents	(272,391)
Cash and Cash Equivalents - Beginning of Year	<u>719,333</u>
Cash and Cash Equivalents - End of Year	<u>\$ 446,942</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ (432,253)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation expense	540,752
Changes in assets and liabilities	
Receivables, net	(147,948)
Accounts payable and accrued expenses	86,648
Compensated absences	6,607
Customer deposits	<u>2,400</u>
Net Cash Provided by Operating Activities	<u>\$ 56,206</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, 2007

	Agency Funds
Assets	
Cash and investments	\$ <u>363,060</u>
Total Assets	\$ <u><u>363,060</u></u>
Liabilities	
Amounts held for others	\$ <u>363,060</u>
Total Liabilities	\$ <u><u>363,060</u></u>

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

County of Southampton, Virginia

Statement of Activities

Component Unit School Board

Year Ended June 30, 2007

<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	\$ 27,385,230	\$ 488,630	\$ 19,914,444	\$ (6,982,156)
Depreciation	<u>594,315</u>	<u>-</u>	<u>-</u>	<u>(594,315)</u>
Total School Board	<u>\$ 27,979,545</u>	<u>\$ 488,630</u>	<u>\$ 19,914,444</u>	<u>(7,576,471)</u>
General Revenues				
				7,455,192
				3,110
				<u>272,563</u>
Total General Revenues				<u>7,730,865</u>
Change in Net Assets				154,394
Net Assets - Beginning of Year				<u>6,850,217</u>
Net Assets - End of Year				<u>\$ 7,004,611</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, 2007

1 Summary of Significant Accounting Policies

Narrative Profile

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

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

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

A. *The Financial Reporting Entity*

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

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

- Management's Discussion and Analysis: GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.
- Government-Wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

- Statement of Net Assets: The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.
- Statement of Program Activities: The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).
- Budgetary Comparison Schedules: Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The County and many other governments revise their original budgets over the course of the year for a variety of reasons. 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 \$192,948 in operating funds in fiscal year 2007. 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 2007:

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, 2007, 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 \$643,145 at June 30, 2007 and is composed of the following:

General Fund - taxes receivable	\$ 643,145
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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 - 50 years
Furniture and other equipment	3 - 25 years

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

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

H. Compensated Absences

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

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

I. Use of Estimates

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

J. Long-Term Obligations

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

2 **Cash and Investments**

Cash and Cash Equivalents

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

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

Deposits

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

Investments

Interest Rate Risk

Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolio. As of June 30, 2007, 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 9.48 percent of the County's total cash and investments.

The following is a summary of cash and investments:

	<u>Carrying Amount</u>	<u>Market Value</u>
Primary Government		
Repurchase Agreements	\$ <u>3,442,798</u>	\$ <u>3,442,798</u>
Total Investments	3,442,798	<u>\$ 3,442,798</u>
Total Deposits	<u>32,887,246</u>	
Total Investments and Deposits - Primary Government	36,330,044	
Cash on Hand	<u>2,024</u>	
Total - Primary Government	36,332,068	
Component Unit School Board		
Total Investments		\$ <u>-</u>
Total Deposits	<u>2,169,615</u>	
Total - School Board	<u>2,169,615</u>	
Total Reporting Unit	<u>\$ 38,501,683</u>	

The following is a summary and reconciliation of the pooled cash and investments at June 30, 2007:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Primary Government				
Cash and cash equivalents	\$ 32,079,268	\$ 446,942	\$ 363,060	\$ 32,889,270
Investments	<u>3,442,798</u>	<u>-</u>	<u>-</u>	<u>3,442,798</u>
Total Primary Government	35,522,066	446,942	363,060	36,332,068
Component Unit School Board				
Cash and cash equivalents	<u>2,169,615</u>	<u>-</u>	<u>-</u>	<u>2,169,615</u>
Grand Total	<u>\$ 37,691,681</u>	<u>\$ 446,942</u>	<u>\$ 363,060</u>	<u>\$ 38,501,683</u>

Cash on Hand. The above amounts include cash on hand of \$2,024.

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 2006 were levied by the County Board of Supervisors in May 2006 on the assessed value listed as of January 1, 2006.

Property taxes for calendar year 2007 were levied by the County Board of Supervisors in May 2007 on the assessed value listed as of January 1, 2007.

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, 2007 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 School Board</u>
Property taxes	\$ 915,964	\$ -	\$ 915,964	\$ -	\$ 915,964	\$ -
Other	142,029	328,946	470,975	-	470,975	70,326
Water and sewer	-	-	-	300,303	300,303	-
Total	1,057,993	328,946	1,386,939	300,303	1,687,242	70,326
Allowance for uncollectibles	(643,145)	-	(643,145)	-	(643,145)	-
Net Receivables	\$ 414,848	\$ 328,946	\$ 743,794	\$ 300,303	\$ 1,044,097	\$ 70,326

5 Due from Other Governmental Units

	<u>Governmental Activities</u>			<u>Component Unit School Board</u>
	<u>General</u>	<u>Public Assistance</u>	<u>Total</u>	
Commonwealth of Virginia				
Local and State sales taxes	\$ -	\$ -	\$ -	\$ 249,375
Mobile home tax	10,750	-	10,750	-
Criminal Justice	33,334	-	33,334	-
Motor vehicle carriers tax	19,218	-	19,218	-
Communications tax	50,943	-	50,943	-
Law enforcement	37,090	-	37,090	-
Comprehensive services	8,628	-	8,628	-
Public assistance funds	-	138,199	138,199	-
Victim witness	14,315	-	14,315	-
Salary reimbursements and fringes	340,192	-	340,192	-
Other	-	-	-	87,199
Technology	-	-	-	25,840
Reading 1st	-	-	-	70,552
Training and recruiting	-	-	-	32,128
Vocational	-	-	-	50,131
Federal Money from State				
Title I	-	-	-	137,300
Title VIB Flowthrough	-	-	-	181,183
Title IIA	-	-	-	-
Total	\$ 514,470	\$ 138,199	\$ 652,669	\$ 833,708

6 Interfund Balances and Activity

Balance due to/from other funds at June 30, 2007:

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	\$ 296,735	\$ -
To Enterprise Fund for operating costs and debt service	882,203	-
To Utility Tax Building Fund	163,220	-
From Enterprise Fund for Industrial Access Road	-	197,480
From Inmate Fund for reimbursement of expenses	-	89,927
	<hr/>	<hr/>
Total General Fund	1,342,158	287,407

Public Assistance - Welfare Fund

From General Fund	-	296,735
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Inmate Fund

To General Fund for reimbursement of expenses	89,928	-
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Enterprise Fund

From General Fund for operating costs and debt service	-	451,172
To General Fund for Industrial Park Access Road	197,480	-

Utility Tax Building Fund

From General Fund	-	594,252
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Total Transfers

\$ 1,629,566 \$ 1,629,566

Transfers Between Component Units

General Fund

To School Fund for local appropriation	\$ 8,901,034	\$ -
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Utility Tax Building Fund

To School Fund for debt service payments	466,613	-
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School Fund

From Utility Tax Building Fund for debt service	-	466,613
From General Fund for local appropriation	-	8,901,034
	<hr/>	<hr/>

Total Transfers/Appropriations

\$ 9,367,647 \$ 9,367,647

Component Unit School Board

School Fund

To School Food Services Fund for operating costs	\$ 48,135	\$ -
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School Food Services Fund

From School Operating Fund for operating costs	-	48,135
	<hr/>	<hr/>

\$ 48,135 \$ 48,135

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

7 Capital Assets

Primary Government

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,092,897	\$ 2,446,076	\$ -	\$ 3,538,973
Total Capital Assets Not Being Depreciated	1,092,897	2,446,076	-	3,538,973
Other Capital Assets				
Buildings and improvements	41,779,893	66,875	-	41,846,768
Furniture, equipment, and vehicles	5,444,377	129,522	140,328	5,433,571
Total Other Capital Assets	47,224,270	196,397	140,328	47,280,339
Less: Accumulated depreciation for				
Buildings and improvements	9,618,617	941,587	-	10,560,204
Furniture, equipment, and vehicles	2,140,911	331,405	72,738	2,399,578
Total Accumulated Depreciation	11,759,528	1,272,992	72,738	12,959,782
Other Capital Assets, Net	35,464,742	(1,076,595)	67,590	34,320,557
Net Capital Assets	\$ 36,557,639	\$ 1,369,481	\$ 67,590	\$ 37,859,530

Depreciation expense was allocated as follows:

General government administration	\$ 856,023
Judicial administration	24,596
Public safety	258,650
Public works	46,706
Health and welfare	15,361
Education	30,226
Parks, recreation, and cultural	29,532
Community development	11,898
Total Depreciation Expense	\$ 1,272,992

Business-Type Activities

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
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	365,594	-	-	365,594
Infrastructure and equipment	22,658,955	94,786	-	22,753,741
Vehicles	205,599	-	-	205,599
Total Other Capital Assets	23,230,148	94,786	-	23,324,934
Less: Accumulated depreciation for				
Buildings and improvements	43,430	10,309	-	53,739
Infrastructure and equipment	8,305,097	510,964	-	8,816,061
Vehicles	109,262	19,479	-	128,741
Total Accumulated Depreciation	8,457,789	540,752	-	8,998,541
Other Capital Assets, Net	14,772,359	(445,966)	-	14,326,393
Net Capital Assets	<u>\$ 15,017,921</u>	<u>\$ (445,966)</u>	<u>\$ -</u>	<u>\$ 14,571,955</u>
Depreciation expense was allocated to education		<u>\$ 540,752</u>		

Component Unit School Board

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 988,200	\$ 374,000	\$ -	\$ 1,362,200
Total Capital Assets Not Being Depreciated	988,200	374,000	-	1,362,200
Other Capital Assets				
Buildings and improvements	2,225,700	-	-	2,225,700
Furniture, equipment, and vehicles	10,826,676	353,479	76,392	11,103,763
Total Other Capital Assets	13,052,376	353,479	76,392	13,329,463
Less: Accumulated depreciation for				
Buildings and improvements	1,484,133	51,917	-	1,536,050
Furniture, equipment, and vehicles	5,431,180	542,398	102,266	5,871,312
Total Accumulated Depreciation	6,915,313	594,315	102,266	7,407,362
Other Capital Assets, Net	6,137,063	(240,836)	(25,874)	5,922,101
Net Capital Assets	<u>\$ 7,125,263</u>	<u>\$ 133,164</u>	<u>\$ (25,874)</u>	<u>\$ 7,284,301</u>
Depreciation expense was allocated to education		<u>\$ 594,315</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
2008	\$ 1,516,589	\$ 1,947,526	\$ 252,343	\$ 53,333	\$ -	\$ -
2009	2,215,710	1,865,417	253,860	80,942	-	-
2010	2,592,746	1,604,789	321,212	78,025	-	-
2011	2,610,577	1,486,899	325,590	73,649	-	-
2012	2,347,247	1,379,632	272,516	69,529	-	-
2013-2017	10,388,049	5,585,922	1,410,470	299,958	-	-
2018-2022	10,091,154	3,410,956	698,648	207,324	-	-
2023-2027	8,869,322	1,495,492	611,350	93,497	-	-
2028-2032	2,330,000	89,650	138,119	2,845	-	-
Compensated absences	523,513	-	54,409	-	300,100	-
Total	43,484,907	<u>\$ 18,866,283</u>	<u>\$ 4,338,517</u>	<u>\$ 959,102</u>	<u>\$ 300,100</u>	<u>\$ -</u>
Add						
Unamortized premium	653,002					
		<u>\$ 44,137,909</u>				

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2007:

	Balance July 1, 2006	Increase	Decrease	Balance June 30, 2007	Due Within One Year
Primary Government					
Governmental Activities					
General Fund					
Capital lease with RBC Centura for a public safety communications system purchased over 10 years. Semiannual payments of interest at 3.39 percent with annual principal payments from \$235,000 to \$311,000 per year.	\$ 2,463,000	\$ -	\$ 239,000	\$ 2,224,000	\$ 247,000
Public Facility Lease Revenue Bonds Series 2006A, issued November 15, 2006, with interest payable semiannually at interest rates varying from 4.00% to 5.00%. Principal is due annually for 20 years. The bond is payable to Regions Bank.	-	21,300,000	-	21,300,000	-
General Fund - School Bonds					
Public Facility Revenue Notes, Series 2006B issued November 15, 2006, with interest payable semiannually at interest rates varying from 4.00% to 5.00%. Principal is due annually for 20 years. The bond is payable to RBC Centura Bank.	-	7,500,000	-	7,500,000	-

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Bonds (Virginia Public School Authority, 1991 Series A) issued June 1991, due in various installments ranging from \$110,000 to \$375,000; rates from 6.10 percent to 7.80 percent; final maturity 12/15/2010. Interest due semiannually 6/15 and 12/15, starting 12/15/1991, with U.S. Bank.	1,475,000	-	280,000	1,195,000	290,000
General Obligation Bond, consolidated the 1991 Series B and 1992 Series into one issue (Virginia Public School Authority, 1994 Series) due in various installments for 20 years at varying rates between 5 percent and 7 percent through 12/15/2011 with U.S. Bank.	965,000	-	180,000	785,000	175,000
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 U.S. Bank.	120,000	-	15,000	105,000	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 U.S. Bank.	475,000	-	110,000	365,000	100,000
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 U.S. Bank.	720,000	-	120,000	600,000	115,000
General Obligation Bonds (Virginia Public School Authority, Series 2000B) due in various installments ranging from \$218,266 to \$304,970; rate of 5.10 percent. Interest due semiannually, 7/15 and 1/15, with U.S. Bank.	8,059,940	-	472,302	7,587,638	479,270
General Obligation Bonds (Virginia Public School Authority, Series 2002B) due in various installments ranging from \$60,596 to \$74,322 and rates from 2.35 percent to 5.1 percent. Interest due semiannually, 7/15 and 1/15, with U.S. Bank.	1,121,544	-	61,084	1,060,460	61,344

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due Within</u> <u>One Year</u>
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.	271,879	-	32,583	239,296	33,975
Compensated Absences - General Fund	340,959	41,845	-	382,804	-
Compensated Absences - Welfare Fund	<u>140,106</u>	<u>603</u>	<u>-</u>	<u>140,709</u>	<u>-</u>
Total Governmental Activities	16,152,428	28,842,448	1,509,969	43,484,907	1,516,589

Add

Unamortized Premium on Bond Series 2006A and 2006B Bonds				<u>653,002</u>	
Total Long-Term Indebtedness - Primary Government				44,137,909	

Business-Type Activities

Virginia Resources Authority, \$4,022,364 note payable, payable in semiannual installments of \$100,559 over 20 years with no interest.	2,413,419	-	201,119	2,212,300	201,118
Equipment Loan with SunTrust Bank payable in semiannual installments of \$28,574 over 7 years with interest at 2.94 percent.	265,621	-	51,483	214,138	51,224
Revenue Refunding Bond, Series 2007 issued June 18, 2007 with BB&T due 6/30/2028; payable annually beginning 6/30/2010 in annual installments of \$141,550 for 20 years with a rate of 4.12 percent; the proceeds of this note were used to pay off the outstanding Rural Development Bond. Two interest payments are due in 2008 and 2009 of \$49,955 and \$76,853, respectively.	-	1,857,670	-	1,857,670	-
Rural Development, \$2,250,000 Revenue Bonds, Series 1994A payable over 40 years not to exceed 5 percent interest. The monthly payments are \$10,328.	1,968,831	-	1,968,831	-	-
Compensated Absences - Water and Sewer Fund	<u>47,801</u>	<u>6,608</u>	<u>-</u>	<u>54,409</u>	<u>-</u>
Total Business-Type Activities	<u>4,695,672</u>	<u>1,864,278</u>	<u>2,221,433</u>	<u>4,338,517</u>	<u>252,342</u>
Total Primary Government	<u>\$ 20,848,100</u>	<u>\$ 30,706,726</u>	<u>\$ 3,731,402</u>	<u>\$ 48,476,426</u>	<u>\$ 1,768,931</u>

Component Unit School Board

Governmental Activities

Operating Fund

Compensated Absences - School Board	<u>\$ 302,753</u>	<u>\$ -</u>	<u>\$ 2,653</u>	<u>\$ 300,100</u>	<u>-</u>
Total Component Unit School Board	<u>\$ 302,753</u>	<u>\$ -</u>	<u>\$ 2,653</u>	<u>\$ 300,100</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 ¼ 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 \$523,513 in the governmental activities. The balance in the business-type activities is \$54,409. The balance in the Component Unit School Board is \$300,100.

10 Deferred Revenue

Primary Government

Property taxes	\$	146,957
Prepaid taxes		<u>30,956</u>
Total Primary Government	\$	<u>177,913</u>

Component Unit School Board

Small programs	\$	29,741
Expenditure refunds		97,662
Mentor teacher		17,472
Other school programs from donations		<u>93,965</u>
Total Component Unit School Board	\$	<u>238,840</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, 2007, 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/2006AnnuRept.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 2007 was 5.93 percent of annual covered payroll. The Component Unit School Board's contribution rate for non-professional employees for the fiscal year ended 2007 was 3.53 percent of annual covered payroll. The Component Unit School Board contributed \$1,236,743 to the teacher cost-sharing pool at a rate of 9.2 percent.

C. *Annual Pension Cost*

For fiscal year 2007, the County's annual pension cost of \$378,930 and \$34,008 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, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50 percent investment rate of return, (b) projected salary increases ranging from 3.75 percent to 6.20 percent per year, and (c) 2.50 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50 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. The County's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 21 years.

Three-Year Trend Information for County

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2005	\$ 180,036	100.0%	\$ -
June 30, 2006	157,246	100.0%	-
June 30, 2007	378,930	100.0%	-

**Three-Year Trend Information for
Non-Professional School Board**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2005	\$ 7,660	100.0%	\$ -
June 30, 2006	7,866	100.0%	-
June 30, 2007	34,008	100.0%	-

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for County

<u>Actuarial Valuation Date</u>	(a) <u>Actuarial Value of Assets</u>	(b) <u>Actuarial Accrued Liability (AAL)</u>	(b-a) <u>Unfunded Actuarial 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, 2004	\$ 18,058,545	\$ 17,750,870	\$ (307,675)	101.73%	\$ 5,411,038	-5.69%
June 30, 2005	18,441,392	20,446,395	2,005,003	90.19%	5,810,074	34.51%
June 30, 2006	19,576,153	20,657,507	1,081,354	94.77%	6,054,963	17.86%
Southampton County School Board						
June 30, 2004	2,927,987	2,684,338	(243,649)	109.08%	930,869	-26.17%
June 30, 2005	2,984,880	2,954,032	(30,848)	101.04%	985,738	-3.13%
June 30, 2006	3,148,201	3,117,586	(30,615)	100.98%	1,002,992	-3.05%

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, 2006	June 30, 2006
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent, Open	Level Percent, Open
Payroll Growth Rate	2.50%	2.50%
Remaining Amortization Period	20 years	20 years
Asset Valuation Method	Modified Market	Modified Market
Actuarial Assumptions		
Investment rate of return ¹	7.50%	7.50%
Projected salary increases ¹		
NonLaw Enforcement Officer Employees	3.75% to 5.60%	3.75% to 5.60%
Law Enforcement Officer Employees	3.50% to 4.75%	3.50% to 4.75%
Cost-of-living adjustments	2.50%	2.50%

¹Includes inflation of 2.50%.

13 Designated Fund Balances

Fund balances have been designated for the following purposes:

<u>Fund</u>	<u>Designation</u>	<u>Amount</u>
Federal Grants Fund	Subsequent years' appropriations	\$ 35,187
911 Fund	Subsequent years' appropriations	37,258
Forfeiture Fund	Subsequent years' appropriations	160,455
Law Library Fund	Subsequent years' appropriations	9,647
Canteen Fund	Subsequent years' appropriations	27,248
Inmate Fund	Subsequent years' appropriations	531,412
Utility Tax Building Fund	Subsequent years' appropriations	<u>28,106,997</u>
Total Primary Government		<u>\$ 28,908,204</u>

14 Legal Compliance

A. Expenditures in Excess of Appropriations

No expenditures exceeded appropriations in the major function category.

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, 2007:

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	\$ 8,901,034
Transfer from Capital Projects Utility Tax Fund	<u>466,613</u>
Total Appropriation per Fund Financial Statements	9,367,647
Debt on school buildings belonging to General Fund paid by School Fund	<u>(1,912,455)</u>
Appropriation to School Fund per Government-Wide Statements	<u>\$ 7,455,192</u>

REQUIRED SUPPLEMENTARY INFORMATION



County of Southampton, Virginia

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2007

	<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	\$ 7,965,565	\$ 7,965,565	\$ 7,792,343	\$ (173,222)
Mobile home taxes	56,909	56,909	58,432	1,523
Personal property taxes	4,578,014	4,578,014	4,602,349	24,335
Public service corporation property taxes	616,907	616,907	733,101	116,194
Machinery and tools taxes	568,708	568,708	593,015	24,307
Farm implement/machinery seasonal taxes	309,155	309,155	301,886	(7,269)
Merchants' capital and contractors' equipment	148,461	148,461	177,866	29,405
Delinquent taxes	220,000	220,000	370,860	150,860
Interest on taxes	50,000	50,000	85,267	35,267
Penalties and fees on late taxes	165,000	165,000	159,059	(5,941)
Total General Property Taxes	14,678,719	14,678,719	14,874,178	195,459
Other Local Taxes				
Local sales and use taxes	380,000	380,000	500,847	120,847
Communication sales tax	-	-	228,288	228,288
Consumption tax	40,000	40,000	51,895	11,895
Business license taxes	90,000	90,000	186,805	96,805
Franchise taxes	18,000	18,000	27,071	9,071
Motor vehicle licenses	315,000	315,000	348,096	33,096
Tax on recordation and wills	80,000	80,000	229,628	149,628
Total Other Local Taxes	923,000	923,000	1,572,630	649,630
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	13,900	13,900	15,090	1,190
Land U.S. application fees	35,000	35,000	2,720	(32,280)
Building permits	100,000	100,000	144,581	44,581
Other permits, licenses, and fees	3,950	3,950	15,978	12,028
Total Permits, Privilege Fees, and Regulatory Licenses	152,850	152,850	178,369	25,519
Fines and Forfeitures	493,478	493,478	584,227	90,749
Revenue from Use of Money and Property	80,000	80,000	339,445	259,445
Charges for Services				
Miscellaneous	3,200	3,560	16,347	12,787
Service charges - tax exempt	30,351	30,351	42,812	12,461
School resource officer	42,227	42,227	51,121	8,894
Circuit Court - Isle of Wight	16,808	16,808	16,798	(10)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Reimbursements for utilities and salaries	47,000	153,542	166,125	12,583
Courthouse maintenance fees	21,000	21,000	24,722	3,722
Commonwealth's Attorney - City of Franklin	21,779	21,779	22,000	221
Ambulance transfers	233,600	233,600	216,228	(17,372)
Collection fee account	4,436	4,436	39,142	34,706
Correction and detention	-	8,893	8,893	-
Total Charges for Services	420,401	536,196	604,188	67,992
Recovered Costs				
City of Franklin shared costs	142,380	151,065	161,171	10,106
Insurance claims	-	7,743	19,626	11,883
Miscellaneous recoveries	-	58,252	91,455	33,203
General obligation debt	19,794	19,794	19,795	1
Hospitalization insurance	-	27,974	28,415	441
SEVAMP - visiting nurse	-	59,332	59,332	-
Total Recovered Costs	162,174	324,160	379,794	55,634
Miscellaneous				
Miscellaneous	-	1,405	7,686	6,281
Industrial corridor tax revenue	530,000	530,000	577,500	47,500
Camp Campbell Foundation	-	68,000	68,000	-
Total Miscellaneous	530,000	599,405	653,186	53,781
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
ABC profits	8,600	8,600	8,611	11
Wine taxes	9,034	9,034	9,026	(8)
Rolling stock taxes - motor vehicle carriers tax	55,000	55,000	53,828	(1,172)
Mobile home titling tax	30,000	30,000	35,985	5,985
Recordation and grantors' tax - State	28,562	28,562	45,953	17,391
Total Noncategorical Aid	131,196	131,196	153,403	22,207
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Commonwealth's Attorney	298,079	300,689	305,446	4,757
Sheriff and Sheriff's auto	2,707,009	2,717,872	2,680,257	(37,615)
Commissioner of the Revenue	88,239	88,239	89,980	1,741
Treasurer	86,012	86,012	87,640	1,628
Medical Examiners	900	900	-	(900)
Electoral Board and General Registrar	47,106	47,106	48,158	1,052
Clerk - fringe benefits	286,123	310,890	350,089	39,199
Fire program	-	35,626	35,626	-
Jail operations	399,033	444,286	506,147	61,861
Jail beds	-	-	53,340	53,340

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Miscellaneous State grants	-	-	438	438
Circuit Court Grant	-	60,214	60,214	-
Criminal Justice Grant	-	33,334	33,334	-
Litter Control Grant	-	12,480	12,480	-
Recycle Grant	-	1,875	1,875	-
Emergency Medical Services	-	14,041	142,421	128,380
Local Law Enforcement Block Grant	-	37,810	37,810	-
Highway Safety Grant	-	19,218	20,718	1,500
Virginia Commission for the Arts	-	5,000	5,000	-
Victim Witness Grant	46,981	46,981	52,158	5,177
Comprehensive Services Act	37,722	45,943	34,753	(11,190)
Total Categorical Aid	<u>3,997,204</u>	<u>4,308,516</u>	<u>4,557,884</u>	<u>249,368</u>
Total Revenue from the Commonwealth of Virginia	4,128,400	4,439,712	4,711,287	271,575
Revenue from the Federal Government				
Domestic Preparedness Equipment	-	4,155	4,155	-
Voting machines - registrar	-	29,933	29,933	-
Total Revenue from the Federal Government	<u>-</u>	<u>34,088</u>	<u>34,088</u>	<u>-</u>
Total Intergovernmental Revenue	<u>4,128,400</u>	<u>4,473,800</u>	<u>4,745,375</u>	<u>271,575</u>
Total Revenues	21,569,022	22,261,608	23,931,392	1,669,784
Expenditures				
Current				
<i>General Government Administration</i>				
Board of Supervisors	112,393	137,653	134,831	2,822
County Administrator	300,435	305,378	305,257	121
Commissioner of Revenue	246,532	246,919	239,259	7,660
Treasurer	228,746	230,809	230,709	100
Data processing	203,763	197,370	192,086	5,284
Insurance	118,930	84,470	82,930	1,540
Accounting	184,226	184,527	182,073	2,454
Delinquent taxes	56,700	56,700	19,456	37,244
Board of Assessors	3,600	51,716	51,529	187
Board of Elections	136,221	166,384	166,382	2
Total General Government Administration	<u>1,591,546</u>	<u>1,661,926</u>	<u>1,604,512</u>	<u>57,414</u>

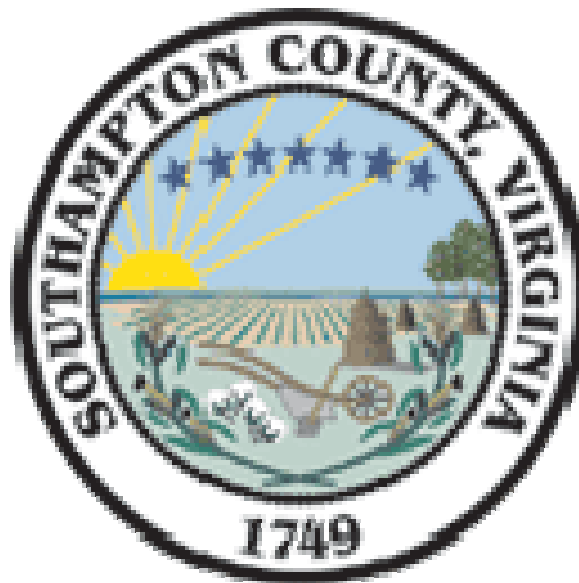
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Judicial Administration</i>				
Circuit Court	66,631	81,710	65,698	16,012
General District Court	21,176	25,047	23,490	1,557
Magistrate	1,438	1,438	995	443
Victim Witness Assistance Program	63,808	63,808	63,219	589
Clerk of the Circuit Court	436,193	527,605	519,699	7,906
Sheriff - Bailiff	338,861	343,374	335,317	8,057
Courthouse Security	56,065	56,065	23,289	32,776
Commonwealth's Attorney	404,199	437,381	433,584	3,797
Total Judicial Administration	1,388,371	1,536,428	1,465,291	71,137
<i>Public Safety</i>				
Sheriff's Department	1,542,619	1,693,224	1,648,136	45,088
Project Life Saver	-	13,746	387	13,359
School resource officer	42,227	42,227	42,035	192
Fire and rescue services	1,149,529	1,271,654	1,203,951	67,703
Emergency services	26,612	31,826	22,817	9,009
Forestry	13,257	13,257	12,982	275
Detention	2,439,116	2,703,560	2,703,560	-
Probation	92,696	92,696	58,198	34,498
Inspections	131,230	133,164	124,846	8,318
Animal control	98,407	99,078	82,675	16,403
Medical Examiner	1,500	1,500	420	1,080
Total Public Safety	5,537,193	6,095,932	5,900,007	195,925
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	44,000	44,210	44,205	5
Refuse collection	840,578	817,765	817,764	1
Refuse disposal	789,456	850,255	767,250	83,005
Maintenance of buildings and grounds	458,416	469,191	445,632	23,559
Total Public Works	2,132,450	2,181,421	2,074,851	106,570
<i>Health and Welfare</i>				
Health Department	295,617	295,617	295,617	-
Mental health	75,291	75,861	75,861	-
Senior citizens	-	59,332	59,332	-
Comprehensive services	55,721	93,278	65,910	27,368
Welfare and Social Services	13,942	13,942	13,048	894
Total Health and Welfare	440,571	538,030	509,768	28,262
<i>Education</i>				
Appropriation to public school system	8,959,188	9,225,682	8,901,034	324,648
Total Education	8,959,188	9,225,682	8,901,034	324,648

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Parks, Recreation, and Cultural</i>				
Regional library	192,948	192,948	192,948	-
Miscellaneous contributions	20,000	25,000	25,000	-
Total Parks, Recreation, and Cultural	<u>212,948</u>	<u>217,948</u>	<u>217,948</u>	<u>-</u>
<i>Community Development</i>				
Planning and community development	223,536	252,040	233,215	18,825
Economic development	150,000	150,000	150,000	-
Industrial Park Access Road	-	-	197,480	(197,480)
Revenue sharing agreement	90,000	90,000	67,824	22,176
Soil and Water Conservation District and Chowan	10,000	103,867	103,867	-
Cooperative Extension Program	54,144	56,020	37,435	18,585
Total Community Development	<u>527,680</u>	<u>651,927</u>	<u>789,821</u>	<u>(137,894)</u>
<i>Debt Service</i>	<u>-</u>	<u>10,872</u>	<u>8,871</u>	<u>2,001</u>
Total Expenditures	<u>20,789,947</u>	<u>22,120,166</u>	<u>21,472,103</u>	<u>648,063</u>
Excess (Deficiency) of Revenues Over Expenditures	779,075	141,442	2,459,289	2,317,847
Other Financing Sources (Uses)				
Transfers in	-	172,643	287,407	114,764
Transfers out	<u>(1,130,751)</u>	<u>(1,236,868)</u>	<u>(1,342,158)</u>	<u>(105,290)</u>
Total Other Financing Sources (Uses)	<u>(1,130,751)</u>	<u>(1,064,225)</u>	<u>(1,054,751)</u>	<u>9,474</u>
Net Change in Fund Balance before Transfer from Surplus	(351,676)	(922,783)	1,404,538	2,327,321
Transfer from Surplus Funds	<u>351,676</u>	<u>922,783</u>	<u>-</u>	<u>(922,783)</u>
Net Change in Fund Balance after Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	1,404,538	<u>\$ 1,404,538</u>
Fund Balance - Beginning of Year			<u>4,950,960</u>	
Fund Balance - End of Year			<u>\$ 6,355,498</u>	

Public Assistance Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues				
Intergovernmental				
Revenue from the Commonwealth of Virginia	\$ 470,000	\$ 470,000	\$ 469,837	\$ (163)
Revenue from the Federal Government	<u>1,340,485</u>	<u>1,384,957</u>	<u>1,304,371</u>	<u>(80,586)</u>
Total Intergovernmental Revenue	<u>1,810,485</u>	<u>1,854,957</u>	<u>1,774,208</u>	<u>(80,749)</u>
Total Revenues	1,810,485	1,854,957	1,774,208	(80,749)
Expenditures				
Current				
<i>Health and Welfare</i>				
Welfare and Social Services	<u>2,165,149</u>	<u>2,209,621</u>	<u>2,070,943</u>	<u>138,678</u>
Total Expenditures	<u>2,165,149</u>	<u>2,209,621</u>	<u>2,070,943</u>	<u>138,678</u>
Excess (Deficiency) of Revenues Over Expenditures	(354,664)	(354,664)	(296,735)	57,929
Other Financing Sources (Uses)				
Transfers in	<u>354,664</u>	<u>354,664</u>	<u>296,735</u>	<u>(57,929)</u>
Total Other Financing Sources (Uses)	<u>354,664</u>	<u>354,664</u>	<u>296,735</u>	<u>(57,929)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			<u>-</u>	
Fund Balance - End of Year			<u>\$ -</u>	

OTHER SUPPLEMENTARY INFORMATION



County of Southampton, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2007

	<u>Federal Grants Fund</u>	<u>911 Fund</u>	<u>Special Revenue Funds Forfeiture Fund</u>	<u>Law Library Fund</u>	<u>Canteen Fund</u>	<u>Inmate Fund</u>	<u>Capital Projects Utility Tax Building Fund</u>	<u>Total Other Governmental Funds</u>
Assets								
Cash and investments	\$ 35,187	\$ 26,735	\$ 160,887	\$ 8,877	\$ 30,998	\$ 531,609	\$ 28,914,037	\$ 29,708,330
Accounts receivable	-	12,949	-	1,093	-	-	314,904	328,946
Total Assets	<u>\$ 35,187</u>	<u>\$ 39,684</u>	<u>\$ 160,887</u>	<u>\$ 9,970</u>	<u>\$ 30,998</u>	<u>\$ 531,609</u>	<u>\$ 29,228,941</u>	<u>\$ 30,037,276</u>
Liabilities								
Accounts payable and accrued liabilities	\$ -	\$ 2,426	\$ 432	\$ 323	\$ 3,750	\$ 197	\$ 1,121,944	\$ 1,129,072
Total Liabilities	-	2,426	432	323	3,750	197	1,121,944	1,129,072
Fund Balance								
Designated								
Subsequent years' expenditures	35,187	37,258	160,455	9,647	27,248	531,412	28,106,997	28,908,204
Total Fund Balance	<u>35,187</u>	<u>37,258</u>	<u>160,455</u>	<u>9,647</u>	<u>27,248</u>	<u>531,412</u>	<u>28,106,997</u>	<u>28,908,204</u>
Total Liabilities and Fund Balance	<u>\$ 35,187</u>	<u>\$ 39,684</u>	<u>\$ 160,887</u>	<u>\$ 9,970</u>	<u>\$ 30,998</u>	<u>\$ 531,609</u>	<u>\$ 29,228,941</u>	<u>\$ 30,037,276</u>

County of Southampton, Virginia

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

Other Governmental Funds

At June 30, 2007

	<u>Federal Grants Fund</u>	<u>911 Fund</u>	<u>Special Revenue Funds Forfeiture Fund</u>	<u>Law Library Fund</u>	<u>Canteen Fund</u>	<u>Inmate Fund</u>	<u>Capital Projects Utility Tax Building Fund</u>	<u>Total Other Governmental Funds</u>
Revenues								
Other local taxes	\$ -	\$ 71,750	\$ -	\$ -	\$ -		\$ 725,433	\$ 797,183
Use of money and property	-		4,241	32	-		1,066,566	1,070,839
Charges for services	-		-	7,473	97,196	-	-	104,669
Miscellaneous	-		2,120	-	-	244,142	2,380	248,642
Intergovernmental								
From the Commonwealth of Virginia	-	52,656	94,611	-	-	-	-	147,267
From the Federal Government	-		49,576	-	-	-	-	49,576
Total Revenues	-	124,406	150,548	7,505	97,196	244,142	1,794,379	2,418,176
Expenditures								
Current								
Judicial administration	-	-	-	3,325	-	-	-	3,325
Public safety	-	165,683	163,525	-	100,011	12,652	1,689,473	2,131,344
Public works	-	-	-	-	-	-	43,335	43,335
Education	-	-	-	-	-	-	466,613	466,613
Capital outlay - new school building	-	-	-	-	-	-	2,418,121	2,418,121
Community development	32,228	-	-	-	-	-	174,847	207,075
Debt service	-	-	-	-	-	-	799,490	799,490
Total Expenditures	32,228	165,683	163,525	3,325	100,011	12,652	5,591,879	6,069,303
Excess (Deficiency) of Revenues Over Expenditures	(32,228)	(41,277)	(12,977)	4,180	(2,815)	231,490	(3,797,500)	(3,651,127)
Other Financing Sources (Uses)								
Proceeds from debt	-	-	-	-	-	-	29,073,044	29,073,044
Transfers in	-	-	-	-	-	-	594,252	594,252
Transfers out	-	-	-	-	-	(89,928)	-	(89,928)
Total Other Financing Sources (Uses)	-	-	-	-	-	(89,928)	29,667,296	29,577,368
Net Change in Fund Balances	(32,228)	(41,277)	(12,977)	4,180	(2,815)	141,562	25,869,796	25,926,241
Fund Balance - Beginning of Year	67,415	78,535	173,432	5,467	30,063	389,850	2,237,201	2,981,963
Fund Balance - End of Year	\$ 35,187	\$ 37,258	\$ 160,455	\$ 9,647	\$ 27,248	\$ 531,412	\$ 28,106,997	\$ 28,908,204

County of Southampton, Virginia

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

At June 30, 2007

	<u>Special Welfare</u>	<u>Blackwater Regional Library</u>	<u>Totals</u>
Assets			
Cash	<u>\$ 26,201</u>	<u>\$ 336,859</u>	<u>\$ 363,060</u>
Liabilities			
Amounts held for others	<u>\$ 26,201</u>	<u>\$ 336,859</u>	<u>\$ 363,060</u>
Total Liabilities	<u>\$ 26,201</u>	<u>\$ 336,859</u>	<u>\$ 363,060</u>

County of Southampton, Virginia

Component Unit School Board

Combining Balance Sheet

At June 30, 2007

	<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	\$ 2,121,883	\$ 27,322	\$ 20,410	\$ 2,169,615
Accounts receivable	34,883	35,443	-	70,326
Due from other governments	<u>833,708</u>	<u>-</u>	<u>-</u>	<u>833,708</u>
 Total Assets	 <u>\$ 2,990,474</u>	 <u>\$ 62,765</u>	 <u>\$ 20,410</u>	 <u>\$ 3,073,649</u>
Liabilities				
Accounts payable	\$ 424,203	\$ -	\$ -	\$ 424,203
Accrued liabilities	2,327,431	62,765	-	2,390,196
Deferred revenue	<u>238,840</u>	<u>-</u>	<u>-</u>	<u>238,840</u>
 Total Liabilities	 2,990,474	 62,765	 -	 3,053,239
Fund Balance				
Designated				
Endowment	<u>-</u>	<u>-</u>	<u>20,410</u>	<u>20,410</u>
 Total Fund Balance	 <u>-</u>	 <u>-</u>	 <u>20,410</u>	 <u>20,410</u>
 Total Liabilities and Fund Balance	 <u>\$ 2,990,474</u>	 <u>\$ 62,765</u>	 <u>\$ 20,410</u>	 <u>\$ 3,073,649</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, 2007

Total fund balances for Governmental Funds	\$ 20,410
Total net assets reported for governmental activities in the Statement of Net Assets is different because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land	1,362,200
Buildings and improvements, net of depreciation	689,650
Furniture, equipment, and vehicles, net of depreciation	<u>5,232,451</u>
Total Capital Assets	7,284,301
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>(300,100)</u>
Total Net Assets of Governmental Activities	<u>\$ 7,004,611</u>

County of Southampton, Virginia

Component Unit School Board

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

Year Ended June 30, 2007

	<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	\$ -	\$ 2,428	\$ 682	\$ 3,110
Charges for services	38,743	449,887	-	488,630
Miscellaneous	246,689	-	-	246,689
Recovered costs	557,615	-	-	557,615
Intergovernmental				
From County of Southampton, Virginia	9,367,647	-	-	9,367,647
From the Commonwealth of Virginia	17,485,296	14,509	-	17,499,805
From the Federal Government	1,885,564	529,075	-	2,414,639
	<u>29,581,554</u>	<u>995,899</u>	<u>682</u>	<u>30,578,135</u>
Total Revenues				
	29,581,554	995,899	682	30,578,135
Expenditures				
Education	27,620,964	1,052,013	-	28,672,977
Debt service	1,912,455	-	-	1,912,455
	<u>29,533,419</u>	<u>1,052,013</u>	<u>-</u>	<u>30,585,432</u>
Total Expenditures				
	29,533,419	1,052,013	-	30,585,432
Excess (Deficiency) of Revenues Over Expenditures	<u>48,135</u>	<u>(56,114)</u>	<u>682</u>	<u>(7,297)</u>
Other Financing Sources (Uses)				
Transfers in	(48,135)	48,135	-	-
	<u>(48,135)</u>	<u>48,135</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)				
	(48,135)	48,135	-	-
Net Change in Fund Balances	-	(7,979)	682	(7,297)
Fund Balances - Beginning of Year	-	7,979	19,728	27,707
	<u>-</u>	<u>7,979</u>	<u>19,728</u>	<u>27,707</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,410</u>	<u>\$ 20,410</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, 2007

Net change in fund balances	\$ (7,297)
<p>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.</p> <p>Balances of long-term liabilities affecting net assets are as follows:</p>	
Compensated absences	2,653
<p>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.</p>	
	<u>159,038</u>
Change in net assets of governmental activities	<u>\$ 154,394</u>

County of Southampton, Virginia

Component Unit School Board

School Operating Fund

Budgetary Comparison Schedule

Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Charges for services	\$ -	\$ 16,293	\$ 38,743	\$ 22,450
Miscellaneous	2,000	340,654	246,689	(93,965)
Recovered costs	-	545,818	557,615	11,797
Intergovernmental				
From County of Southampton, Virginia	9,150,094	9,692,295	9,367,647	(324,648)
From the Commonwealth of Virginia	17,797,001	17,883,265	17,485,296	(397,969)
From the Federal Government	1,502,189	2,138,059	1,885,564	(252,495)
	<u>28,451,284</u>	<u>30,616,384</u>	<u>29,581,554</u>	<u>(1,034,830)</u>
Total Revenues	28,451,284	30,616,384	29,581,554	(1,034,830)
Expenditures				
Current				
<i>Education</i>				
Instruction	19,645,654	21,256,754	20,472,461	784,293
Administration, attendance, and health	1,258,682	1,394,692	1,308,521	86,171
Transportation	2,482,288	2,594,638	2,536,897	57,741
Operation and maintenance	2,849,575	2,826,949	2,752,045	74,904
School food services	98,604	103,028	103,028	-
Facilities	204,026	479,733	448,012	31,721
Debt service	1,912,455	1,912,455	1,912,455	-
	<u>28,451,284</u>	<u>30,568,249</u>	<u>29,533,419</u>	<u>1,034,830</u>
Total Expenditures	28,451,284	30,568,249	29,533,419	1,034,830
Excess of Revenues over Expenditures	-	48,135	48,135	-
Other Financing Sources (Uses)				
Operating transfers out	-	(48,135)	(48,135)	-
	<u>-</u>	<u>(48,135)</u>	<u>(48,135)</u>	<u>-</u>
Total Other Financing Sources (Uses)	-	(48,135)	(48,135)	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

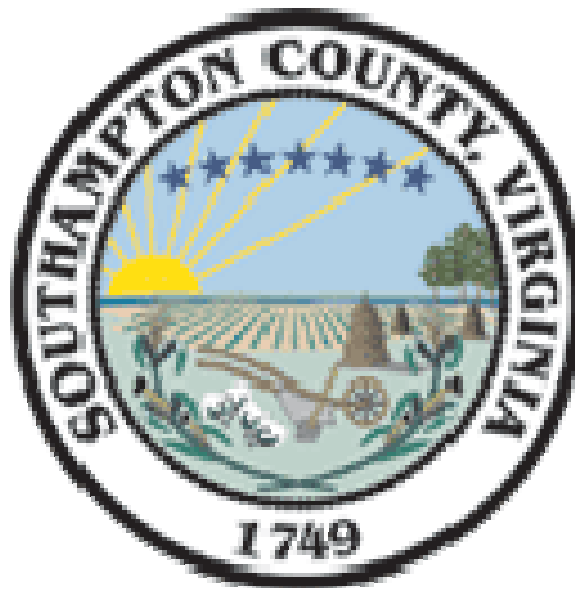
County of Southampton, Virginia

Jail Canteen and Other Revenue and Expense Information

Year Ended June 30, 2007

	<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	\$ 97,196	\$ 100,011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,196	\$ 100,011
Inmate Enterprise Fund #737	-	-	39,897	4,560	8,817	-	195,428	8,093	244,142	12,653
Total	<u>\$ 97,196</u>	<u>\$ 100,011</u>	<u>\$ 39,897</u>	<u>\$ 4,560</u>	<u>\$ 8,817</u>	<u>\$ -</u>	<u>\$ 195,428</u>	<u>\$ 8,093</u>	<u>\$ 341,338</u>	<u>\$ 112,664</u>

COMPLIANCE SECTION





**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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, 2007, which collectively comprise the County of Southampton, Virginia's basic financial statements and have issued our report thereon dated November 20, 2007. 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 of County of Southampton, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the of County of Southampton, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the of County of Southampton, Virginia's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Southampton, Virginia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County of Southampton, Virginia's financial statements that is more than inconsequential will not be prevented or detected by the County of Southampton, Virginia 's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Southampton, Virginia's internal control.

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

Compliance and Other Matters

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

We noted certain matters that we reported to the Sheriff of County of Southampton, Virginia in a separate letter dated November 20, 2007.

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

Credle, Jones & Alga, P.C.

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

South Hill, Virginia
November 20, 2007



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON 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, 2007. 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, 2007.

Internal Control Over Compliance

The management of the County of Southampton, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Southampton, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Southampton, Virginia's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of management, the audit committee, Board of Supervisors, others within the entity, 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 20, 2007

County of Southampton, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

Federal Granting Agency/Recipient State Agency/ <u>Grant Program</u>	Federal Catalog Number	State Agency Number	<u>Expenditures</u>
U. S. Department of Agriculture			
Pass-Through Payments			
<i>State Department of Agriculture</i>			
Food Distribution - Schools	10.555	N/A	\$ 52,430
 <i>Department of Social Services</i>			
Food Stamp Cluster			
Administration for Food Stamp Program	10.561	765	381,499
Total Food Stamp Cluster			<u>381,499</u>
 <i>Department of Education</i>			
Child Nutrition Cluster			
National School Lunch Program	10.555	197	400,132
School Breakfast Program	10.553	197	133,578
Total Child Nutrition Cluster			<u>533,710</u>
Subtotal - U. S. Department of Agriculture			967,639
 U. S. Department of Health and Human Services			
Pass-Through Payments			
<i>Department of Social Services</i>			
Child Care Cluster			
Child Care and Development Block Grant	93.575	765	143,731
Child Care Mandatory and Matching Funds	93.596	765	71,502
Total Child Care Cluster			<u>215,233</u>
 <i>Department of Social Services</i>			
Promoting Safe and Stable Families	93.556	765	14,105
Temporary Assistance to Needy Families	93.558	765	116,930
Refugee and Entrant Assistance	93.566	765	37,648
Low Income Home Energy Assistance	93.568	765	18,644
Foster Care - Title IV-E	93.658	765	413,830
Adoption Assistance	93.659	765	2,428
Chafee Foster Care Independence Program	93.674	765	639
Social Services Block Grant	93.667	765	<u>94,625</u>
Subtotal - U. S. Department of Health and Human Services			914,082

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
U. S. Department of Justice			
Pass-Through Payments			
<i>State Board of Elections</i>			
Polling Place Accessibility	16.104	140	<u>29,933</u>
Total			29,933
Direct Payments			
Federal asset forfeitures	16.000	N/A	<u>49,576</u>
Subtotal - U. S. Department of Justice			79,509
U. S. Department of Homeland Security			
Pass-Through Payments			
<i>Department of Emergency Services</i>			
State Homeland Security Grant Program	97.004	127	<u>4,155</u>
Subtotal - U. S. Department of Homeland Security			4,155
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	595,878
Special Education - Preschool Grants (Title VI)	84.173	197	<u>16,639</u>
Total Special Education Cluster			612,517
Title I	84.010	197	495,742
Vocational Education - Basic Grant	84.048	197	48,610
Drug Free Schools and Communities	84.186	197	15,299
Title IV Part B-21 Century Community Learning	84.287	197	96,507
Title V Part A Innovative Programs	84.298	197	7,312
Title II Part D Ed Technology Formula Grant	84.318	197	6,330
Reading First	84.357	197	92,326
Title II - Part A Improving Teacher Quality	84.367	197	159,697
Adult Literacy	84.002	197	<u>21,016</u>
Subtotal - U. S. Department of Education			1,555,356
U. S. Department of Labor			
Direct Payments			
Opportunity, Inc. Program 850	17.259	N/A	<u>134,604</u>
Subtotal - U. S. Department of Labor			<u>134,604</u>
Grand Totals			<u>\$ 3,655,345</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 \$52,430 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, 2007

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 significant deficiencies** relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- (c) **No instances of noncompliance** material to the financial statements of the County of Southampton, Virginia were disclosed during the audit.
- (d) **No significant deficiencies** relating to the audit of the major federal award programs are reported in the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.
- (e) The auditor's report on compliance for the major federal award programs for the County of Southampton, Virginia expresses an **unqualified opinion** on all major federal programs.
- (f) There were **no audit findings** relative to the major federal award programs for the County of Southampton, Virginia to be reported in this schedule.
- (g) The programs tested as major programs included:
 - 1. **CFDA # 10.551 Food Stamp Program Cluster**
 - 2. **CFDA # 10.555 and 10.553 Child Nutrition Cluster**
 - 3. **CFDA # 84.010 Title I**
 - 4. **CFDA # 84.027 and 84.173 Special Education Cluster**
 - 5. **CFDA # 93.658 Foster Care Title IV-E**
- (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, 2007

FINANCIAL STATEMENTS

There were no findings in the prior year.