

4. FINANCIAL MATTERS

A. PRESENTATION OF FY 2012 AUDIT

Attached herewith, please find an electronic copy of the FY 2012 Comprehensive Annual Financial Report (CAFR) prepared by Creedle, Jones, and Alga, P.C., Certified Public Accountants. A printed copy will be at your place Monday evening. Mrs. Robin Jones, CPA, will present their report.

The schedule of findings and questioned costs appears on page 73 of the report— please note that the report includes an unqualified (clean) opinion with no significant deficiencies, no instances of noncompliance and no findings.

Also keep in mind that the audit is only a snapshot of the County's financial position on June 30, 2012 — there have been a number of changes since that time which are not reflected in the audit.

Major items to note for FY 2012:

- In the general fund, overall, we collected \$160,277 or 0.59%, more revenue than budgeted – (pages 50-52). Chiefly responsible for the positive variance were delinquent tax collections, penalties and interest, motor vehicle licenses, and ambulance fees. These additional revenues were partially mitigated by shortfalls in real and personal property taxes, shared industrial corridor revenue from Franklin, and state categorical aid.
- Actual spending was \$736,536 or 2.66% less than budgeted (pages 52-53). Chiefly responsible for the expenditure savings were the Sheriff's Office (Bailiff, Courthouse Security, Law Enforcement, 911), and Emergency Services (reimbursements from Hurricane Irene);
- The school board underspent its local budget by only \$746 (page 53) – substantially less than previous fiscal years;
- Given the fact that your FY 2012 budget included up to \$1,400,777 from the General Fund Reserve, and the Board re-appropriated an additional \$1,094,072 back to the School Board in January 2012, the end of year general fund balance decreased by \$1,761,921, or 28.4%, and remains at \$4,440,258 (page 14). The unappropriated fund balance is currently equivalent to roughly 15.66% of your overall General Fund budget, including transfers;
- Your FY 2013 budget provides for up to \$452,260 to come from the unappropriated general fund reserve, if necessary, to balance.

MOTION REQUIRED: A motion is required to receive and accept the FY 2012 CAFR.

B. FY 2013 SEMIANNUAL APPROPRIATION RESOLUTION

Attached herewith please find the semiannual appropriation resolution for the second half of FY 2013, with total appropriations of \$25,348,949.

MOTION REQUIRED: A motion is required to adopt the attached semiannual appropriation resolution.

C. SCHOOL FUND APPROPRIATION

Attached for your consideration, please find a School Fund appropriation totaling \$112,161.67. The sources of revenue are donations and expenditure refunds – there are no new local funds included.

MOTION REQUIRED: A motion is required to adopt the attached resolution.

D. REQUEST FOR EARLY PAYROLL DISBURSEMENT

In keeping with past traditions, I'm seeking your authority to provide early payroll disbursement for all employees in December. I request a motion to issue payroll checks to all employees for the December pay period on Thursday, December 20, 2012.

MOTION REQUIRED: A motion is required to approve early payroll disbursement.

E. MONTHLY BILLS

Attached for your reference please find spreadsheets itemizing the accounts payable for Southampton County.

This list has been pre-audited by county staff to determine the legality of each expenditure. Specifically, we have checked to assure that funds have been appropriated and are available to cover the expenditure. Each claim has been checked to assure that the obligation has been incurred or that the goods and/or services have been received.

MOTION REQUIRED: A motion is required to authorize payment of the monthly bills.

From: Lynette Lowe
Sent: Wednesday, November 07, 2012 9:30 AM
To: Mike Johnson
Subject: FW: Meeting Information from Lynette

Mike,

Robin would like to be put on the November 26th Agenda to speak.

Thank You,

Lynette

From: Lynette Lowe
Sent: Wednesday, November 07, 2012 9:21 AM
To: 'Robin Jones'
Subject: Meeting Information from Lynette

They are all night meetings now and they all start at 7 pm. I will get Mike to put you on the schedule.

From: Robin Jones [mailto:robin@cja-cpa.com]
Sent: Sunday, November 04, 2012 11:25 AM
To: Lynette Lowe
Subject: Re: from Lynette

Is November 26th a morning or night meeting? That looks fine to me.

-----Original Message-----

From: [Lynette Lowe](#)
Date: 11/3/2012 4:30:53 PM
To: [Robin Jones](#)
Subject: from Lynette

I also wanted to let you know the dates of our next few Board Meetings. You can let me know which one you would like to attend to present the FY2012 report:

November 26, 2012

December 17, 2012

January 28, 2013

I think it would be great if maybe you could present no later than the December meeting because it would get things completed before we start with our Budget Season. Just let me know what will work best for you.

Thanks,

Lynette C. Lowe

Finance Director

Southampton County

757-653-3006



County of Southampton, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2012



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

County of Southampton, Virginia

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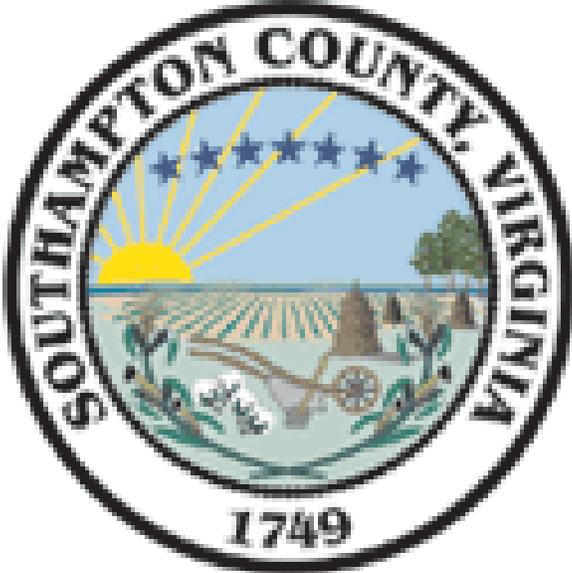
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FINANCIAL SECTION





**Creedle
Jones
& Alga**

A Professional Corporation

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Southampton, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of County of Southampton, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Southampton, Virginia, as of June 30, 2012, 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 15, 2012, on our consideration of the County of Southampton, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 9 and 50 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Credle, Jones & Alga, P.C.

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

South Hill, Virginia
November 15, 2012

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, 2012. 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 2012

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 \$33,277,412. Of this amount, \$4,275,999 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- For the fiscal year, general and program revenues (exclusive of transfers) of the County's governmental activities were \$30,585,258 and expenses amounted to \$29,618,228. The County's total net assets decreased \$473,740, as adjusted for transfers.
- For business-type activities, revenues (exclusive of transfers) were \$1,148,026 and expenses were \$4,742,620. The net assets decreased by \$2,153,824, as adjusted for transfers.

Highlights for Fund Financial Statements

- As of June 30, 2012, the County's Governmental Funds reported combined fund balances of \$9,280,389, a decrease of \$2,384,007 in comparison with the prior year. Approximately 46.9 percent of the combined fund balances, \$4,351,985, is available to meet the County's current and future needs.
- The General Fund reported a fund balance of \$4,440,258, a decrease of \$1,761,921 from June 30, 2011.

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, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2012	2011	2012	2011	2012	2011	2012	2011
Assets								
Current and other assets	\$ 11,877,055	\$ 12,738,566	\$ 295,350	\$ 126,1507	\$ 12,172,405	\$ 14,000,073	\$ 3,761,470	\$ 3,817,179
Capital assets (net)	<u>5,978,012</u>	<u>53,828,002</u>	<u>39,862,094</u>	<u>40,815,653</u>	<u>91,840,106</u>	<u>94,643,655</u>	<u>6,618,341</u>	<u>6,844,209</u>
Total Assets	<u>\$ 63,855,067</u>	<u>\$ 66,566,568</u>	<u>\$ 40,157,444</u>	<u>\$ 42,077,160</u>	<u>\$ 104,012,511</u>	<u>\$ 108,643,728</u>	<u>\$ 10,379,811</u>	<u>\$ 10,661,388</u>
Liabilities								
Other liabilities	\$ 3,882,447	\$ 4,018,673	\$ 978,224	\$ 784,228	\$ 4,860,671	\$ 4,802,901	\$ 3,844,546	\$ 4,039,101
Long-term liabilities	<u>31,146,574</u>	<u>33,248,109</u>	<u>34,727,854</u>	<u>34,687,742</u>	<u>65,874,428</u>	<u>67,935,851</u>	<u>1,075,503</u>	<u>853,600</u>
Total Liabilities	<u>35,029,021</u>	<u>37,266,782</u>	<u>35,706,078</u>	<u>35,471,970</u>	<u>70,735,099</u>	<u>72,738,752</u>	<u>4,920,049</u>	<u>4,892,701</u>
Net Assets								
Invested in capital assets, net of related debt	19,351,238	14,577,558	5,134,240	6,722,227	24,485,478	21,299,785	6,618,341	6,844,209
Restricted for capital projects	4,397,720	5,476,474	118,223	-	4,515,943	5,476,474	-	-
Unrestricted	<u>5,077,088</u>	<u>9,245,754</u>	<u>(801,097)</u>	<u>(117,037)</u>	<u>4,275,991</u>	<u>9,128,717</u>	<u>(1,158,579)</u>	<u>(1,075,522)</u>
Total Net Assets	<u>28,826,046</u>	<u>29,299,786</u>	<u>4,451,366</u>	<u>6,605,190</u>	<u>33,277,412</u>	<u>35,904,976</u>	<u>5,459,762</u>	<u>5,768,687</u>
Total Liabilities and Net Assets	<u>\$ 63,855,067</u>	<u>\$ 66,566,568</u>	<u>\$ 40,157,444</u>	<u>\$ 42,077,160</u>	<u>\$ 104,012,511</u>	<u>\$ 108,643,728</u>	<u>\$ 10,379,811</u>	<u>\$ 10,661,388</u>

The Commonwealth of Virginia requires that counties, as well as their financial dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. For the purpose of this financial statement, the debt and correlating asset (or portion therefore) is recorded as an asset and long-term liability of the primary government. GASB Statement No. 14, *The Financial Reporting Entity*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements. The net assets of the total financial reporting entity best represent the entity's financial position. In the case of the County's reporting entity, assets exceeded liabilities by \$33,277,412 at June 30, 2012. The portion of the reporting entity's net assets, \$24,485,478, 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, 2012:

Summary of Changes in Net Assets

For the Fiscal Years Ended June 30, 2012 and 2011

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit School Board</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues								
Program Revenues								
Charges for services	\$ 1,602,286	\$ 1,498,483	\$ 1,147,420	\$ 1,172,989	\$ 2,749,706	\$ 2,671,472	\$ 459,528	\$ 457,042
Operating grants and contributions	6,203,021	6,421,214	-	-	6,203,021	6,421,214	19,228,959	19,334,451
General Revenues								
General property taxes, real and personal	18,277,833	17,880,160	-	-	18,277,833	17,880,160	-	-
Other taxes	2,413,080	2,466,909	-	-	2,413,080	2,466,909	-	-
Payment from County of Southampton, VA								
Education	-	-	-	-	-	-	9,982,473	9,014,788
Noncategorical aid from state	124,733	117,201	-	-	124,733	117,201	-	-
Use of property	1,058,382	60,556	-	-	1,058,382	60,556	-	-
Investment earnings	17,766	67,668	606	8,625	18,372	76,293	596	784
Miscellaneous	888,157	970,237	-	-	888,157	970,237	118,455	85,159
Transfers	(1,440,770)	(638,307)	1,440,770	638,307	-	-	-	-
Total Revenues	29,144,488	28,844,121	2,588,796	1,819,921	31,733,284	30,664,042	29,790,011	28,892,224
Expenses								
General government administration	2,890,265	2,620,756	-	-	2,890,265	2,620,756	-	-
Judicial administration	1,603,414	1,576,091	-	-	1,603,414	1,576,091	-	-
Public safety	7,286,998	7,277,683	-	-	7,286,998	7,277,683	-	-
Public works	2,745,267	2,722,023	-	-	2,745,267	2,722,023	-	-
Health and welfare	2,997,839	3,183,999	-	-	2,997,839	3,183,999	-	-
Education	9,982,473	9,014,788	-	-	9,982,473	9,014,788	30,098,936	29,237,986
Parks, recreation, and cultural	322,394	319,639	-	-	322,394	319,639	-	-
Community development	419,930	369,176	-	-	419,930	369,176	-	-
Water and sewer	-	-	3,012,888	2,940,531	3,012,888	2,940,531	-	-
Interest on long-term debt	1,369,648	1,477,256	1,729,732	1,733,758	3,099,380	3,211,014	-	-
Total Expenses	29,618,228	28,561,411	4,742,620	4,674,289	34,360,848	33,235,700	30,098,936	29,237,986
Increase (Decrease) in Net Assets	(473,740)	282,710	(2,153,824)	(2,854,368)	(2,627,564)	(2,571,658)	(308,925)	(345,762)
Beginning Net Assets	29,299,786	29,017,076	6,605,190	9,459,558	35,904,976	38,476,634	5,768,687	6,114,449
Ending Net Assets	\$ 28,826,046	\$ 29,299,786	\$ 4,451,366	\$ 6,605,190	\$ 33,277,412	\$ 35,904,976	\$ 5,459,762	\$ 5,768,687

Governmental activities decreased the County's net assets by \$473,740 for fiscal year 2012. Revenues from governmental activities (without transfers) totaled \$30,585,258. Property taxes comprise the largest source of these revenues, totaling \$18,277,833 or 62.7 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$29,618,228. Education was the County's largest program with expenses totaling \$9,982,473. Public Safety expenses, which total \$7,286,998, 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, 2012 and 2011

	<u>2012</u>		<u>2011</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	\$ 2,890,265	\$ (2,448,504)	\$ 2,620,756	\$ (2,319,109)
Judicial administration	1,603,414	(491,772)	1,576,091	(818,261)
Public safety	7,286,998	(3,346,231)	7,277,683	(3,192,459)
Public works	2,745,267	(2,568,802)	2,722,023	(2,587,362)
Health and welfare	2,997,839	(868,167)	3,183,999	(653,286)
Education	9,982,473	(9,982,473)	9,014,788	(9,014,788)
Parks, recreation, and cultural	322,394	(317,394)	319,639	(314,639)
Community development	419,930	(419,930)	369,176	(264,554)
Interest on long-term debt	<u>1,369,648</u>	<u>(1,369,648)</u>	<u>1,477,256</u>	<u>(1,477,256)</u>
Total	<u>\$ 29,618,228</u>	<u>\$ (21,812,921)</u>	<u>\$ 28,561,411</u>	<u>\$ (20,641,714)</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2012, the County's Governmental Funds reported a combined ending fund balance of \$9,280,389, a decrease of \$2,384,007 in comparison with the prior year. Approximately 46.9 percent, or \$4,351,985, is available for spending at the government's discretion (unassigned 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 unassigned fund balance of \$4,351,985. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 16.5 percent of total fund expenditures.

- The General Fund contributed \$12,169,799 in operating funds to finance the Schools' operations.

The Capital Projects Fund which has a total fund balance of \$4,309,447, all of which is restricted and assigned for ongoing and future capital projects.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2012 and 2011

	<u>2012</u>			<u>2011</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	\$ 18,154,870	\$ 18,170,385	\$ 18,277,833	\$ 17,324,205	\$ 17,346,307	\$ 17,880,160
Other	3,806,342	4,359,279	4,558,479	3,541,066	3,916,425	4,578,493
Intergovernmental	<u>4,010,799</u>	<u>4,579,940</u>	<u>4,433,569</u>	<u>3,999,659</u>	<u>4,580,943</u>	<u>4,451,777</u>
Total	<u>25,972,011</u>	<u>27,109,604</u>	<u>27,269,881</u>	24,864,930	25,843,675	26,910,430
Expenditures	<u>25,044,462</u>	<u>27,658,326</u>	<u>26,921,790</u>	<u>24,325,967</u>	<u>28,141,656</u>	<u>25,898,595</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>927,549</u>	<u>(548,722)</u>	<u>348,091</u>	538,963	(2,297,981)	1,011,835
Other Financing Sources (Uses)						
Transfers in	160,000	160,000	160,000	145,380	259,951	237,135
Transfers out	<u>(2,488,326)</u>	<u>(2,488,326)</u>	<u>(2,270,012)</u>	<u>(1,552,204)</u>	<u>(1,552,204)</u>	<u>(1,454,859)</u>
Total	<u>(2,328,326)</u>	<u>(2,328,326)</u>	<u>(2,110,012)</u>	<u>(1,406,824)</u>	<u>(1,292,253)</u>	<u>(1,217,724)</u>
Change in Fund Balance	<u>(1,400,777)</u>	<u>(2,877,048)</u>	<u>(1,761,921)</u>	(867,861)	(3,590,234)	(205,889)
Transfer from Reserve	<u>1,400,777</u>	<u>2,877,048</u>	-	867,861	3,590,234	-
Change in Fund Balance after Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,761,921)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (205,889)</u>

Final amended budget revenues were more than the original budget by \$1,137,593.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$2,613,864 primarily to fund the appropriation to the component unit school board.

Actual revenues were more than final budget amounts by \$160,277, or .6 percent, while actual expenditures were \$736,536, or 2.7 percent less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2012, the County's investment in capital assets totals \$19,351,238, which are net capital assets less related debt for governmental activities and \$5,134,240 for business-type activities.

During fiscal year 2012, the County's net capital assets (including additions, decreases, and depreciation) decreased \$1,849,990, or 3.4 percent, for governmental activities and decreased \$953,559, or 2.3 percent, for business-type activities, as summarized in the following table:

Change in Capital Assets

Governmental Activities

	<u>Balance</u> <u>July 1, 2011</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Land and land improvements	\$ 6,140,082	\$ (191,015)	\$ 5,949,067
Buildings and improvements	59,554,782	9,137	59,563,919
Furniture, equipment, and vehicles	<u>7,109,111</u>	<u>(44,733)</u>	<u>7,064,378</u>
Total Capital Assets	72,803,975	(226,611)	72,577,364
Less: Accumulated depreciation	<u>(18,975,973)</u>	<u>(1,623,379)</u>	<u>(20,599,352)</u>
Total Capital Assets, Net	<u>\$ 53,828,002</u>	<u>\$ (1,849,990)</u>	<u>\$ 51,978,012</u>

Business-Type Activities

	<u>Balance</u> <u>July 1, 2011</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Land and land improvements	\$ 338,162	\$ -	\$ 338,162
Construction in progress	-	186,540	186,540
Buildings and improvements	1,047,994	5,943	1,053,937
Infrastructure and equipment	51,554,444	108,146	51,662,590
Vehicles	<u>228,692</u>	<u>-</u>	<u>228,692</u>
Total Capital Assets	53,169,292	300,629	53,469,921
Less: Accumulated depreciation	<u>(12,353,639)</u>	<u>(1,254,188)</u>	<u>(13,607,827)</u>
Total Capital Assets, Net	<u>\$ 40,815,653</u>	<u>\$ (953,559)</u>	<u>\$ 39,862,094</u>

Component Unit School Board

	<u>Balance</u> <u>July 1, 2011</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Land and land improvements	\$ 1,362,200	\$ -	\$ 1,362,200
Buildings and improvements	2,366,453	46,555	2,413,008
Furniture, equipment, and vehicles	<u>12,977,984</u>	<u>378,959</u>	<u>13,356,943</u>
Total Capital Assets	16,706,637	425,514	17,132,151
Less: Accumulated depreciation	<u>(9,862,428)</u>	<u>(651,382)</u>	<u>(10,513,810)</u>
Total Capital Assets, Net	<u>\$ 6,844,209</u>	<u>\$ (225,868)</u>	<u>\$ 6,618,341</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, 2012, the County's long-term obligations, excluding the Component Unit, total \$68,814,254.

	<u>Balance July 1, 2011</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2012</u>
Governmental Activities			
Long-term debt	\$ 34,535,648	\$ (2,413,466)	\$ 32,122,182
Net OPEB obligation	621,176	208,278	829,454
Compensated absences			
General Fund	356,918	29,929	386,847
Welfare Fund	<u>144,596</u>	<u>(11,891)</u>	<u>132,705</u>
Total Governmental Activities	35,658,338	(2,187,150)	33,471,188
Add			
Unamortized premium	<u>534,274</u>	<u>(29,682)</u>	<u>504,592</u>
Total Long-Term Indebtedness - Primary Government	36,192,612	(2,216,832)	33,975,780
Business-Type Activities			
Long-term debt	34,843,382	(115,528)	34,727,854
Compensated absences			
Water and Sewer Fund	<u>104,038</u>	<u>6,582</u>	<u>110,620</u>
Total Business-Type Activities	<u>34,947,420</u>	<u>(108,946)</u>	<u>34,838,474</u>
Total Primary Government	<u>\$ 71,140,032</u>	<u>\$ (2,325,778)</u>	<u>\$ 68,814,254</u>
Component Unit School Board			
Compensated absences	\$ 370,897	\$ (76,487)	\$ 294,410
Net OPEB obligation	<u>853,600</u>	<u>221,903</u>	<u>1,075,503</u>
Total Component Unit School Board	<u>\$ 1,224,497</u>	<u>\$ 145,416</u>	<u>\$ 1,369,913</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

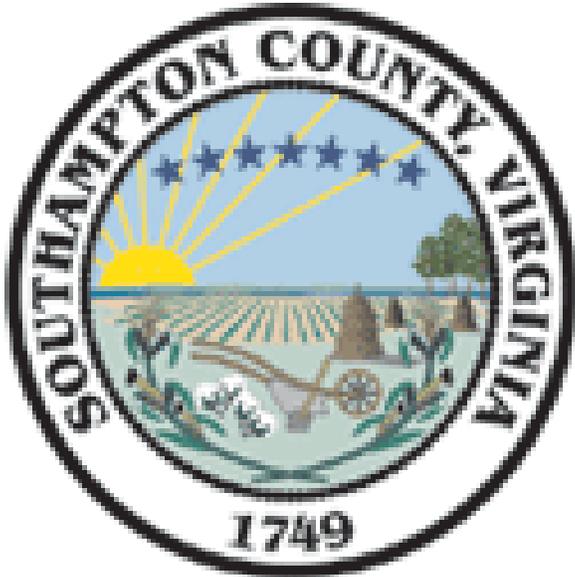
- The average unemployment rate for the County of Southampton, Virginia in June 2012 was 7.7 percent, a decrease of 1.1 percent from June 2011. This compares unfavorably to the state's rate of 6.0 percent and favorably to the national rate of 8.4 percent.
- According to the Weldon Cooper Center for Public Service at the University of Virginia, the provisional 2008 population was 19,262, an increase of 10.2 percent since the 2000 U. S. Census.
- The median adjusted gross income for individual tax returns in Southampton County in 2006 was \$19,710, compared to \$22,595 for the state, according to the Weldon Cooper Center for Public Service at the University of Virginia.

The fiscal year 2013 Adopted Budget anticipates General Fund revenues and expenditures to be \$28,345,896, a 2.95 percent increase over the fiscal year 2012 budget.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS



County of Southampton, Virginia

Statement of Net Assets

At June 30, 2012

	<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	\$ 4,218,960	\$ -	\$ 4,218,960	\$ 2,653,116
Restricted cash	4,397,720	118,223	4,515,943	-
Receivables, net	950,762	177,127	1,127,889	308,035
Long-term notes receivable	1,543,425	-	1,543,425	-
Due from other governments	766,188	-	766,188	800,319
Capital Assets				
Land and construction in progress	5,949,067	524,702	6,473,769	1,362,200
Other capital assets, net of accumulated depreciation	<u>46,028,945</u>	<u>39,337,392</u>	<u>85,366,337</u>	<u>5,256,141</u>
Capital Assets, Net	<u>51,978,012</u>	<u>39,862,094</u>	<u>91,840,106</u>	<u>6,618,341</u>
Total Assets	<u>\$ 63,855,067</u>	<u>\$ 40,157,444</u>	<u>\$ 104,012,511</u>	<u>\$ 10,379,811</u>
Liabilities				
Pooled cash deficit	\$ -	\$ 708,295	\$ 708,295	\$ -
Accounts payable and accrued expenses	441,866	90,459	532,325	3,437,974
Customer deposits	-	68,850	68,850	-
Compensated absences	519,552	110,620	630,172	294,410
Deferred revenue	611,375	-	611,375	112,162
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	2,309,654	412,678	2,722,332	-
<i>Due in more than one year</i>				
Bonds, loans, and capital leases payable	30,317,120	34,315,176	64,632,296	-
Net OPEB obligation	<u>829,454</u>	<u>-</u>	<u>829,454</u>	<u>1,075,503</u>
Total Liabilities	35,029,021	35,706,078	70,735,099	4,920,049
Net Assets				
Invested in capital assets, net of related debt	19,351,238	5,134,240	24,485,478	6,618,341
Restricted for capital projects	4,397,720	118,223	4,515,943	-
Unrestricted	<u>5,077,088</u>	<u>(801,097)</u>	<u>4,275,991</u>	<u>(1,158,579)</u>
Total Net Assets	<u>28,826,046</u>	<u>4,451,366</u>	<u>33,277,412</u>	<u>5,459,762</u>
Total Liabilities and Net Assets	<u>\$ 63,855,067</u>	<u>\$ 40,157,444</u>	<u>\$ 104,012,511</u>	<u>\$ 10,379,811</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, 2012

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	\$ 2,890,265	\$ 246,412	\$ 195,349	\$ (2,448,504)		\$ (2,448,504)	
Judicial administration	1,603,414	409,710	701,932	(491,772)		(491,772)	
Public safety	7,286,998	806,878	3,133,889	(3,346,231)		(3,346,231)	
Public works	2,745,267	139,286	37,179	(2,568,802)		(2,568,802)	
Health and welfare	2,997,839	-	2,129,672	(868,167)		(868,167)	
Education	9,982,473	-	-	(9,982,473)		(9,982,473)	
Parks, recreation, and cultural	322,394	-	5,000	(317,394)		(317,394)	
Community development	419,930	-	-	(419,930)		(419,930)	
Interest and bond issue costs	1,369,648	-	-	(1,369,648)		(1,369,648)	
Total Governmental Activities	29,618,228	1,602,286	6,203,021	(21,812,921)		(21,812,921)	
Business-Type Activities							
Regional Water and Sewer Fund	4,742,620	1,147,420	-		\$ (3,595,200)	(3,595,200)	
Total Business-Type Activities	4,742,620	1,147,420	-		(3,595,200)	(3,595,200)	
Total Primary Government	\$ 34,360,848	\$ 2,749,706	\$ 6,203,021		(3,595,200)	(25,408,121)	
Component Unit							
Southampton County School Board	\$ 30,098,936	\$ 459,528	\$ 19,228,959				\$ (10,410,449)
General Revenues							
Taxes							
General property taxes, real and personal				18,277,833	-	18,277,833	-
Other local taxes				2,413,080	-	2,413,080	-
Payment from County of Southampton, VA							
Education				-	-	-	9,982,473
Noncategorical aid from state				124,733	-	124,733	-
Use of property				1,058,382	-	1,058,382	-
Investment earnings				17,766	606	18,372	596
Miscellaneous				888,157	-	888,157	118,455
Transfers				(1,440,770)	1,440,770	-	-
Total General Revenues				21,339,181	1,441,376	22,780,557	10,101,524
Change in Net Assets				(473,740)	(2,153,824)	(2,627,564)	(308,925)
Net Assets - Beginning of Year				29,299,786	6,605,190	35,904,976	5,768,687
Net Assets - End of Year				\$ 28,826,046	\$ 4,451,366	\$ 33,277,412	\$ 5,459,762

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

County of Southampton, Virginia

Balance Sheet

Governmental Funds

At June 30, 2012

	<u>General Fund</u>	<u>Public Assistance</u>	<u>Capital Projects Utility Tax Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and investments	\$ 3,947,563	\$ -	\$ -	\$ 532,817	\$ 4,480,380
Restricted cash	-	-	4,397,720	-	4,397,720
Property taxes receivable, net	843,924	-	-	-	843,924
Accounts receivable	50,776	-	55,194	868	106,838
Due from other governments	<u>626,194</u>	<u>139,994</u>	<u>-</u>	<u>-</u>	<u>766,188</u>
 Total Assets	 <u>\$5,468,457</u>	 <u>\$ 139,994</u>	 <u>\$ 4,452,914</u>	 <u>\$ 533,685</u>	 <u>\$ 10,595,050</u>
Liabilities					
Pooled cash deficit	\$ -	\$ 136,676	\$ 124,744	\$ -	\$ 261,420
Accounts payable and accrued liabilities	416,824	3,318	18,723	3,001	441,866
Deferred revenue - property taxes	<u>611,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>611,375</u>
 Total Liabilities	 1,028,199	 139,994	 143,467	 3,001	 1,314,661
Fund Balance					
Restricted fund balance	-	-	4,397,720	530,684	4,928,404
Unassigned fund balance	<u>4,440,258</u>	<u>-</u>	<u>(88,273)</u>	<u>-</u>	<u>4,351,985</u>
 Total Fund Balance	 <u>4,440,258</u>	 <u>-</u>	 <u>4,309,447</u>	 <u>530,684</u>	 <u>9,280,389</u>
 Total Liabilities and Fund Balance	 <u>\$5,468,457</u>	 <u>\$ 139,994</u>	 <u>\$ 4,452,914</u>	 <u>\$ 533,685</u>	 <u>\$ 10,595,050</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, 2012

Total Fund Balances for Governmental Funds		\$ 9,280,389
Total net assets reported for governmental activities in the Statement of Net Assets is different because:		
Long-term notes receivable that are not available to pay for current-period expenditures and, therefore, are not reported in the funds:		
Long-term note receivable		1,543,425
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$ 5,949,067	
Buildings and improvements, net of accumulated depreciation	42,527,370	
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>3,501,575</u>	
Total Capital Assets		51,978,012
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	(32,626,774)	
Net OPEB obligation	(829,454)	
Compensated absences	<u>(519,552)</u>	
Total		<u>(33,975,780)</u>
Total Net Assets of Governmental Activities		<u>\$ 28,826,046</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, 2012

	<u>General Fund</u>	<u>Public Assistance</u>	<u>Capital Projects Utility Tax Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 18,277,833	\$ -	\$ -	\$ -	\$ 18,277,833
Other local taxes	1,802,989	-	610,091	-	2,413,080
Permits, privilege fees, and regulatory licenses	139,286	-	-	-	139,286
Fines and forfeitures	632,501	-	-	-	632,501
Use of money and property	16,660	-	61,014	648	78,322
Charges for services	733,638	-	-	96,861	830,499
Miscellaneous	728,397	-	4,920	154,840	888,157
Recovered costs	505,008	-	-	-	505,008
<i>Intergovernmental</i>					
Revenue from the Commonwealth of Virginia	4,317,719	642,436	25,000	1,326	4,986,481
Revenue from the Federal Government	<u>115,850</u>	<u>1,191,690</u>	<u>-</u>	<u>33,733</u>	<u>1,341,273</u>
Total Revenues	27,269,881	1,834,126	701,025	287,408	30,092,440
Expenditures					
Current					
General government administration	2,285,178	-	7,545	-	2,292,723
Judicial administration	1,555,444	-	-	4,540	1,559,984
Public safety	6,535,949	-	247,209	150,854	6,934,012
Public works	2,610,073	-	26,181	-	2,636,254
Health and welfare	906,922	2,097,904	-	-	3,004,826
Education - public school system	12,169,799	-	-	-	12,169,799
Capital outlay	-	-	340,642	-	340,642
Parks, recreation, and cultural	292,862	-	-	-	292,862
Community development	565,563	-	-	-	565,563
Debt service	<u>-</u>	<u>-</u>	<u>1,239,012</u>	<u>-</u>	<u>1,239,012</u>
Total Expenditures	<u>26,921,790</u>	<u>2,097,904</u>	<u>1,860,589</u>	<u>155,394</u>	<u>31,035,677</u>
Excess (Deficiency) of Revenues Over Expenditures	348,091	(263,778)	(1,159,564)	132,014	(943,237)
Other Financing Sources (Uses)					
Transfers in	160,000	263,778	565,464	-	989,242
Transfers out	<u>(2,270,012)</u>	<u>-</u>	<u>-</u>	<u>(160,000)</u>	<u>(2,430,012)</u>
Total Other Financing Sources (Uses)	<u>(2,110,012)</u>	<u>263,778</u>	<u>565,464</u>	<u>(160,000)</u>	<u>(1,440,770)</u>
Net Change in Fund Balance	(1,761,921)	-	(594,100)	(27,986)	(2,384,007)
Fund Balance - Beginning of Year	<u>6,202,179</u>	<u>-</u>	<u>4,903,547</u>	<u>558,670</u>	<u>11,664,396</u>
Fund Balance - End of Year	<u>\$ 4,440,258</u>	<u>\$ -</u>	<u>\$ 4,309,447</u>	<u>\$ 530,684</u>	<u>\$ 9,280,389</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, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (2,384,007)

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 and dispositions of assets. (306,565)

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

Repayments on debt	\$ 2,443,148	
Net Adjustment		2,443,148

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

Net OPEB obligation	(208,278)	
Compensated absences	(18,038)	
Net Adjustment		<u>(226,316)</u>

Change in Net Assets of Governmental Activities \$ (473,740)

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, 2012

		Business-Type Activities - Enterprise Fund Water and Sewer Fund
Assets		
Current Assets		
Restricted cash	\$	118,223
Receivables, net		<u>177,127</u>
Total Current Assets		295,350
Noncurrent Assets		
Capital assets, net		<u>39,862,094</u>
Total Noncurrent Assets		<u>39,862,094</u>
Total Assets	\$	<u><u>40,157,444</u></u>
Liabilities		
Current Liabilities		
Pooled cash deficit	\$	708,295
Accounts payable and accrued expenses		90,459
Short-term portion of debt		<u>412,678</u>
Total Current Liabilities		1,211,432
Noncurrent Liabilities		
Customer deposits		68,850
Compensated absences		110,620
Long-term debt, net of unamortized discount		<u>34,315,176</u>
Total Noncurrent Liabilities		<u>34,494,646</u>
Total Liabilities		35,706,078
Net Assets		
Invested in capital assets, net of related debt		5,134,240
Restricted for construction		118,223
Unrestricted		<u>(801,097)</u>
Total Net Assets		<u>4,451,366</u>
Total Liabilities and Net Assets	\$	<u><u>40,157,444</u></u>

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

County of Southampton, Virginia

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

Proprietary Funds

Year Ended June 30, 2012

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Operating Revenues	
Charges for services, net	\$ 1,125,146
Miscellaneous	<u>22,274</u>
Total Operating Revenues	1,147,420
Operating Expenses	
Personal services	662,613
Fringe benefits	296,161
Repairs and maintenance	281,889
Professional fees	56,867
Utilities	221,407
Chemicals, lab, permits	106,754
Vehicle and power equipment	39,313
Bad debt expense	3,092
Insurance	34,838
Other supplies and charges	35,930
Depreciation	<u>1,274,024</u>
Total Operating Expenses	<u>3,012,888</u>
Operating Loss	(1,865,468)
Nonoperating Revenues (Expenses)	
Interest income	606
Interest expense	<u>(1,729,732)</u>
Total Nonoperating Revenues (Expenses)	<u>(1,729,126)</u>
Loss Before Transfers	(3,594,594)
Operating Transfers	
Transfers in	<u>1,440,770</u>
Total Nonoperating Revenues (Expenses)	<u>1,440,770</u>
Change in Net Assets	(2,153,824)
Total Net Assets - Beginning of Year	<u>6,605,190</u>
Total Net Assets - End of Year	<u><u>\$ 4,451,366</u></u>

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

County of Southampton, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2012

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,127,845
Other receipts	22,274
Payments for personnel and related costs	(952,192)
Payments to suppliers and other operating costs	<u>(866,765)</u>
Net Cash Used in Operating Activities	(668,838)
Cash Flows from Noncapital Financing Activities	
Net transfers from other funds	<u>1,440,770</u>
Net Cash Provided by Noncapital Financing Activities	1,440,770
Cash Flows from Capital and Related Financing Activities	
Purchases and construction of capital assets	(320,465)
Proceeds from long-term debt	144,150
Principal paid on capital debt	(272,558)
Interest paid on capital debt	<u>(1,716,852)</u>
Net Cash Used in Capital and Related Financing Activities	(2,165,725)
Cash Flows from Investing Activities	
Interest income	<u>606</u>
Net Cash Provided by Investing Activities	<u>606</u>
Net Decrease in Cash and Cash Equivalents	(1,393,187)
Cash and Cash Equivalents - Beginning of Year	<u>803,115</u>
Cash and Cash Equivalents (Deficit) - End of Year	<u>\$ (590,072)</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating loss	\$ (1,865,468)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation expense	1,274,024
Changes in assets and liabilities	
Receivables, net	(851)
Accounts payable and accrued expenses	(86,675)
Compensated absences	6,582
Customer deposits	<u>3,550</u>
Net Cash Used in Operating Activities	<u>\$ (668,838)</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, 2012

	Agency Funds
Assets	
Cash and investments	\$ <u>661,597</u>
Total Assets	\$ <u><u>661,597</u></u>
Liabilities	
Amounts held for others	\$ <u>661,597</u>
Total Liabilities	\$ <u><u>661,597</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, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Assets</u>
School Board				
Education	\$ 29,061,096	\$ 459,528	\$ 19,228,959	\$ (9,372,609)
Depreciation	<u>1,037,840</u>	<u>-</u>	<u>-</u>	<u>(1,037,840)</u>
Total School Board	<u>\$ 30,098,936</u>	<u>\$ 459,528</u>	<u>\$ 19,228,959</u>	(10,410,449)
General Revenues				
				9,982,473
				596
				<u>118,455</u>
Total General Revenues				<u>10,101,524</u>
				(308,925)
				<u>5,768,687</u>
				<u>\$ 5,459,762</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, 2012

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 18,570 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 unit. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.
- Statement of Program Activities: The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).
- Budgetary Comparison Schedules: Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The County and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component unit, 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 unit that meets the requirements for blending. The discretely presented component unit, on the other hand, is reported in a separate column in the government-wide statements to emphasize it is legally separate from the primary government. The discretely presented component unit has a June 30 fiscal year end.

Inclusions in the Reporting Entity

Component Unit

Southampton County School Board

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

Exclusions from the Reporting Entity

Jointly Governed Organizations

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

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

Blackwater Regional Library

The Blackwater Regional Library provides library services to the County of Southampton, Virginia. The participating localities provide annual contributions for operations based on book circulation. No one locality contributes more than 50 percent of the Library's funding nor can impose its will on the organization, and there is no financial benefit/burden relationship. The County appropriated to the Library \$239,986 in operating funds in fiscal year 2012. 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 2012:

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.

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

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

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

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

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

2. *Proprietary Funds*

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

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

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

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

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

b. Agency Funds

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

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

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

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

The Southampton County School Board has the following funds:

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

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

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

C. Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

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

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

Budgetary Data

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, 2012, 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 is composed of the following:

General Fund - taxes receivable	\$ 566,692
Water and Sewer Fund - receivables	66,640

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, 2012, 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 15 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	\$ 191,000	\$ 191,000
Total Investments	191,000	<u>\$ 191,000</u>
Total Deposits	<u>8,496,205</u>	
Total Investments and Deposits - Primary Government	8,687,205	
Cash on Hand	<u>1,000</u>	
Total - Primary Government	8,688,205	
Component Unit School Board		
Total Investments	\$ 23,555	<u>\$ 23,555</u>
Total Deposits	<u>2,629,561</u>	
Total - School Board	<u>2,653,116</u>	
Total Reporting Unit	<u>\$11,341,321</u>	

The following is a summary and reconciliation of the pooled cash and investments at June 30, 2012:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Primary Government				
Cash and cash equivalents	\$ 4,027,960	\$ (708,295)	\$ 661,597	\$ 3,981,262
Restricted cash	4,397,720	118,223	-	4,515,943
Investments	<u>191,000</u>	<u>-</u>	<u>-</u>	<u>191,000</u>
Total Primary Government	8,616,680	(590,072)	661,597	8,688,205
Component Unit School Board				
Cash and cash equivalents	<u>2,653,116</u>	<u>-</u>	<u>-</u>	<u>2,653,116</u>
Grand Total	<u>\$ 11,269,796</u>	<u>\$ (590,072)</u>	<u>\$ 661,597</u>	<u>\$ 11,341,321</u>

Cash on Hand. The above amounts include cash on hand of \$1,000.

3 Property Taxes

Real property taxes are assessed on property values as of January 1 and attached 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 attached 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 2011 were levied by the County Board of Supervisors in May 2011 on the assessed value listed as of January 1, 2011.

Property taxes for calendar year 2012 were levied by the County Board of Supervisors in May 2012 on the assessed value listed as of January 1, 2012.

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, 2012 consist of the following:

Primary Government

Governmental Activities

	<u>General</u>	<u>Capital Projects Utility Tax Building Fund</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	\$ 1,410,615		\$ -	1,410,615	\$ -	\$ 1,410,615	\$ -
Utility taxes	-	40,732	-	40,732	-	40,732	-
Other miscellaneous	50,777	14,462	868	66,107	-	66,107	308,035
Water and sewer	-	-	-	-	243,767	243,767	-
Total	1,461,392	55,194	868	1,517,454	243,767	1,761,221	308,035
Allowance for uncollectibles	(566,692)	-	-	(566,692)	(66,640)	(633,332)	-
Net Receivables	\$ 894,700	\$ 55,194	\$ 868	\$ 950,762	\$ 177,127	\$ 1,127,889	\$ 308,035

The County sold land in its industrial park to a new business. The sales price was \$1,543,425, payable in three annual installments from 2015 to 2017 without interest. The payment schedule is as follows:

Governmental Activities

<u>Year(s) Ended June 30,</u>	<u>Long-Term Note Receivable</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 308,685	\$ -
2016	308,685	-
2017	926,055	-
Total	\$ 1,543,425	\$ -

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	\$ -	\$ -	\$ -	\$ 208,449
Compensation board - salaries	70,067	-	70,067	-
Comprehensive services funds	65,103	-	65,103	-
Communication sales tax	47,265	-	47,265	-
Public assistance funds	-	139,994	139,994	-
Sheriffs reimbursements	233,423	-	233,423	-
Fire program	42,189	-	42,189	-
FEMA - State share	22,374	-	22,374	-
Other	54,234	-	54,234	21,489
School lunch and breakfast program	-	-	-	39,233
Vocational education	-	-	-	39,840
21st Century	-	-	-	40,384
				-
Federal Money from State				
Title I and ARRA Title I	-	-	-	185,142
FEMA - Federal share	91,539	-	91,539	-
Opportunity Fund	-	-	-	24,950
Title VIB Flow-through and ARRA VIB	-	-	-	196,740
Title IIA	-	-	-	44,092
				-
Total	<u>\$ 626,194</u>	<u>\$ 139,994</u>	<u>\$ 766,188</u>	<u>\$ 800,319</u>

6 Interfund Balances and Activity

Balance due to/from other funds at June 30, 2012:

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	\$ 263,778	\$ -
To Enterprise Fund for operating costs and debt service	1,440,770	-
To Utility Tax Building Fund	565,464	-
From Inmate Fund	-	<u>160,000</u>
Total General Fund	<u>2,270,012</u>	<u>160,000</u>

Public Assistance - Welfare Fund

From General Fund	-	263,778
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Inmate Fund

To General Fund	160,000	-
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Enterprise Fund

From General Fund for operating costs and debt service	-	1,440,770
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Utility Tax Building Fund

From General Fund	-	<u>565,464</u>
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Total Transfers

<u>\$ 2,430,012</u>	<u>\$ 2,430,012</u>
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Transfers Between Component Units

General Fund

To School Fund for local appropriation	\$ 12,169,799	\$ -
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School Fund

From General Fund for local appropriation	-	<u>12,169,799</u>
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Total Transfers

<u>\$ 12,169,799</u>	<u>\$ 12,169,799</u>
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7 Capital Assets

Primary Government

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 6,140,082	\$ 339,142	\$ 530,157	\$ 5,949,067
Total Capital Assets Not Being Depreciated	6,140,082	339,142	530,157	5,949,067
Other Capital Assets				
Buildings and improvements	59,487,907	9,137	-	59,497,044
Furniture, equipment, and vehicles	7,175,986	65,916	110,649	7,131,253
Total Other Capital Assets	66,663,893	75,053	110,649	66,628,297
Less: Accumulated depreciation for				
Buildings and improvements	15,636,514	1,333,160	-	16,969,674
Furniture, equipment, and vehicles	3,339,459	376,289	86,070	3,629,678
Total Accumulated Depreciation	18,975,973	1,709,449	86,070	20,599,352
Other Capital Assets, Net	47,687,920	(1,634,396)	24,579	46,028,945
Net Capital Assets	<u>\$53,828,002</u>	<u>\$ (1,295,254)</u>	<u>\$ 554,736</u>	<u>\$51,978,012</u>

Depreciation expense was allocated as follows:

General government administration	\$ 825,670
Judicial administration	12,298
Public safety	338,921
Public works	56,341
Health and welfare	18,454
Education	386,458
Parks, recreation, and cultural	29,532
Community development	41,775
Total Depreciation Expense	<u>\$ 1,709,449</u>

Business-Type Activities

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 338,162	\$ -	\$ -	\$ 338,162
Construction in progress	<u>-</u>	<u>186,540</u>	<u>-</u>	<u>186,540</u>
Total Capital Assets Not Being Depreciated	338,162	186,540	-	524,702
Other Capital Assets				
Buildings and improvements	1,047,994	5,943	-	1,053,937
Infrastructure and equipment	51,554,444	127,982	19,836	51,662,590
Vehicles	<u>228,692</u>	<u>-</u>	<u>-</u>	<u>228,692</u>
Total Other Capital Assets	52,831,130	133,925	19,836	52,945,219
Less: Accumulated depreciation for				
Buildings and improvements	146,155	28,557	-	174,712
Infrastructure and equipment	12,024,323	1,231,124	19,836	13,235,611
Vehicles	<u>183,161</u>	<u>14,343</u>	<u>-</u>	<u>197,504</u>
Total Accumulated Depreciation	<u>12,353,639</u>	<u>1,274,024</u>	<u>19,836</u>	<u>13,607,827</u>
Other Capital Assets, Net	<u>40,477,491</u>	<u>(1,140,099)</u>	<u>-</u>	<u>39,337,392</u>
Net Capital Assets	<u>\$ 40,815,653</u>	<u>\$ (953,559)</u>	<u>\$ -</u>	<u>\$ 39,862,094</u>
Depreciation expense for business-type activities		<u>\$ 1,274,024</u>		

Component Unit School Board

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,362,200	\$ -	\$ -	\$ 1,362,200
Total Capital Assets Not Being Depreciated	1,362,200	-	-	1,362,200
Other Capital Assets				
Buildings and improvements	2,366,453	46,555	-	2,413,008
Furniture, equipment, and vehicles	<u>12,977,984</u>	<u>378,959</u>	<u>538,853</u>	<u>12,818,090</u>
Total Other Capital Assets	15,344,437	425,514	538,853	15,231,098
Less: Accumulated depreciation for				
Buildings and improvements	1,721,823	38,241	-	1,760,064
Furniture, equipment, and vehicles	<u>8,140,605</u>	<u>613,141</u>	<u>538,853</u>	<u>8,214,893</u>
Total Accumulated Depreciation	<u>9,862,428</u>	<u>651,382</u>	<u>538,853</u>	<u>9,974,957</u>
Other Capital Assets, Net	<u>5,482,009</u>	<u>(225,868)</u>	<u>-</u>	<u>5,256,141</u>
Net Capital Assets	<u>\$ 6,844,209</u>	<u>\$ (225,868)</u>	<u>\$ -</u>	<u>\$ 6,618,341</u>
Depreciation expense was allocated to education		<u>\$ 651,382</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
2013	\$ 2,279,972	\$ 1,328,572	\$ 447,571	\$ 1,710,568	\$ -	\$ -
2014	2,145,274	1,237,989	477,723	1,702,171	-	-
2015	2,170,358	1,154,500	535,983	1,693,204	-	-
2016	1,899,968	1,069,615	774,445	1,675,538	-	-
2017	1,961,134	984,962	768,898	1,648,710	-	-
2018-2022	10,091,154	3,596,865	4,793,650	7,690,102	-	-
2023-2027	8,869,322	1,681,402	6,196,350	6,345,387	-	-
2028-2032	2,705,000	171,514	7,343,120	4,590,773	-	-
2033-2037	-	-	9,290,000	2,447,738	-	-
2038-2042	-	-	4,435,000	237,547	-	-
Compensated absences	519,552	-	110,620	-	294,410	-
Net OPEB obligation	829,454	-	-	-	1,075,503	-
Total	33,471,188	11,225,419	35,173,360	29,741,738	1,369,913	-
Less						
Unamortized discount	-	-	(334,886)	-	-	-
Add						
Unamortized premium	504,592	-	-	-	-	-
	<u>\$ 33,975,780</u>	<u>\$ 11,225,419</u>	<u>\$ 34,838,474</u>	<u>\$ 29,741,738</u>	<u>\$ 1,369,913</u>	<u>\$ -</u>

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2012:

	Balance July 1, 2011	Increase	Decrease	Balance June 30, 2012	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.	\$ 1,185,000	\$ -	\$ 282,000	\$ 903,000	\$ 291,000
Capital lease with Ford Motor Credit for sheriff vehicles purchased over 3 years. Annual payments are made in July of 2010, 2011, and 2012. Interest is stated at a rate of 5.70%.	135,884	-	66,059	69,825	69,825
Public Facility Lease Revenue Bonds Series 2006A, issued November 15, 2006, with interest payable semiannually at interest rates varying from 4.00 percent to 5.00 percent. Principal is due annually for 20 years. The bond is payable to Regions Bank.	19,150,000	-	775,000	18,375,000	805,000

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
General Fund - School Bonds					
Literary Loan with the Virginia Department of Treasury, issued December 15, 2009, with interest payable annually at 2.00 percent. Principal is due annually for 20 years.	7,125,000	-	375,000	6,750,000	375,000
General Obligation Bond, consolidated the 1991 Series B and 1992 Series into one issue (Virginia Public School Authority, 1994 Series) due in various installments for 20 years at varying rates between 5.00 percent and 7.00 percent through December 15, 2011 with U.S. Bank.	150,000	-	150,000	-	-
General Obligation Bond (Virginia Public School Authority, 1994 Series) due in various installments for 20 years at varying rates between 6.10 percent and 6.60 percent through July 15, 2015 with U.S. Bank.	45,000	-	15,000	30,000	15,000
General Obligation Bonds (Virginia Public School Authority, Fall 1993) due in various installments ranging from \$15,000 to \$220,000; rates from 4.475 percent to 5.00 percent. Interest due semiannually, June 15 and December 15, with U.S. Bank.	60,000	-	30,000	30,000	15,000
General Obligation Bonds (Virginia Public School Authority, 1992 Series B) issued October 28, 1992, due in various installments ranging from \$85,000 to \$180,000; rates from 5.10 percent to 8.12 percent; final maturity December 15, 2014. Interest due semiannually, June 15 and December 15, starting June 15, 1993, with U.S. Bank.	170,000	-	95,000	75,000	75,000
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, July 15 and January 15, with U.S. Bank.	5,613,060	-	518,846	5,094,214	527,028
General Obligation Bonds (Virginia Public School Authority, Series 2002B) due in various installments ranging from \$60,596 to \$74,322 and rates from 2.35 percent to 5.10 percent. Interest due semiannually, July 15 and January 15, with U.S. Bank.	813,416	-	62,496	750,920	62,896
General Obligation Refunding Note, Series 1998 issued July 1, 1998 with SunTrust Bank due July 1, 2013; payable annually beginning July 1, 1999 in annual installments of \$49,910 for 15 years with a rate of 6.62 percent; the proceeds of this note were used to pay off the outstanding Virginia Retirement System obligation.	88,288	-	44,065	44,223	44,223
Net OPEB obligation	621,176	208,278	-	829,454	-
Compensated Absences - General Fund	356,918	29,929	-	386,847	-
Compensated Absences - Welfare Fund	144,596	-	11,891	132,705	-
Total Governmental Activities	35,658,338	238,207	2,425,357	33,471,188	2,279,972

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
Add					
Unamortized Premium on Bond Series 2006A and 2006B Bonds	534,274	-	29,682	504,592	29,682
Total Long-Term Indebtedness - Governmental Activities	36,192,612	238,207	2,455,039	33,975,780	2,309,654
Business-Type Activities					
Virginia Resources Authority, \$4,022,364 note payable, payable in semiannual installments of \$100,559 over 20 years with no interest.	1,407,828	-	201,118	1,206,710	201,118
Virginia Resources Authority, Wastewater Revolving Loan Fund issued March 2012 for \$880,502 at 0.00 percent interest. Payable over 20 years. Full amount has not been disbursed.	-	144,150	-	144,150	-
VRA Virginia Pooled Financing Program, Series 2008B issued November 2008 with US Bank due November 2038; payable annually beginning October 2012 in varying annual installments for 30 years with a rate of 5.44 percent.	32,060,000	-	-	32,060,000	150,000
Revenue Refunding Bond, Series 2007 issued June 18, 2007 with BB&T due June 30, 2028; payable annually beginning June 30, 2010 in annual installments of \$141,550 for 20 years with a rate of 4.12 percent; the proceeds of this note were used to pay off the outstanding Rural Development Bond.	1,723,320	-	71,440	1,651,880	74,440
Compensated Absences - Water and Sewer Fund	104,038	6,582	-	110,620	-
Subtotal	35,295,186	150,732	272,558	35,173,360	425,558
Less: Unamortized Discount on Series 2008B Bonds	(347,766)	-	(12,880)	(334,886)	(12,880)
Total Business-Type Activities	34,947,420	150,732	259,678	34,838,474	412,678
Total Primary Government	<u>\$ 71,140,032</u>	<u>\$ 388,939</u>	<u>\$ 2,714,717</u>	<u>\$ 68,814,254</u>	<u>\$ 2,722,332</u>
Component Unit School Board					
Governmental Activities					
Operating Fund					
Compensated Absences - School Board	\$ 370,897	\$ -	\$ 76,487	\$ 294,410	\$ -
Net OPEB obligation	853,600	221,903	-	1,075,503	-
Total Component Unit School Board	<u>\$ 1,224,497</u>	<u>\$ 221,903</u>	<u>\$ 76,487</u>	<u>\$ 1,369,913</u>	<u>\$ -</u>

9 Claims, Judgments, and Compensated Absences

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the County has accrued the liability arising from outstanding claims, judgments, and compensated absences. Each County employee earns vacation at the rate of a minimum of 1 day per month up to 1 ¾ days per month based on years of service. Sick leave is earned at the rate of 1 ¼ days

per month. Sick pay is paid based on 25 percent of unused sick leave up to a maximum of \$5,000. Accumulated vacation up to thirty days is paid upon termination. The County has outstanding compensated absences totaling \$519,552 in the governmental activities. The balance in the business-type activities is \$110,620. The balance in the Component Unit School Board is \$294,410.

10 Deferred Revenues

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

Primary Government

Property taxes	\$ 566,070
Prepaid taxes	<u>45,305</u>

Total Primary Government	<u>\$ 611,375</u>
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Component Unit School Board

Hunterdale	\$ 12,268
Mentor teacher	4,789
Early intervention	8,203
Other school programs from donations	<u>86,902</u>

Total Component Unit School Board	<u>\$ 112,162</u>
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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, 2012, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decision or pending matter not be favorable to the County.

12 Defined Benefit Pension Plan

A. Plan Description

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members

earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs, and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2012 was 11.22% of annual covered payroll. The Component Unit School Board's contribution rate for non-professional employees for the fiscal year ended 2012 was 2.51% of annual covered payroll. The Component Unit School Board contributed \$869,940 to the teacher cost-sharing pool at a rate of 6.33% for the employer share.

C. Annual Pension Cost

For fiscal year 2012, the County's annual pension cost of \$799,277 and \$24,811 for the County and the County School Board non-professionals, respectively was equal to the County's required and actual contributions.

Three-Year Trend Information for County

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 567,035	100.0%	\$ -
June 30, 2011	780,913	100.0%	-
June 30, 2012	799,277	100.0%	-

Three-Year Trend Information for Non-Professional School Board

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 23,367	100.0%	\$ -
June 30, 2011	25,461	100.0%	-
June 30, 2012	24,811	100.0%	-

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of **7.50%**, (b) projected salary increases ranging from **3.75% to 5.60%** per year for general government employees and **3.50% to 4.75%** for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of **2.50%** per year. Both the investment rate of return and the projected salary increases

include an inflation component of **2.50%**. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 75.39% funded. The actuarial accrued liability for benefits was \$33,788,317, and the actuarial value of assets was \$25,471,990, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,316,327. The covered payroll (annual payroll of active employees covered by the plan) was \$6,904,468, and ratio of the UAAL to the covered payroll was 120.45%.

For the nonprofessional School Board, as of June 30, 2011, the most recent actuarial valuation date, the plan was 97.00% funded. The actuarial accrued liability for benefits was \$3,972,247, and the actuarial value of assets was \$3,853,178, resulting in an unfunded actuarial accrued liability (UAAL) of \$119,069. The covered payroll (annual payroll of active employees covered by the plan) was \$984,012, and ratio of the UAAL to the covered payroll was 12.10%.

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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for County

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Southampton County						
June 30, 2009	\$24,940,862	\$ 29,454,530	\$ 4,513,668	84.68%	\$6,973,628	64.72%
June 30, 2010	24,952,977	32,551,265	7,598,288	76.66%	6,958,770	109.19%
June 30,2011	25,471,990	33,788,317	8,316,327	75.39%	6,904,468	120.45%
Southampton County School Board						
June 30, 2009	\$ 3,870,383	\$ 3,585,630	\$ (284,753)	107.94%	\$1,062,865	-26.79%
June 30, 2010	3,840,055	3,932,076	92,021	97.66%	1,042,326	8.83%
June 30,2011	3,853,178	3,972,247	119,069	97.00%	984,012	12.10%

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, 2011	June 30, 2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay, Open	Level Percent of Pay, Open
Payroll Growth Rate	3.00%	3.00%
Remaining Amortization Period	30 Years (Decreasing by one each year in subsequent valuations until reaching 20 years)	30 Years (Decreasing by one each year in subsequent valuations until reaching 20 years)
Asset Valuation Method	Five-Year Smoothed Market Value	Five-Year Smoothed Market Value
Actuarial Assumptions		
a. Investment rate of return*	7.00%	7.00%
b. Projected salary increases*		
1) Non-LEO Members	3.75% to 5.60%	3.75% to 5.60%
2) LEO Members	3.50% to 4.75%	3.50% to 4.75%
c. Cost-of-living adjustments		
1) Plan 1 Members	2.50%	2.50%
2) Plan 2 Members	2.25%	2.25%

*Includes inflation of 2.50%

13 Fund Balances

Fund balances have been allocated for the following purposes:

Primary Government

<u>Fund</u>	<u>Restricted for</u>	<u>Amount</u>
Capital Projects Utility Tax Fund	Restricted for construction	\$ 4,397,720
Federal Grants Fund	Subsequent years' appropriations	35,187
Forfeiture Fund	Subsequent years' appropriations	160,398
Law Library Fund	Subsequent years' appropriations	21,790
Canteen Fund	Subsequent years' appropriations	59,258
Inmate Fund	Subsequent years' appropriations	254,051
Total Restricted Funds		<u>\$ 4,928,404</u>

Component Unit School Board

<u>Fund</u>	<u>Restricted for</u>	<u>Amount</u>
School Endowment Fund	School use only	\$ 23,555
		<u> </u>
<u>Fund</u>	<u>Assigned for</u>	<u>Amount</u>
School Food Fund	School cafeteria operations	\$ 187,779
		<u> </u>

14 Legal Compliance

A. Expenditures in Excess of Appropriations

No expenditures exceeded appropriations.

B. Fund Deficits

The business-type activities (also reported as the Water and Sewer Fund) had an unrestricted net asset deficit of \$2,389,084.

The Capital Projects Fund had an unassigned deficit of \$88,273 which would have to be funded by the General fund.

15 Surety Bond Information

The following constitutional and appointed officers are insured through the Commonwealth of Virginia Faithful Performance of Duty Bond Plan in effect at June 30, 2012:

Travelers Casualty and Security Company of Virginia

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

Zurich North America

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

Selective Insurance - Surety

Michael W. Johnson, County Administrator	10,000
Dallas O. Jones, Chairman	1,000
Dr. Alan Edwards, Vice Chairman	1,000
Glenn Updike, Supervisor	1,000
Carl J. Faison, Supervisor	1,000
Ronald M. West, Supervisor	1,000
Barry Porter, Supervisor	1,000
Bruce Phillips, Supervisor	1,000

16 Appropriation to School from General Fund

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

Appropriation from General Fund	<u>\$ 12,169,799</u>
Total Appropriation per Fund Financial Statements	12,169,799
Depreciation on new school buildings	386,458
Debt on school buildings belonging to General Fund paid by School Fund	<u>(2,573,784)</u>
Appropriation to School Fund per Government-Wide Statements	<u>\$ 9,982,473</u>

17 Other Postemployment Benefits

Plan Description

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

Cash and Cash Equivalents

The County and School Board have established an OPEB Trust Fund for funding a portion of the costs for their OPEB plans. These funds are accounted for in the fiduciary funds of the County. As of June 30, 2012, the balances in these accounts were \$120,344 and \$207,642 for the County and the School Board, respectively, giving a total of \$327,986 in the fiduciary funds.

Funding Policy

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

Net OPEB Obligations and Annual OPEB Cost

This summary identifies the value of benefits at July 1, 2007 and costs for the fiscal years through June 30, 2012, reflecting the partial funding approach, utilizing a discount rate of 7.25 percent (10-Year Phase In), and amortizing the Unfunded Actuarial Accrued Liability as a level of percentage of payroll. A summary of the net OPEB obligation is as follows:

	<u>County</u>	<u>Component Unit School Board</u>
Annual OPEB Cost (Expense)		
Annual Required Contribution (ARC)	<u>\$311,278</u>	<u>\$ 348,903</u>
Annual OPEB Cost (Expense)	311,278	348,903
Contributions Made		
To Trust Fund	(48,000)	(87,000)
Implicit rate subsidy	<u>(55,000)</u>	<u>(40,000)</u>
Increase in Net OPEB Obligation	208,278	221,903
Net OPEB Obligation - Beginning of Year	<u>621,176</u>	<u>853,600</u>
Net OPEB Obligation - End of Year	<u>\$ 829,454</u>	<u>\$ 1,075,503</u>

Three-year trend information is as follows:

County

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/10	\$ 240,127	25.40%	\$ 461,127
06/30/11	241,049	13.28%	621,176
6/30/2012	311,278	33.09%	829,454

Component Unit School Board

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/10	\$ 286,550	29.66%	\$ 703,550
06/30/11	288,050	20.14%	853,600
6/30/2012	348,903	36.40%	1,075,503

Required Supplementary Information is as follows:

County

<u>Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) - Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/(c)</u>
7/1/2009	\$ 16,000	\$ 1,734,745	\$ 1,718,745	0.92%	\$ 5,954,054	28.87%
7/1/2011	72,307	2,247,534	2,175,227	3.22%	6,009,054	36.20%

Component Unit School Board

<u>Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) - Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/(c)</u>
7/1/2009	\$ 29,000	\$ 3,178,280	\$ 3,149,280	0.91%	\$ 9,694,574	32.48%
7/1/2011	121,812	3,745,578	3,623,766	3.25%	10,553,139	34.34%

Virginia Retirement System (VRS)

Plan Description

County of Southampton, Virginia provides postemployment health benefits in the form of medical insurance benefits to eligible retirees and their spouses through the Virginia Retirement System (VRS) Health Insurance Credit Program.

Summary of Main Benefit Provisions as Interpreted for Valuation Purposes

Political subdivisions participating in the Virginia Retirement System (VRS) may elect to provide a credit toward the cost of health insurance coverage for any former employee who retired under VRS with at least 15 years of total creditable service. The amount of each monthly health insurance credit shall be \$1.50 per year of creditable service, which amount shall be paid monthly to any retired employee participating in the Health Insurance Credit Program. However, such credit shall not exceed the health insurance premium for retiree.

Disabled retirees are eligible to receive a maximum monthly credit of \$45.

If an eligible employee has worked for more than one employer in VRS, for the purpose of this valuation, their most current (or last) employer assumes full liability for that employee.

REQUIRED SUPPLEMENTARY INFORMATION
Health Insurance Credit Program
 Schedule of Funding Progress for County

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
		Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Assets					
June 30, 2009	\$ 117,834	\$ 115,535	\$ (2,299)	101.99%	\$6,973,628	-0.03%
June 30, 2010	134,012	125,849	(8,163)	106.49%	6,958,770	-0.12%
June 30, 2011	153,724	140,314	(13,410)	109.56%	2,675,001	-0.50%

Valuation Date June 30, 2011

Actuarial Cost Method Entry Age Normal

Amortization Method Level Percentage of Pay, Open

Remaining Amortization Period 30 Years

Asset Valuation Method Market Value of Assets

Actuarial Assumptions

Investment rate of return¹ 7.00%
 Payroll growth rate 3.00%

¹Includes inflation at 2.50%

REQUIRED SUPPLEMENTARY INFORMATION



County of Southampton, Virginia

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real property taxes	\$ 9,845,574	\$ 9,845,574	\$ 9,548,822	\$ (296,752)
Mobile home taxes	80,565	80,565	78,094	(2,471)
Personal property taxes	5,898,890	5,898,890	5,828,492	(70,398)
Public service corporation property taxes	874,396	874,396	870,114	(4,282)
Machinery and tools taxes	361,695	361,695	355,260	(6,435)
Farm implement/machinery seasonal taxes	399,468	399,468	440,462	40,994
Merchants' capital and contractors' equipment	206,679	206,679	197,521	(9,158)
Delinquent taxes	285,000	288,500	579,172	290,672
Interest on taxes	67,603	67,603	135,624	68,021
Penalties and fees on late taxes	135,000	147,015	244,272	97,257
Total General Property Taxes	18,154,870	18,170,385	18,277,833	107,448
Other Local Taxes				
Local sales and use taxes	470,000	470,000	515,893	45,893
Communication sales tax	575,000	575,000	558,718	(16,282)
Consumption tax	49,000	49,000	50,083	1,083
Transient occupancy tax	7,500	7,500	13,455	5,955
Business license taxes	120,000	120,000	137,760	17,760
Motor vehicle licenses	345,000	345,000	419,463	74,463
Tax on recordation and wills	112,000	112,000	107,617	(4,383)
Total Other Local Taxes	1,678,500	1,678,500	1,802,989	124,489
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	17,500	17,500	16,739	(761)
Building permits	80,000	80,000	74,973	(5,027)
Other permits, licenses, and fees	7,550	7,550	47,574	40,024
Total Permits, Privilege Fees, and Regulatory Licenses	105,050	105,050	139,286	34,236
Fines and Forfeitures	589,000	621,533	632,501	10,968
Revenue from Use of Money and Property	35,000	35,000	16,660	(18,340)
Charges for Services				
Miscellaneous	6,200	15,165	26,709	11,544
Service charges - tax exempt	3,500	3,500	4,514	1,014
School resource officer reimbursement	50,528	50,528	50,234	(294)
Reimbursements for utilities and salaries	60,000	200,869	215,189	14,320
Courthouse maintenance fees	23,000	23,000	24,943	1,943

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Commonwealth's Attorney - City of Franklin	22,000	22,000	22,000	-
Ambulance transfers	250,000	250,000	354,066	104,066
Collection fee account	4,436	4,436	35,983	31,547
Total Charges for Services	<u>419,664</u>	<u>569,498</u>	<u>733,638</u>	<u>164,140</u>
Recovered Costs				
City of Franklin shared costs	188,908	188,908	188,908	-
Insurance claims	-	116,325	119,356	3,031
Miscellaneous recoveries	-	76,084	93,501	17,417
General obligation debt	13,147	13,147	13,147	-
Hospitalization insurance	-	88,602	90,096	1,494
Total Recovered Costs	<u>202,055</u>	<u>483,066</u>	<u>505,008</u>	<u>21,942</u>
Miscellaneous				
Miscellaneous	-	30,509	30,609	100
Industrial corridor tax revenue	777,073	777,073	638,738	(138,335)
Camp Campbell Foundation	-	59,050	59,050	-
Total Miscellaneous	<u>777,073</u>	<u>866,632</u>	<u>728,397</u>	<u>(138,235)</u>
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	62,000	62,000	63,351	1,351
Mobile home titling tax	16,000	16,000	22,354	6,354
Recordation and grantors' tax - State	27,849	27,849	39,028	11,179
Total Noncategorical Aid	<u>105,849</u>	<u>105,849</u>	<u>124,733</u>	<u>18,884</u>
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Commonwealth's Attorney	366,382	375,667	352,016	(23,651)
Sheriff and Sheriff's auto	2,599,469	2,603,371	2,525,399	(77,972)
Commissioner of the Revenue	81,003	81,003	79,053	(1,950)
Treasurer	75,196	75,196	74,195	(1,001)
Electoral Board and General Registrar	38,000	38,000	42,101	4,101
Clerk of Court	300,346	308,039	297,028	(11,011)
Jail operations	234,475	234,475	264,535	30,060
Miscellaneous State grants	-	14,918	18,107	3,189
Virginia Commission for the Arts	-	5,000	5,000	-
PSAP Wireless 911	40,000	40,000	40,000	-
Fire program	-	42,189	42,189	-
Litter Control Grant	-	12,179	12,179	-
Emergency Medical Services	-	17,527	17,527	-
Department of Health year-end settlement	-	-	52,849	52,849
State match - FEMA	-	22,374	22,374	-
Victim Witness Grant	48,100	49,144	52,888	3,744
Comprehensive Services Act	121,979	439,150	295,546	(143,604)
Total Categorical Aid	<u>3,904,950</u>	<u>4,358,232</u>	<u>4,192,986</u>	<u>(165,246)</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Total Revenue from the Commonwealth of Virginia	4,010,799	4,464,081	4,317,719	(146,362)
Revenue from the Federal Government				
ARRA Byrne Grant	-	11,534	11,534	-
FEMA	-	91,538	91,539	1
Highway Safety Grant	-	12,787	12,777	(10)
Total Revenue from the Federal Government	-	115,859	115,850	(9)
Total Intergovernmental Revenues	4,010,799	4,579,940	4,433,569	(146,371)
Total Revenues	25,972,011	27,109,604	27,269,881	160,277
Expenditures				
Current				
<i>General Government Administration</i>				
Board of Supervisors	188,732	283,487	277,334	6,153
County Administrator	307,871	304,505	294,428	10,077
Commissioner of Revenue	286,717	278,954	268,647	10,307
Treasurer	274,817	305,901	300,103	5,798
Data processing	312,012	312,386	302,542	9,844
Insurance	227,800	243,765	226,265	17,500
Accounting	211,721	217,568	217,400	168
Delinquent taxes	5,000	15,474	14,352	1,122
Board of Assessors	211,212	220,209	220,169	40
Board of Elections	174,462	176,443	163,938	12,505
Total General Government Administration	2,200,344	2,358,692	2,285,178	73,514
<i>Judicial Administration</i>				
Circuit Court	34,890	59,628	55,658	3,970
General District Court	22,839	22,908	17,860	5,048
Magistrate	908	908	679	229
Victim Witness Assistance Program	70,091	71,135	70,736	399
Clerk of the Circuit Court	472,498	500,291	493,804	6,487
Sheriff - Bailiff	388,181	391,960	310,405	81,555
Courthouse Security	239,975	240,041	85,249	154,792
Commonwealth's Attorney	497,105	525,066	521,053	4,013
Total Judicial Administration	1,726,487	1,811,937	1,555,444	256,493
<i>Public Safety</i>				
Sheriff's Department	1,647,790	1,767,839	1,730,685	37,154
Project Life Saver	-	12,453	295	12,158
School resource officer	50,528	50,528	50,234	294
Fire departments	301,647	348,759	347,098	1,661
Camp Campbell funds	-	59,050	59,050	-
Rescue squads	929,278	946,805	942,124	4,681
911	163,880	162,422	128,770	33,652

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Wireless 911	46,022	47,480	47,355	125
Emergency services	113,073	325,461	238,864	86,597
Forestry	21,730	21,730	21,729	1
Detention	2,657,239	2,686,385	2,675,468	10,917
Probation	102,701	102,701	86,634	16,067
Inspections	131,379	122,194	118,997	3,197
Animal control	98,031	101,841	88,346	13,495
Medical Examiner	500	500	300	200
Total Public Safety	<u>6,263,798</u>	<u>6,756,148</u>	<u>6,535,949</u>	<u>220,199</u>
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	100,366	102,808	91,200	11,608
Refuse collection	715,488	761,238	759,244	1,994
Refuse disposal	1,274,300	1,253,601	1,254,478	(877)
Maintenance of buildings and grounds	474,537	510,265	505,151	5,114
Total Public Works	<u>2,564,691</u>	<u>2,627,912</u>	<u>2,610,073</u>	<u>17,839</u>
<i>Health and Welfare</i>				
Health Department	304,000	304,000	304,000	-
Mental health	68,944	68,944	68,944	-
Comprehensive services	180,147	656,762	519,438	137,324
Welfare and Social Services	14,540	14,540	14,540	-
Total Health and Welfare	<u>567,631</u>	<u>1,044,246</u>	<u>906,922</u>	<u>137,324</u>
<i>Education</i>				
Appropriation to public school system	11,076,473	12,170,545	12,169,799	746
Total Education	<u>11,076,473</u>	<u>12,170,545</u>	<u>12,169,799</u>	<u>746</u>
<i>Parks, Recreation, and Cultural</i>				
Regional library	228,686	239,986	239,986	-
Miscellaneous contributions	44,150	79,150	52,876	26,274
Total Parks, Recreation, and Cultural	<u>272,836</u>	<u>319,136</u>	<u>292,862</u>	<u>26,274</u>
<i>Community Development</i>				
Planning and community development	202,319	254,916	254,457	459
Economic development	100,000	110,446	110,446	-
Revenue sharing agreement	19,100	19,100	19,158	(58)
Soil and Water Conservation District and Chowan	9,768	142,358	142,358	-
Cooperative Extension Program	41,015	42,890	39,144	3,746
Total Community Development	<u>372,202</u>	<u>569,710</u>	<u>565,563</u>	<u>4,147</u>
<i>Debt Service</i>				
	-	-	-	-
Total Expenditures	<u>25,044,462</u>	<u>27,658,326</u>	<u>26,921,790</u>	<u>736,536</u>
Excess (Deficiency) of Revenues Over Expenditures	927,549	(548,722)	348,091	896,813

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Other Financing Sources (Uses)				
Transfers in	160,000	160,000	160,000	-
Transfers out	<u>(2,488,326)</u>	<u>(2,488,326)</u>	<u>(2,270,012)</u>	<u>218,314</u>
Total Other Financing Sources (Uses)	<u>(2,328,326)</u>	<u>(2,328,326)</u>	<u>(2,110,012)</u>	<u>218,314</u>
Net Change in Fund Balance before Transfer from Surplus	(1,400,777)	(2,877,048)	(1,761,921)	1,115,127
Transfer from Surplus Funds	<u>1,400,777</u>	<u>2,877,048</u>	-	<u>(2,877,048)</u>
Net Change in Fund Balance after Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(1,761,921)	<u>\$ (1,761,921)</u>
Fund Balance - Beginning of Year			<u>6,202,179</u>	
Fund Balance - End of Year			<u>\$ 4,440,258</u>	

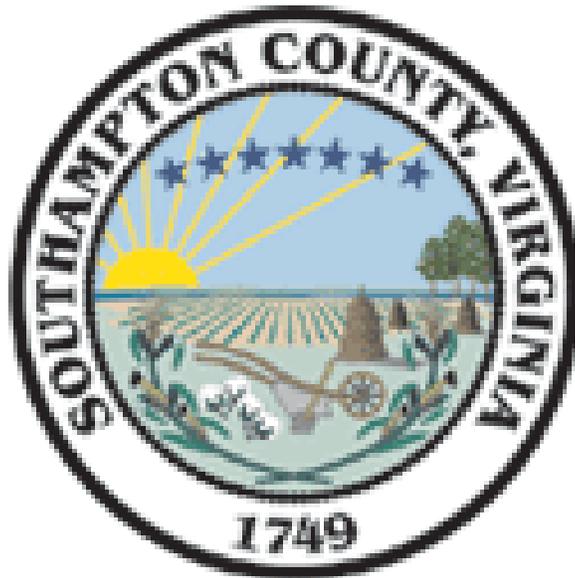
Public Assistance Fund

	<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	\$ 2,125,253	\$ 2,198,503	\$ 642,436	\$ (1,556,067)
Revenue from the Federal Government	<u>-</u>	<u>-</u>	<u>1,191,690</u>	<u>1,191,690</u>
Total Intergovernmental Revenues	<u>2,125,253</u>	<u>2,198,503</u>	<u>1,834,126</u>	<u>(364,377)</u>
Total Revenues	2,125,253	2,198,503	1,834,126	(364,377)
Expenditures				
Current				
<i>Health and Welfare</i>				
Welfare and Social Services	<u>2,446,506</u>	<u>2,519,756</u>	<u>2,097,904</u>	<u>421,852</u>
Total Expenditures	<u>2,446,506</u>	<u>2,519,756</u>	<u>2,097,904</u>	<u>421,852</u>
Excess (Deficiency) of Revenues Over Expenditures	(321,253)	(321,253)	(263,778)	57,475
Other Financing Sources (Uses)				
Transfers in	<u>321,253</u>	<u>321,253</u>	<u>263,778</u>	<u>(57,475)</u>
Total Other Financing Sources (Uses)	<u>321,253</u>	<u>321,253</u>	<u>263,778</u>	<u>(57,475)</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>	

Capital Projects - Utility Tax Building Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Other Local Taxes				
Utility taxes	\$ 490,000	\$ 490,000	\$ 487,608	\$ (2,392)
Meals taxes	<u>120,000</u>	<u>120,000</u>	<u>122,483</u>	<u>2,483</u>
Total Other Local Taxes	610,000	610,000	610,091	91
Revenue from Use of Money and Property				
Interest income	-	-	458	458
Rental of property	<u>60,556</u>	<u>60,556</u>	<u>60,556</u>	<u>-</u>
Total Revenue from Use of Money and Property	60,556	60,556	61,014	458
Miscellaneous	4,920	4,920	4,920	-
Intergovernmental				
Revenue from the Virginia Resources Authority	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total Revenues	675,476	700,476	701,025	549
Expenditures				
Current				
General administration	15,000	15,000	7,545	7,455
Public safety	644,874	644,874	247,209	397,665
Public works	35,000	35,000	26,181	8,819
Capital outlay - Turner Tract	-	364,142	340,642	23,500
Debt service	<u>1,516,097</u>	<u>1,516,097</u>	<u>1,239,012</u>	<u>277,085</u>
Total Expenditures	<u>2,210,971</u>	<u>2,575,113</u>	<u>1,860,589</u>	<u>714,524</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,535,495)	(1,874,637)	(1,159,564)	715,073
Other Financing Sources (Uses)				
Transfers in	<u>565,464</u>	<u>565,464</u>	<u>565,464</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>565,464</u>	<u>565,464</u>	<u>565,464</u>	<u>-</u>
Net Change in Fund Balance Before Reserve	(970,031)	(1,309,173)	(594,100)	715,073
From Reserve Funds	<u>970,031</u>	<u>1,309,173</u>	<u>-</u>	<u>(1,309,173)</u>
Net Change in Fund Balance After Reserve	<u>\$ -</u>	<u>\$ -</u>	(594,100)	<u>\$ (594,100)</u>
Fund Balance - Beginning of Year			<u>4,903,547</u>	
Fund Balance - End of Year			<u>\$ 4,309,447</u>	

OTHER SUPPLEMENTARY INFORMATION



County of Southampton, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2012

	<u>Federal Grants Fund</u>	<u>Special Revenue Funds</u>			<u>Inmate Fund</u>	<u>Total Other Governmental Funds</u>
		<u>Forfeiture Fund</u>	<u>Law Library Fund</u>	<u>Canteen Fund</u>		
Assets						
Cash and investments	\$ 35,187	\$ 160,398	\$ 21,396	\$ 61,304	\$ 254,532	\$ 532,817
Accounts receivable	<u>-</u>	<u>-</u>	<u>868</u>	<u>-</u>	<u>-</u>	<u>868</u>
Total Assets	<u>\$ 35,187</u>	<u>\$ 160,398</u>	<u>\$ 22,264</u>	<u>\$ 61,304</u>	<u>\$ 254,532</u>	<u>\$ 533,685</u>
Liabilities						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 474	\$ 2,046	\$ 481	\$ 3,001
Total Liabilities	-	-	474	2,046	481	3,001
Fund Balance						
Restricted fund balance	<u>35,187</u>	<u>160,398</u>	<u>21,790</u>	<u>59,258</u>	<u>254,051</u>	<u>530,684</u>
Total Fund Balance	<u>35,187</u>	<u>160,398</u>	<u>21,790</u>	<u>59,258</u>	<u>254,051</u>	<u>530,684</u>
Total Liabilities and Fund Balance	<u>\$ 35,187</u>	<u>\$ 160,398</u>	<u>\$ 22,264</u>	<u>\$ 61,304</u>	<u>\$ 254,532</u>	<u>\$ 533,685</u>

County of Southampton, Virginia

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

Other Governmental Funds

At June 30, 2012

	Special Revenue Funds					Total Other Governmental Funds
	Federal Grants Fund	Forfeiture Fund	Law Library Fund	Canteen Fund	Inmate Fund	
Revenues						
Use of money and property	\$ -	\$ 616	\$ 32	\$ -	\$ -	\$ 648
Charges for services	-	-	5,410	91,451	-	96,861
Miscellaneous	-	-	-	-	154,840	154,840
Intergovernmental						
From the Commonwealth of Virginia	-	1,326	-	-	-	1,326
From the Federal Government	-	33,733	-	-	-	33,733
Total Revenues	-	35,675	5,442	91,451	154,840	287,408
Expenditures						
Current						
Judicial administration	-	-	4,540	-	-	4,540
Public safety	-	28,668	-	72,456	49,730	150,854
Total Expenditures	-	28,668	4,540	72,456	49,730	155,394
Excess (Deficiency) of Revenues Over Expenditures	-	7,007	902	18,995	105,110	132,014
Other Financing Sources (Uses)						
Transfers out	-	-	-	-	(160,000)	(160,000)
Total Other Financing Sources (Uses)	-	-	-	-	(160,000)	(160,000)
Net Change in Fund Balances	-	7,007	902	18,995	(54,890)	(27,986)
Fund Balance - Beginning of Year	35,187	153,391	20,888	40,263	308,941	558,670
Fund Balance - End of Year	\$ 35,187	\$ 160,398	\$ 21,790	\$ 59,258	\$ 254,051	\$ 530,684

County of Southampton, Virginia

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

At June 30, 2012

	<u>Special Welfare</u>	<u>Non-Judicial Escrow</u>	<u>Blackwater Regional Library</u>	<u>OPEB Trust Accounts</u>	<u>Totals</u>
Assets					
Cash	<u>\$43,237</u>	<u>\$ 2,000</u>	<u>\$ 288,374</u>	<u>\$ 327,986</u>	<u>\$ 661,597</u>
Liabilities					
Amounts held for others	<u>\$43,237</u>	<u>\$ 2,000</u>	<u>\$ 288,374</u>	<u>\$ 327,986</u>	<u>\$ 661,597</u>
Total Liabilities	<u>\$43,237</u>	<u>\$ 2,000</u>	<u>\$ 288,374</u>	<u>\$ 327,986</u>	<u>\$ 661,597</u>

County of Southampton, Virginia

Component Unit School Board

Combining Balance Sheet

At June 30, 2012

	School Operating Fund	School Food Services Fund	School Endowment Fund	Total Governmental Funds
Assets				
Cash and investments	\$ 2,420,268	\$ 209,293	\$ 23,555	\$ 2,653,116
Accounts receivable	307,823	212	-	308,035
Due from other governments	<u>761,086</u>	<u>39,233</u>	<u>-</u>	<u>800,319</u>
 Total Assets	 <u>\$ 3,489,177</u>	 <u>\$ 248,738</u>	 <u>\$ 23,555</u>	 <u>\$ 3,761,470</u>
Liabilities				
Accounts payable	\$ 838,811	\$ -	\$ -	\$ 838,811
Accrued liabilities	2,538,204	60,959	-	2,599,163
Deferred revenue	<u>112,162</u>	<u>-</u>	<u>-</u>	<u>112,162</u>
 Total Liabilities	 3,489,177	 60,959	 -	 3,550,136
Fund Balance				
Restricted Fund Balance				
Endowment	-	-	23,555	23,555
Assigned Fund Balance				
Food services	<u>-</u>	<u>187,779</u>	<u>-</u>	<u>187,779</u>
 Total Fund Balance	 <u>-</u>	 <u>187,779</u>	 <u>23,555</u>	 <u>211,334</u>
 Total Liabilities and Fund Balance	 <u>\$ 3,489,177</u>	 <u>\$ 248,738</u>	 <u>\$ 23,555</u>	 <u>\$ 3,761,470</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, 2012

Total Fund Balances for Governmental Funds \$ 211,334

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	652,944
Furniture, equipment, and vehicles, net of depreciation	<u>4,603,197</u>

Total Capital Assets 6,618,341

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

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

Net OPEB obligation	(1,075,503)
Compensated absences	<u>(294,410)</u>

Total Liabilities (1,369,913)

Total Net Assets of Governmental Activities \$ 5,459,762

County of Southampton, Virginia

Component Unit School Board

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

Year Ended June 30, 2012

	School Operating Fund	School Food Services Fund	School Endowment Fund	Total School Funds
Revenues				
Use of money and property	\$ -	\$ 12	\$ 584	\$ 596
Charges for services	88,756	370,772	-	459,528
Miscellaneous	118,455	-	-	118,455
Recovered costs	586,039	-	-	586,039
Intergovernmental				
From County of Southampton, Virginia	12,169,799	-	-	12,169,799
From the Commonwealth of Virginia	16,245,685	23,298	-	16,268,983
From the Federal Government	<u>2,226,205</u>	<u>733,771</u>	-	<u>2,959,976</u>
 Total Revenues	 31,434,939	 1,127,853	 584	 32,563,376
Expenditures				
Education	28,861,155	1,066,078	-	29,927,233
Debt service	<u>2,573,784</u>	<u>-</u>	<u>-</u>	<u>2,573,784</u>
 Total Expenditures	 <u>31,434,939</u>	 <u>1,066,078</u>	 <u>-</u>	 <u>32,501,017</u>
 Net Change in Fund Balances	 -	 61,775	 584	 62,359
 Fund Balances - Beginning of Year	 <u>-</u>	 <u>126,004</u>	 <u>22,971</u>	 <u>148,975</u>
 Fund Balances - End of Year	 <u>\$ -</u>	 <u>\$ 187,779</u>	 <u>\$ 23,555</u>	 <u>\$ 211,334</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, 2012

Net Change in Fund Balances	\$ 62,359
 Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Balances of long-term liabilities affecting net assets are as follows:	
Net OPEB obligation	(221,903)
Compensated absences	76,487
 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 by capital outlays in the current period.	 <u>(225,868)</u>
 Change in Net Assets of Governmental Activities	 <u><u>\$ (308,925)</u></u>

County of Southampton, Virginia

Component Unit School Board

School Operating Fund

Budgetary Comparison Schedule

Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Charges for services	\$ 2,000	\$ 88,756	\$ 88,756	\$ -
Miscellaneous	-	217,624	118,455	(99,169)
Recovered costs	-	610,454	586,039	(24,415)
Intergovernmental				
From County of Southampton, Virginia	11,076,473	12,170,545	12,169,799	(746)
From the Commonwealth of Virginia	16,039,646	16,333,116	16,245,685	(87,431)
From the Federal Government	<u>1,773,908</u>	<u>2,514,747</u>	<u>2,226,205</u>	<u>(288,542)</u>
 Total Revenues	 28,892,027	 31,935,242	 31,434,939	 (500,303)
Expenditures				
Current				
<i>Education</i>				
Instruction	17,835,466	20,878,681	19,896,208	982,473
Administration, attendance, and health	1,343,859	1,343,859	1,536,882	(193,023)
Transportation	2,824,651	2,824,651	3,100,356	(275,705)
Operation and maintenance	3,414,680	3,414,680	3,341,163	73,517
School food services	129,818	129,818	117,628	12,190
Facilities	154,026	154,026	145,340	8,686
Technology	615,236	615,236	723,578	(108,342)
Debt service	<u>2,574,291</u>	<u>2,574,291</u>	<u>2,573,784</u>	<u>507</u>
 Total Expenditures	 <u>28,892,027</u>	 <u>31,935,242</u>	 <u>31,434,939</u>	 <u>500,303</u>
 Net Change in Fund Balance	 <u>\$ -</u>	 <u>\$ -</u>	 -	 <u>\$ -</u>
 Fund Balance - Beginning of Year			 -	
 Fund Balance - End of Year			 <u>\$ -</u>	

County of Southampton, Virginia

Jail Canteen and Other Revenue and Expense Information

Year Ended June 30, 2012

	<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	\$ 91,451	\$ 72,456	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,451	\$ 72,456
Inmate Enterprise Fund #737	-	-	29,154	33,039	5,496	-	120,190	16,691	154,840	49,730
Total	<u>\$ 91,451</u>	<u>\$ 72,456</u>	<u>\$ 29,154</u>	<u>\$ 33,039</u>	<u>\$ 5,496</u>	<u>\$ -</u>	<u>\$ 120,190</u>	<u>\$ 16,691</u>	<u>\$ 246,291</u>	<u>\$ 122,186</u>

COMPLIANCE SECTION





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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Southampton, Virginia, as of and for the year ended June 30, 2012, which collectively comprise County of Southampton, Virginia’s basic financial statements and have issued our report thereon dated November 15, 2012. 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

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, Board of Supervisors, others within the entity, Auditor of Public Accounts of the Commonwealth of Virginia, 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.
Certified Public Accountants

South Hill, Virginia
November 15, 2012



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited County of Southampton, Virginia’s compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of County of Southampton, Virginia’s major federal programs for the year ended June 30, 2012. County of Southampton, Virginia’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County of Southampton, Virginia’s management. Our responsibility is to express an opinion on County of Southampton, Virginia’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, OMB Circular A-133, and specifications require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Southampton, Virginia’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of County of Southampton, Virginia’s compliance with those requirements.

In our opinion, County of Southampton, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of County of Southampton, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered County of Southampton, Virginia’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Southampton, Virginia’s internal control over compliance.

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

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

This report is intended solely for the information and use of management, Board of Supervisors, others within the entity, Auditor of Public Accounts of the Commonwealth of Virginia, 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 15, 2012

County of Southampton, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
U. S. Department of Agriculture			
Pass-Through Payments			
<i>State Department of Agriculture</i>			
Food Distribution - Schools	10.555	N/A	\$ 62,268
<i>Department of Social Services</i>			
Food Stamp Cluster			
Administration for Food Stamp Program	10.561	765	<u>268,324</u>
Total Food Stamp Cluster			268,324
<i>Department of Education</i>			
Child Nutrition Cluster			
National School Lunch Program	10.555*	197	139,349
School Breakfast Program	10.553*	197	<u>594,422</u>
Total Child Nutrition Cluster			<u>733,771</u>
Subtotal - U. S. Department of Agriculture			1,064,363
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	58,829
Child Care Mandatory and Matching Funds	93.596	765	<u>56,903</u>
Total Child Care Cluster			115,732
<i>Department of Social Services</i>			
Promoting Safe and Stable Families	93.556	765	14,321
Temporary Assistance to Needy Families	93.558	765	265,016
Refugee and Entrant Assistance	93.566	765	384
Low Income Home Energy Assistance	93.568	765	27,205
Child Welfare Services	93.645	765	843
Foster Care - Title IV-E	93.658	765	100,266
ARRA - Foster Care - Title IV-E	93.658	765	-
Adoption Assistance	93.659	765	44,891
Chafee Foster Care Independence Program	93.674	765	3,337
Social Services Block Grant	93.667	765	181,250
State Children's Insurance Program	93.767	765	7,639
Medical Assistance Program (Medicaid; Title XIX)	93.778	765	<u>162,482</u>
Subtotal - U. S. Department of Health and Human Services			923,366

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
U. S. Department of Transportation			
Pass-Through Payments			
<i>Department of Motor Vehicles</i>			
Ground Transportation System	20.602	140	<u>12,777</u>
Total			12,777
Direct Payments			
Federal asset forfeitures	16.000	N/A	<u>33,733</u>
Subtotal - U. S. Department of Transportation			46,510
U. S. Department of Justice			
Direct Payments			
ARRA Byrne Grants - Technology and Safety Grant	16.804	157	9,291
ARRA Byrne Grants - LE Block Grant	16.738	157	<u>2,243</u>
Subtotal - U. S. Department of Justice			11,534
U. S. Department of Education			
Pass-Through Payments			
<i>Department of Education</i>			
Special Education Cluster			
Special Education - Grants to States (Title VI Flow-Through)	84.027*	197	596,825
ARRA Special Education - Grants to States (Title VI Flow-Through)	84.391*	197	68,851
ARRA Special Education - Preschool Grants (Title VI)	84.392*	197	15,800
Special Education - Preschool Grants (Title VI)	84.173*	197	<u>20,690</u>
Total Special Education Cluster			702,166
Title I Cluster			
Title I	84.010*	197	661,944
ARRA Title I	84.389*	197	<u>29,502</u>
			691,446
Drug Free Schools and Communities	84.186	197	162
Title IV Part B-21 Century Community Learning	84.287	197	175,327
Certification Exam	84.048	197	47,984
ARRA Education Jobs Fund	84.410*	197	326,524
Title II Part A Improving Teacher Quality	84.367	197	142,410
Adult Literacy	84.002	197	<u>58,292</u>
Subtotal - U. S. Department of Education - School			2,144,311
Federal Emergency Management Agency			
Direct Payments			
FEMA Grant	97.036	N/A	<u>91,539</u>
Subtotal - FEMA Grant			91,539
U. S. Department of Labor			
Direct Payments - School			
Opportunity, Inc. Program 850	17.259	N/A	<u>81,894</u>
Subtotal - U. S. Department of Labor			<u>81,894</u>
Grand Totals			<u>\$ 4,363,517</u>

*Denotes Major Program

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 \$62,268 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, 2012

1. SUMMARY OF AUDITOR'S RESULTS

- (a) The auditor's report expresses an **unqualified opinion** on the financial statements of the County of Southampton, Virginia.
- (b) **No 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 deficiencies** relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance With Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.
- (e) The auditor's report on compliance for the major federal award programs for the County of Southampton, Virginia expresses an **unqualified opinion** on all major federal programs.
- (f) There were **no audit findings** relative to the major federal award programs for the County of Southampton, Virginia to be reported in this schedule.
- (g) The programs tested as major programs included:
 - 1. **CFDA #10.555 and 10.553, Child Nutrition Cluster**
 - 2. **CFDA #84.027, 84.391, 84.392, and 84.173, Special Education Cluster**
 - 3. **CFDA #84.010 and 84.389, Title I Cluster**
 - 4. **CFDA #84.410, ARRA Education Jobs Fund**
- (h) The **threshold for** distinguishing Types A and B programs was **\$300,000**.
- (i) The County of Southampton, Virginia **was** determined to be a **low-risk auditee**.

2. FINDINGS - FINANCIAL STATEMENT AUDIT

None

3. FINDINGS AND QUESTIONED COSTS - MAJOR PROGRAMS AUDIT

None

County of Southampton, Virginia

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

FINANCIAL STATEMENTS

There were no findings in the prior year.