

*County of Southampton, Virginia*  
*Comprehensive Annual Financial Report*  
*Year Ended June 30, 2003*

## County of Southampton, Virginia

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# FINANCIAL SECTION





**Creedle  
Jones  
& Alga**

*A Professional Corporation*

*Certified Public Accountants  
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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements and the combining fund financial statements of the County of Southampton, Virginia (the "County") as of and for the year ended June 30, 2003, identified as Exhibits 1 through 10 and Schedules 1-6 in the Financial Section of the accompanying table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion 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 of America; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the County as of June 30, 2003, and the results of its operations, cash flows of its proprietary funds, and changes in its fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the basic financial statements and the combining fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the County as of June 30, 2003, and the results of operations of such funds, cash flows of each of the proprietary funds, and changes in net assets of each of the fiduciary funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 16 to the basic financial statements, the County adopted Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government*," effective July 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2003 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 1 through 8 in the Financial Section of the accompanying table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements and on the combining fund financial statements taken as a whole. The information identified as the Schedule of Expenditures of Federal Awards, required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The Statistical Section of the report is presented for the purposes of additional analysis and is not a required part of the financial statements of the County. Such additional information, except as described in the preceding paragraph, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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

South Hill, Virginia  
November 25, 2003

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Southampton presents the following discussion and analysis as an overview of the County of Southampton's financial activities for the fiscal year ending June 30, 2003. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter and the County's financial statements.

### Financial Highlights for FY 2003

#### 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 \$36,843,177. Of this amount, \$5,691,171 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- For the fiscal year, general and program revenues of the County's governmental activities were \$21,343,922 and expenses amounted to \$21,011,903. The County's total net assets increased \$332,019.

#### Highlights for Fund Financial Statements

- As of June 30, 2003, the County Governmental Funds reported combined fund balances of \$6,074,560, an increase of \$45,302 in comparison with the prior year. Approximately 100% of the combined fund balances, \$6,074,560, is available to meet the County's current and future needs.
- The General Fund reported a fund balance of \$4,583,639, an increase of \$417,954 from June 30, 2002.

#### General Financial Highlights

- In November 2002, the County issued \$1,302,700 in bonds through SunTrust Bank to finance several education related projects. This issue increased the County's total debt to \$23,073,949.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report consists of three sections: financial, statistical, and compliance.

- The **financial section** has three component parts - management's discussion and analysis (this section), the basic financial statements which include government-wide financial statements and fund financial statements, and required supplemental information.
- The **statistical section** includes selected financial and demographic data related to the County, generally presented on a multi-year basis.
- The **compliance section** is required under the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

### **Government-wide Financial Statements**

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

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

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

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

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

Business-Type Activities: Southampton County 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

As this is the first year the County has included management's discussion and analysis, in accordance with GASB Statement No. 34, the County is not required to restate prior periods for the purposes of providing comparative information.

In future years, however, when prior information is available, a comparative analysis of government-wide information will be presented.

### Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

#### Summary of Net Assets

As of June 30, 2003

(\$ in thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit School Board</u>
<b>Assets</b>				
Current and other assets	\$ 6,884,489	\$ 635,943	\$ 7,520,432	\$ 2,488,690
Capital assets (net)	37,490,711	16,028,370	53,519,081	7,398,426
Total Assets	<u>\$ 44,375,200</u>	<u>\$ 16,664,313</u>	<u>\$ 61,039,513</u>	<u>\$ 9,887,116</u>
<b>Liabilities</b>				
Other liabilities	\$ 3,242,285	\$ 278,054	\$ 3,520,339	\$ 2,403,745
Long-term liabilities	15,788,795	4,887,202	20,675,997	-
Total Liabilities	<u>\$ 19,031,080</u>	<u>\$ 5,165,256</u>	<u>\$ 24,196,336</u>	<u>\$ 2,403,745</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	\$ 20,209,085	\$ 10,942,921	\$ 31,152,006	\$ 7,398,426
Unrestricted	5,135,035	556,136	5,691,171	84,945
Total Net Assets	<u>\$ 25,344,120</u>	<u>\$ 11,499,057</u>	<u>\$ 36,843,177</u>	<u>\$ 7,483,371</u>

The Commonwealth of Virginia requires that counties, as well as their financial dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. For the purpose of this financial statement, the debt and correlating asset (or portion thereof) is recorded as an asset and long-term liability of the primary government. GASB Statement No. 14, *The Financial Reporting Entity*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements. The net assets of the total financial reporting entity best represent the entity's financial position. In the case of the County's reporting entity, assets exceeded liabilities by \$36,843,177 at June 30, 2003. The largest portion of the reporting entity's net assets, \$31,152,006, 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, 2003:

#### Summary of Changes in Net Assets For the Fiscal Year Ended June 30, 2003

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit School Board</u>
<b>Revenues</b>				
<b>Program Revenues</b>				
Charges for services	\$ 1,157,049	\$ 773,464	\$ 1,930,513	\$ 549,664
Operating grants and contributions	5,034,620	-	5,034,620	15,519,731
Capital grants and contributions	430,939	-	430,939	-
<b>General Revenues</b>				
General property taxes, real and personal	10,851,728	-	10,851,728	-
Other taxes	1,780,717	-	1,780,717	-
<b>Payment from County of Southampton</b>				
Education	-	-	-	5,752,531
Noncategorical aid from state	227,050	-	227,050	-
Use of property	122,556	-	122,556	-
Investment earnings	56,168	7,796	63,964	1,643
Miscellaneous	855,272	46,563	901,835	16,266
Transfers	(325,055)	325,055	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	20,191,044	1,152,878	21,343,922	21,839,835
<b>Expenses</b>				
General government administration	1,152,842	-	1,152,842	-
Judicial administration	931,028	-	931,028	-
Public safety	4,997,817	-	4,997,817	-
Public works	1,740,418	-	1,740,418	-
Health and welfare	2,118,047	-	2,118,047	-
Education	6,496,666	-	6,496,666	21,774,354

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit School Board</u>
Parks, recreation, and cultural	212,503	-	212,503	-
Community development	825,809	-	825,809	-
Water and sewer	-	1,303,705	1,303,705	-
Interest on long-term debt	<u>1,233,068</u>	<u>-</u>	<u>1,233,068</u>	<u>-</u>
 Total Expenses	 <u>19,708,198</u>	 <u>1,303,705</u>	 <u>21,011,903</u>	 <u>21,774,354</u>
 Increase (Decrease) in Net Assets	 482,846	 (150,827)	 332,019	 65,481
 Beginning Net Assets	 <u>24,861,274</u>	 <u>11,649,884</u>	 <u>36,511,158</u>	 <u>7,417,890</u>
 Ending Net Assets	 <u>\$ 25,344,120</u>	 <u>\$ 11,499,057</u>	 <u>\$ 36,843,177</u>	 <u>\$ 7,483,371</u>

Governmental activities increased the County's net assets by \$482,846, accounting for 145% of the total increase in net assets for fiscal year 2003. Revenues from governmental activities totaled \$20,191,044. Taxes comprise the largest source of these revenues, totaling \$10,851,728 or 51% of all governmental activities revenue. Of this amount, real and personal property taxes comprise 81% of the taxes collected.

The total cost of all governmental activities for this fiscal year was \$19,708,198. Education continues to be the County's largest program and highest priority with expenses totaling \$6,496,666. Public Safety expenses, which total \$4,997,817, represent the second largest expense, followed by Health and Welfare expenses which total \$2,118,047.

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 Year Ended June 30, 2003

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General Government Administration	\$ 1,152,842	\$ (853,193)
Judicial Administration	931,028	(596,934)
Public Safety	4,997,817	(1,136,046)
Public Works	1,740,418	(1,530,335)
Health and Welfare	2,118,047	(636,975)
Education	6,496,666	(6,496,666)
Parks, Recreation, and Cultural	212,503	(207,503)
Community Development	825,809	(394,870)
Interest on long-term debt	<u>1,233,068</u>	<u>(1,233,068)</u>
 Total	 <u>\$ 19,708,198</u>	 <u>\$ (13,085,590)</u>

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2003, the County's Governmental Funds reported a combined ending fund balance of \$6,074,560, an increase of \$45,302 in comparison with the prior year. Approximately 75%, or \$4,583,639, is available for spending at the government's discretion (unreserved/undesignated fund balance).

The General Fund is the main operating fund of the County. At the end of the current fiscal year, the General Fund had an unreserved fund balance of \$4,583,639 and a reserved fund balance of \$-0-. The General Fund's liquidity can be measured by comparing both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 27% of total fund expenditures, while total fund balance represents 27% of that same amount.

- The General Fund contributed \$7,677,875 in operating funds to finance the Schools' operations and the Capital Projects Utility Tax Building Fund contributed \$461,018.

The Capital Projects Fund has a total fund balance of \$1,043,584, all of which is designed 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 Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Taxes	\$ 10,806,972	\$ 10,842,964	\$ 10,851,728
Other	1,998,517	2,385,417	2,908,833
Intergovernmental	<u>3,545,094</u>	<u>3,700,617</u>	<u>3,701,704</u>
Total	16,350,583	16,928,998	17,462,265
<b>Expenditures</b>			
Expenditures	<u>16,617,180</u>	<u>17,796,592</u>	<u>16,940,854</u>
Excess (deficiency) of revenues over expenditures	(266,597)	(867,594)	521,411
<b>Other Financing Sources (Uses)</b>			
Transfers in	250,000	287,394	460,501
Transfers out	<u>(659,104)</u>	<u>(659,104)</u>	<u>(563,958)</u>
Total	<u>(409,104)</u>	<u>(371,710)</u>	<u>(103,457)</u>
Change in Fund Balance	<u>\$ (675,701)</u>	<u>\$ (1,239,304)</u>	<u>\$ 417,954</u>

The final amended budget appropriations, including expenditures and transfers out, exceeded the original appropriation by \$1,179,412. This increase is due primarily to the 2002 carryover funds of the schools' local appropriation, the expenditure of the Camp Campbell Funds donated to the fire departments and rescue squads, and the increase in refuse disposal due to a large hail and wind storm in May 2003.

Final amended budget revenues and transfers in were more than the original budget by \$615,809, primarily due to the donation of the Camp Campbell Funds and additional State funds for the fire department and Victim Witness Grant.

Actual revenues exceeded final budget amounts by \$533,267, or 3%, while actual expenditures were \$855,738, or 5% less than final budget amounts. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2003, include the following:

Fines and Forfeitures – The Sheriff's department collected court fines due to an increased traffic violation program.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

As of June 30, 2003, the County's investment in capital assets total \$31,152,006 which is net capital assets less related debt.

During Fiscal Year 2003, the County's net capital assets (including additions, decreases, and depreciation) decreased \$934,758, or 2%, as summarized below:

### Change in Capital Assets

#### Governmental Activities

	<u>Balance</u> <u>June 30, 2002</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2003</u>
Land and land improvements	\$ 1,185,300	\$ -	\$ 1,185,300
Buildings and improvements	11,333,233	25,504	11,358,737
School buildings and improvements*	31,359,400	-	31,359,400
Furniture, equipment, and vehicles	<u>2,929,808</u>	<u>219,048</u>	<u>3,148,856</u>
Total Capital Assets	46,807,741	244,552	47,052,293
Less accumulated depreciation and amortization	<u>(8,382,272)</u>	<u>(1,179,310)</u>	<u>(9,561,582)</u>
Total Capital Assets, Net	<u>\$ 38,425,469</u>	<u>\$ (934,758)</u>	<u>\$ 37,490,711</u>

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

## Long-term Debt

In November 2002, the County finalized borrowings of \$1,302,700 for renovations of the Hunterdale and Capron Elementary Schools. These bonds will mature incrementally over the next 20 years and will be used to finance several school construction projects. With the issuance of this debt, the County has a net increase in long-term obligations of \$1,337,987, or 5%, from the previous year.

As of June 30, 2003, the County's long-term obligations total \$23,073,949.

There is no legal limit on the amount of general obligation bonded indebtedness that the County can at any time incur or have outstanding. General obligation indebtedness must be approved by voter referendum prior to issuance except for debt incurred from the State Literary Fund or the Virginia Public School Authority.

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the County of Southampton in June 2003 was 4.1%, an increase of 0.7% from June 2002. This compares favorably to the state's rate of 4.3% and the national rate of 6.5%. The September 2003 unemployment rate for the County was 3.5% compared to the state's rate of 3.8% and the national rate of 5.8%.
- According to the 2000 U.S. Census, the population in Southampton County was 17,482, a decrease of 0.39%, since the 1990 U.S. Census.
- The per capita income in Southampton County was \$16,930, compared to \$23,475 for the state, according to the 2000 U.S. Census data.

The Fiscal Year 2004 Adopted Budget anticipates General Fund revenues and expenditures to be \$17,610,414, a 1.9% increase over the fiscal year 2003 budget. Revenues are comprised primarily of General Property Taxes at 63% with Other Local Taxes comprising 4.3%. The County's transfer to fund Education operations continues to be the largest expenditure area at 45.3% of total expenditures with Public Safety at 23.7%.

## REQUESTS FOR INFORMATION

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

# BASIC FINANCIAL STATEMENTS



## County of Southampton, Virginia

## Statement of Net Assets

At June 30, 2003

	<u>Primary Government</u>			<u>Component Unit School Board</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<b>Assets</b>				
Cash and cash equivalents	\$ 5,729,333	\$ 512,189	\$ 6,241,522	\$ 1,824,118
Receivables, net	582,123	123,754	705,877	24,914
Due from other governments	573,033	-	573,033	639,658
<b>Capital assets</b>				
Land and construction in progress	1,185,300	245,562	1,430,862	988,200
Other capital assets, net of accumulated depreciation	36,305,411	15,782,808	52,088,219	6,410,226
Capital Assets, Net	<u>37,490,711</u>	<u>16,028,370</u>	<u>53,519,081</u>	<u>7,398,426</u>
Total Assets	<u>\$ 44,375,200</u>	<u>\$ 16,664,313</u>	<u>\$ 61,039,513</u>	<u>\$ 9,887,116</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 283,403	\$ 13,126	\$ 296,529	\$ 2,228,753
Accrued interest payable	288,273	-	288,273	-
Customer deposits	-	32,320	32,320	-
Compensated absences	706,874	34,361	741,235	-
Deferred revenue	470,904	-	470,904	174,992
<b>Long-term Liabilities</b>				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	1,492,831	232,608	1,725,439	-
<i>Due in more than one year</i>				
Bonds, loans, and capital leases payable	<u>15,788,795</u>	<u>4,852,841</u>	<u>20,641,636</u>	<u>-</u>
Total Liabilities	19,031,080	5,165,256	24,196,336	2,403,745
<b>Net Assets</b>				
Invested in capital assets, net of related debt	20,209,085	10,942,921	31,152,006	7,398,426
Unrestricted	<u>5,135,035</u>	<u>556,136</u>	<u>5,691,171</u>	<u>84,945</u>
Total Net Assets	<u>\$ 25,344,120</u>	<u>\$ 11,499,057</u>	<u>\$ 36,843,177</u>	<u>\$ 7,483,371</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, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Component Unit School Board</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>	
<b>Primary Government</b>								
<b>Governmental activities</b>								
General government administration	\$ 1,152,842	\$ 106,748	\$ 192,901	\$ -	\$ (853,193)	\$ -	\$ (853,193)	\$ -
Judicial administration	931,028	11,375	322,719	-	(596,934)	-	(596,934)	-
Public safety	4,997,817	872,850	2,988,921	-	(1,136,046)	-	(1,136,046)	-
Public works	1,740,418	166,076	44,007	-	(1,530,335)	-	(1,530,335)	-
Health and welfare	2,118,047	-	1,481,072	-	(636,975)	-	(636,975)	-
Education	6,496,666	-	-	-	(6,496,666)	-	(6,496,666)	-
Parks, recreation, and cultural	212,503	-	5,000	-	(207,503)	-	(207,503)	-
Community development	825,809	-	-	430,939	(394,870)	-	(394,870)	-
Interest on long-term debt	1,233,068	-	-	-	(1,233,068)	-	(1,233,068)	-
Total Governmental Activities	<u>\$ 19,708,198</u>	<u>\$ 1,157,049</u>	<u>\$ 5,034,620</u>	<u>\$ 430,939</u>	<u>\$ (13,085,590)</u>	<u>\$ -</u>	<u>\$ (13,085,590)</u>	<u>\$ -</u>
<b>Business-Type activities</b>								
Regional Water and Sewer Fund	\$ 1,303,705	\$ 773,464	\$ -	\$ -	\$ -	\$ (530,241)	\$ (530,241)	\$ -
Total Business-Type Activities	<u>\$ 1,303,705</u>	<u>\$ 773,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (530,241)</u>	<u>\$ (530,241)</u>	<u>\$ -</u>
Total Primary Government	<u>\$ 21,011,903</u>	<u>\$ 1,930,513</u>	<u>\$ 5,034,620</u>	<u>\$ 430,939</u>	<u>\$ (13,085,590)</u>	<u>\$ (530,241)</u>	<u>\$ (13,615,831)</u>	<u>\$ -</u>
<b>Component Unit</b>								
Southampton County Public Schools	<u>\$ 21,774,354</u>	<u>\$ 549,664</u>	<u>\$ 15,519,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,704,959)</u>

	<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Component Unit School Board</u>
	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>	
<b>General Revenues</b>				
<b>Taxes</b>				
General property taxes, real and personal	\$ 10,851,728	\$ -	\$ 10,851,728	\$ -
Other local taxes	1,780,717	-	1,780,717	-
<b>Payment from County of Southampton</b>				
Education	-	-	-	5,752,531
Noncategorical aid from state	227,050	-	227,050	-
Use of property	122,556	-	122,556	-
Investment earnings	56,168	7,796	63,964	1,643
Miscellaneous	855,272	46,563	901,835	16,266
Transfers	(325,055)	325,055	-	-
	<u>13,568,436</u>	<u>379,414</u>	<u>13,947,850</u>	<u>5,770,440</u>
Total General Revenues				
Change in Net Assets	482,846	(150,827)	332,019	65,481
Net Assets - Beginning of Year	<u>24,861,274</u>	<u>11,649,884</u>	<u>36,511,158</u>	<u>7,417,890</u>
Net Assets - End of Year	<u>\$ 25,344,120</u>	<u>\$ 11,499,057</u>	<u>\$ 36,843,177</u>	<u>\$ 7,483,371</u>

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



County of Southampton, Virginia

Balance Sheet

Governmental Funds

At June 30, 2003

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and investments	\$ 4,457,965	\$ 1,418,182	\$ 5,876,147
Property taxes receivable, net	506,274	-	506,274
Accounts receivable	38,777	37,072	75,849
Due from other governments	<u>326,252</u>	<u>191,159</u>	<u>517,411</u>
Total Assets	<u>\$ 5,329,268</u>	<u>\$ 1,646,413</u>	<u>\$ 6,975,681</u>
<b>Liabilities</b>			
Pooled cash deficit	\$ -	\$ 146,814	\$ 146,814
A/P and accrued liabilities	274,725	8,678	283,403
Deferred revenue	11,695	-	11,695
Deferred revenue - property taxes	<u>459,209</u>	<u>-</u>	<u>459,209</u>
Total Liabilities	745,629	155,492	901,121
<b>Fund Balance</b>			
<b>Designated</b>			
Subsequent year's expenditures	-	1,490,921	1,490,921
<b>Unreserved/undesignated</b>	<u>4,583,639</u>	<u>-</u>	<u>4,583,639</u>
Total Fund Balance	<u>4,583,639</u>	<u>1,490,921</u>	<u>6,074,560</u>
Total Liabilities and Fund Balance	<u>\$ 5,329,268</u>	<u>\$ 1,646,413</u>	<u>\$ 6,975,681</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, 2003

Total fund balances for governmental funds	\$ 6,074,560
Total net assets reported for governmental activities in the Statement of Net Assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land	\$ 1,185,300
Buildings and improvements, net of accumulated depreciation	8,986,497
Furniture, equipment, and vehicles, net of accumulated depreciation	1,509,436
School Board fixed assets, net of accumulated depreciation	<u>25,809,478</u>
Total Capital Assets	37,490,711
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds	55,622
Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Balances of long-term liabilities affecting net assets are as follows:	
Bonds and notes payable	(17,281,626)
Interest payable	(288,273)
Compensated absences	<u>(706,874)</u>
Total	<u>(18,276,773)</u>
Total net assets of governmental activities	<u>\$ 25,344,120</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, 2003

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Property taxes	\$ 10,851,728	\$ -	\$ 10,851,728
Other local taxes	832,180	892,915	1,725,095
Permits, privilege fees, and regulatory licenses	105,678	-	105,678
Fines and forfeitures	712,567	-	712,567
Use of money and property	65,752	112,972	178,724
Charges for services	255,128	83,676	338,804
Miscellaneous	681,232	174,040	855,272
Recovered costs	256,296	27,770	284,066
<i>Intergovernmental</i>			
Revenue from the Commonwealth	3,637,415	523,788	4,161,203
Revenue from the Federal Government	<u>64,289</u>	<u>1,467,117</u>	<u>1,531,406</u>
Total Revenues	17,462,265	3,282,278	20,744,543
<b>Expenditures</b>			
<b>Current</b>			
General government administration	1,246,199	953	1,247,152
Judicial administration	908,360	9,914	918,274
Public safety	4,429,253	552,141	4,981,394
Public works	1,680,329	94,470	1,774,799
Health and welfare	446,732	1,675,678	2,122,410
Education - public school system	7,677,875	461,018	8,138,893
Parks, recreation, and cultural	182,970	-	182,970
Community development	360,671	448,950	809,621
Debt service	<u>8,465</u>	<u>190,208</u>	<u>198,673</u>
Total Expenditures	<u>16,940,854</u>	<u>3,433,332</u>	<u>20,374,186</u>
Excess (Deficiency) of Revenues Over Expenditures	521,411	(151,054)	370,357
<b>Other Financing Sources (Uses)</b>			
Transfers in	460,501	238,903	699,404
Transfers out	<u>(563,958)</u>	<u>(460,501)</u>	<u>(1,024,459)</u>
Total Other Financing Sources (Uses)	<u>(103,457)</u>	<u>(221,598)</u>	<u>(325,055)</u>
Net Change in Fund Balance	417,954	(372,652)	45,302
Fund Balance - Beginning of Year	<u>4,165,685</u>	<u>1,863,573</u>	<u>6,029,258</u>
Fund Balance - End of Year	<u>\$ 4,583,639</u>	<u>\$ 1,490,921</u>	<u>\$ 6,074,560</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, 2003

Net change in fund balances - total governmental funds	\$	45,302	
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.			(934,758)
School Board debt used to construct the school buildings is owed by the County. Therefore, the related assets are owned by the County jointly with the School Board and reported in the County's financial statements. An adjustment in the following accounts has been made as follows:			
Local appropriation		(2,386,362)	
Proceeds from bonds		(1,302,700)	
Add: Debt service		<u>3,689,062</u>	
Net Affect			-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds			55,622
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.			
Debt issued		(1,302,700)	
Repayments on debt		<u>2,942,940</u>	
Net Adjustment			1,640,240
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:			
Compensated absences		(35,287)	
Interest payable		<u>(288,273)</u>	
Net Adjustment			<u>(323,560)</u>
Change in net assets of governmental activities	\$		<u>482,846</u>

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

**County of Southampton, Virginia**

Statement of Net Assets

Proprietary Funds

At June 30, 2003

	<u>Enterprise Fund</u> <u>Water and Sewer</u> <u>Fund</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and investments	\$ 512,189
Receivables, net	<u>123,754</u>
Total Current Assets	635,943
<b>Noncurrent Assets</b>	
Capital assets, net	<u>16,028,370</u>
Total Noncurrent Assets	<u>16,028,370</u>
Total Assets	<u>\$ 16,664,313</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable and accrued expenses	\$ 13,126
Short-term portion of debt	<u>232,608</u>
Total Current Liabilities	245,734
<b>Noncurrent Liabilities</b>	
Compensated absences	34,361
Customer deposits	32,320
Long-term debt	<u>4,852,841</u>
Total Noncurrent Liabilities	<u>4,919,522</u>
Total Liabilities	<u>5,165,256</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	10,942,921
Unrestricted	<u>556,136</u>
Total Net Assets	<u>\$ 11,499,057</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, 2003

	<u>Enterprise Fund</u> <u>Water and Sewer</u> <u>Fund</u>
<b>Operating Revenues</b>	
Charges for services, net	\$ 773,464
Miscellaneous	46,563
	820,027
<b>Operating Expenses</b>	
Personal services and benefits	299,561
Repairs and maintenance	184,701
Utilities	137,921
Chemicals and lab	33,178
Insurance	11,998
Other supplies	25,614
Depreciation	512,130
Other charges	4,773
	1,209,876
Operating Income (Loss)	(389,849)
<b>Nonoperating Revenues</b>	
Interest income	7,796
Interest expense	(93,829)
	(86,033)
Income (Loss) Before Transfers	(475,882)
<b>Transfers in</b>	325,055
Change in Net Assets	(150,827)
Total Net Assets - Beginning of Year	11,484,815
Prior period adjustment	165,069
	165,069
Total Net Assets - End of Year	\$ 11,499,057

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, 2003

	<u>Enterprise Fund</u> <u>Water and Sewer</u> <u>Fund</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 786,880
Other receipts	50,588
Payments to personnel and suppliers	<u>(721,926)</u>
Net Cash Provided by Operating Activities	115,542
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers from other funds	<u>325,055</u>
Net Cash Provided by Noncapital Financing Activities	325,055
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases and construction of capital assets	(88,067)
Principal paid on capital debt	(231,225)
Interest paid on capital debt	<u>(93,829)</u>
Net Cash (Used in) Capital and Related Financing Activities	(413,121)
<b>Cash Flows from Investing Activities</b>	
Interest income	<u>7,796</u>
Net Increase (Decrease) in Cash and Cash Equivalents	35,272
Cash and Cash Equivalents - Beginning of Year	<u>476,917</u>
Cash and Cash Equivalents - End of Year	<u>\$ 512,189</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
Operating income (loss)	\$ (389,849)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation expense	512,130
Changes in assets and liabilities	
Receivables, net	17,440
Accounts payable and accrued expenses	(25,151)
Compensated absences	2,806
Customer deposits	<u>(1,835)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 115,541</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, 2003

	<b><u>Agency Funds</u></b>
<b>Assets</b>	
Cash and investments	\$ 351,201
Total Assets	<u>\$ 351,201</u>
<b>Liabilities</b>	
Amounts held for others	\$ 351,201
Total Liabilities	<u>\$ 351,201</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, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges</u> <u>for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Net (Expense)</u> <u>Revenues and</u> <u>Changes in</u> <u>Net Assets</u>
<b>School Board</b>				
Education	\$ 21,349,164	\$ 549,664	\$ 15,519,731	\$ (5,279,769)
Depreciation	425,190	-	-	(425,190)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total School Board	<u>\$ 21,774,354</u>	<u>\$ 549,664</u>	<u>\$ 15,519,731</u>	<u>\$ (5,704,959)</u>
<b>General Revenues</b>				
				\$ 5,752,531
				1,643
				<u>16,266</u>
				<u>5,770,440</u>
				65,481
				<u>7,417,890</u>
				<u>\$ 7,483,371</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, 2003

## 1 Summary of Significant Accounting Policies

### *Narrative Profile*

The County of Southampton, Virginia (the "County"), which was founded in 1748, has a population of approximately 17,500 living within an area of 599 square miles. The County is located in the Tidewater area in Southeastern Virginia. The County is governed by an appointed County Administrator and a seven member Board of Supervisors with each serving administrative and legislative functions.

The County is governed under the County Executive – Board of Supervisors form of government. Southampton County engages in a comprehensive range of municipal services, including general government administration, public safety, and administration of justice, education, health, welfare, human service programs, planning, community development, and recreation, cultural, and historic activities.

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

### **A. *The Financial Reporting Entity***

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

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

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

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

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

## Inclusions in the Reporting Entity

### 1. Component Units

#### *Southampton County School Board*

The Southampton County School Board is elected to four year terms by the County voters. 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

### 1. 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. The participating localities provide annual contributions for operations based on book circulation. No one locality contributes more than 50% of the Library's funding nor can impose its will on the organization, and there is no financial benefit/burden relationship. The County appropriated to the Library \$162,970 in operating funds in Fiscal Year 2003. 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 (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 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 2003:

1. *Governmental Funds*

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

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

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

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

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

Forfeiture Fund – This fund accounts for County revenues and expenditures associated with the Sheriff's department and Commonwealth 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 and the Rehab Housing – CDBG Fund.

2. *Proprietary Funds*

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

a. Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the County is that the cost of providing services to the general public be financed or recovered through user charges. The Enterprise Fund consists of the Water and Sewer Fund.

b. Internal Service Funds

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County government, on a cost-reimbursement basis. Internal Service Funds are not used by the County at this time.

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

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

a. Private Purpose Trust Funds

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

b. Agency Funds

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

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

4. *Component Unit*

Southampton County School Board

The Southampton County School Board has the following funds:

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

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

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

**C. Basis of Accounting**

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

The government-wide Statements of Net Assets and Statements of Activities and the Proprietary Fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Assets or on the Statement of Fiduciary Net Assets.

Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

#### **D. Budgets and Budgetary Accounting**

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

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

##### *Encumbrances*

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

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

1. Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments. Work sessions between the Board of Supervisors and School Board are conducted on the budget.

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. The appropriation for each fund, function, and department can be revised only by the Board of Supervisors. Supplemental appropriations in addition to the appropriated budget were necessary during the year. Supplemental appropriations may not be made without amending the budget.
5. The County legally adopted budgets for the following funds:
 

General, Special Revenue, Capital Projects, and School Board Funds

The County may adopt budgets for other funds, such as the Agency Funds, for use as a management control device over such funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse on June 30 for all County and School Board funds.
8. All budget data presented in the accompanying financial statements is the original budget as of June 30, 2003, as adopted, appropriated, and legally amended.
9. The expenditure budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government and the School Board. State law requires that if budget amendments exceed 1 percent of the original adopted budget, the Board of Supervisors may legally amend the budget only by following procedures used in the adoption of the original budget. The Board of Supervisors must approve all appropriations and transfers of appropriated amounts.

**E. Investments**

Investments are reported at fair value.

**F. Allowance for Uncollectible Accounts**

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$399,902 at June 30, 2003 and is composed of the following:

General Fund - taxes receivable	\$ 399,092
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**G. Capital Assets**

Capital outlays are recorded as expenditures of the Governmental Funds of the primary government and Component Unit School Board, and as assets in the government-wide financial statements to the extent the County's and School Board's capitalization threshold of \$5,000 is met. The County and Component Unit School Board do not have any infrastructure in its capital assets since roads,

streets, bridges, and similar assets within its boundaries are property of the Commonwealth of Virginia. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

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

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

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

#### **H. Compensated Absences**

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

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

#### **I. Use of Estimates**

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

#### **J. Long-Term Obligations**

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

## ***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***

At year-end the County's and its Component Unit's balances with banks were insured by Federal Depository Insurance, or the equivalent, and/or secured in accordance with the Virginia Security for Public Deposits Act. Under the Virginia Security for Public Deposits Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100 percent of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. The State Treasury Board may make additional assessments against participating financial institutions in the event the pool cannot cover losses. The security for bank balances of deposit consists of U. S. government securities. The funds covered under the Act are considered to be collateralized. The collateral is held in the name of the State Treasury Board rather than the name of the locality. Deposits collateralized under the Act are considered to be insured. The bank balances totaled \$3,211,413 and the book value of the deposits was \$2,233,512 at June 30, 2003.

## ***Investments***

Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank) and Asian Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County and/or its Component Unit or their safekeeping agent in the entity's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department (if a bank) or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a broker, dealer, or by a counterparty or safekeeping agent but not in the entity's name.

The following is a summary of investments:

County	Category			Carrying Amount	Market Value
	1	2	3		
Repurchase agreements	\$ 5,159,892	\$ -	\$ -	\$ 5,159,892	\$ 5,159,892
Morgan Keegen and Company	<u>1,023,437</u>	<u>-</u>	<u>-</u>	<u>1,023,437</u>	<u>1,023,437</u>
Total Investments	<u>\$ 6,183,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,183,329</u>	<u>\$ 6,183,329</u>
Total Deposits				<u>\$ 409,394</u>	
Total Deposits and Investments - Primary Government				<u>\$ 6,590,399</u>	
Cash on Hand				<u>\$ 2,524</u>	
All Cash - County				<u>\$ 6,592,923</u>	

Component Unit School Board	Category			Carrying Amount	Market Value
	1	2	3		
Total Investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Deposits				<u>\$ 1,824,118</u>	
Total - School Board				<u>\$ 1,824,118</u>	

The following is a summary and reconciliation of the pooled cash and investments at June 30, 2003:

	Governmental Activities	Business-Type Activities	Fiduciary Responsibilities	Total
<b>Primary Government</b>				
Cash and cash equivalents	\$ (453,996)	\$ 512,189	\$ -	\$ 58,193
Investments	6,183,329	-	-	6,183,329
Cash and investments with fiscal agents	<u>-</u>	<u>-</u>	<u>351,201</u>	<u>351,201</u>
Total	<u>\$ 5,729,333</u>	<u>\$ 512,189</u>	<u>\$ 351,201</u>	<u>\$ 6,592,723</u>
<b>Component Unit School Board</b>				
Cash and cash equivalents	<u>\$ 1,824,118</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,824,118</u>
Total	<u>\$ 7,553,451</u>	<u>\$ 512,189</u>	<u>\$ 351,201</u>	<u>\$ 8,416,841</u>

**Cash on Hand.** The County also had cash on hand of \$2,524.

### 3 Property Taxes

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

Real estate and personal property taxes are due December 5.

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

Property taxes for calendar year 2002 were levied by the County Board of Supervisors in May 2002 on the assessed value listed as of January 1, 2002.

Property taxes for calendar year 2003 were levied by the County Board of Supervisors in May 2002 on the assessed value listed as of January 1, 2003.

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, 2003 consist of the following:

	<u>Primary Government</u>			<u>Business-Type Activities</u>	<u>Component Unit School Board</u>
	<u>Governmental Activities</u>				
	<u>General</u>	<u>Other Nonmajor</u>	<u>Total</u>		
Property taxes	\$ 905,366	\$ -	\$ 905,366	\$ -	\$ -
Utility taxes	-	36,949	36,949	-	-
Other	38,777	-	38,777	-	-
Water and sewer	-	123	123	123,754	-
School food service	-	-	-	-	24,914
Total	944,143	37,072	981,215	123,754	24,914
Allowance for uncollectibles	<u>(399,092)</u>	<u>-</u>	<u>(399,092)</u>	<u>-</u>	<u>-</u>
Net Receivables	<u>\$ 545,051</u>	<u>\$ 37,072</u>	<u>\$ 582,123</u>	<u>\$ 123,754</u>	<u>\$ 24,914</u>

## 5 Due from Other Governmental Units

	<u>Governmental Activities</u>			<u>Component Unit School Board</u>
	<u>General</u>	<u>Other Nonmajor</u>	<u>Total</u>	
<b>Commonwealth of Virginia</b>				
Local and State sales taxes	\$ 55,622	\$ -	\$ 55,622	\$ 184,936
Comprehensive Services Act	4,425	-	4,425	-
Shared expenses and grants	276,185	-	276,185	-
Mobile home tax	15,305	-	15,305	-
Circuit court	1,896	-	1,896	-
State school funds	-	-	-	90,384
Federal school funds	-	-	-	364,338
Public assistance funds	-	119,715	119,715	-
Other state funds	145	-	145	-
Department of Agriculture	5,361	-	5,361	-
Department of Housing	-	71,444	71,444	-
Victim witness	12,998	-	12,998	-
Highway safety	9,937	-	9,937	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 381,874</u>	<u>\$ 191,159</u>	<u>\$ 573,033</u>	<u>\$ 639,658</u>

## 6 Interfund Balances and Activity

Balance due to/from other funds at June 30, 2003:

### Primary Government

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

### Transfers To/From Other Funds

	<u>Transfer to</u>	<u>Transfer from</u>
<b>General Fund</b>		
To Public Assistance for local match funds various grant programs	\$ 238,903	\$ 16,933
To School Fund for local appropriation	7,677,875	-
To Enterprise Fund for operating costs and debt service	325,055	-
From Rehab Housing Fund to close fund	-	5,995
From Inmate Fund for reimbursement of expenses	-	18,138
From Utility Tax Building Fund for capital project expenditures	-	419,435
	<hr/>	<hr/>
Total General Fund	8,241,833	460,501
<b>Public Assistance - Welfare Fund</b>		
From General Fund for local match funds various grant programs	16,933	238,903
<b>School Fund</b>		
From Utility Tax Building Fund for debt service	-	461,018
From General Fund for local appropriation	-	7,677,875
<b>Inmate Fund</b>		
To General Fund for reimbursement of expenses	18,138	-
<b>Enterprise Fund</b>		
From General Fund for operating costs and debt service	-	325,055
<b>Rehab Housing Fund</b>		
To General Fund to close out fund	5,995	-
<b>Utility Tax Building Fund</b>		
To School Fund for debt service payments	461,018	-
To General Fund for capital project expenditures	419,435	-
	<hr/>	<hr/>
Total Transfers	<u>\$ 9,163,352</u>	<u>\$ 9,163,352</u>

### Component Unit School Board

There were no transfers among the component unit School Board funds.

There were no interfund obligations in the component unit School Board.

## 7 Capital Assets

### Governmental Activities

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 1,185,300	\$ -	\$ -	\$ 1,185,300
Total Capital Assets Not Being Depreciated	1,185,300	-	-	1,185,300
<b>Other Capital Assets</b>				
Buildings and improvements	11,333,233	25,504	-	11,358,737
School buildings and improvements	31,359,400	-	-	31,359,400
Furniture, equipment, and vehicles	<u>2,929,808</u>	<u>219,048</u>	-	<u>3,148,856</u>
Total Other Capital Assets	45,622,441	244,552	-	45,866,993
<b>Less: Accumulated depreciation for</b>				
Buildings and improvements	2,124,186	248,054	-	2,372,240
School buildings and improvements	4,866,888	683,034	-	5,549,922
Furniture, equipment, and vehicles	<u>1,391,198</u>	<u>248,222</u>	-	<u>1,639,420</u>
Total Accumulated Depreciation	<u>8,382,272</u>	<u>1,179,310</u>	-	<u>9,561,582</u>
Other Capital Assets, Net	<u>37,240,169</u>	<u>(934,758)</u>	-	<u>36,305,411</u>
Net Capital Assets	<u>\$ 38,425,469</u>	<u>\$ (934,758)</u>	<u>\$ -</u>	<u>\$ 37,490,711</u>

Depreciation expense was allocated as follows:

General government administration	\$ 139,767
Judicial administration	24,596
Public safety	162,702
Public works	56,223
Health and welfare	8,748
Education	741,553
Parks, recreation, and cultural	29,533
Community development	<u>16,188</u>
Total Depreciation Expense	<u>\$ 1,179,310</u>

**Business-Type Activities**

	<b>Balance July 1, 2002</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2003</b>
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 245,562	\$ -	\$ -	\$ 245,562
Total Capital Assets Not Being Depreciated	245,562	-	-	245,562
<b>Other Capital Assets</b>				
Buildings and systems	22,338,865	67,877	-	22,406,742
Furniture, equipment, and vehicles	310,074	20,190	-	330,264
Total Other Capital Assets	22,648,939	88,067	-	22,737,006
<b>Less: Accumulated depreciation for</b>				
Buildings and systems	6,233,361	492,459	-	6,725,820
Furniture, equipment, and vehicles	208,707	19,671	-	228,378
Total Accumulated Depreciation	6,442,068	512,130	-	6,954,198
Other Capital Assets, Net	16,206,871	(424,063)	-	15,782,808
Net Capital Assets	<u>\$ 16,452,433</u>	<u>\$ (424,063)</u>	<u>\$ -</u>	<u>\$ 16,028,370</u>
Depreciation expense was allocated to education		<u>\$ 512,130</u>		

**Component Unit School Board**

	<b>Balance July 1, 2002</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2003</b>
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 988,200	\$ -	\$ -	\$ 988,200
Total Capital Assets Not Being Depreciated	988,200	-	-	988,200
<b>Other Capital Assets</b>				
Buildings and improvements	1,054,700	261,844	-	1,316,544
Furniture, equipment, and vehicles	9,497,839	273,528	-	9,771,367
Total Other Capital Assets	10,552,539	535,372	-	11,087,911
<b>Less: Accumulated depreciation for</b>				
Buildings and improvements	247,936	32,401	-	280,337
Furniture, equipment, and vehicles	4,004,559	392,789	-	4,397,348
Total Accumulated Depreciation	4,252,495	425,190	-	4,677,685
Other Capital Assets, Net	6,300,044	110,182	-	6,410,226
Net Capital Assets	<u>\$ 7,288,244</u>	<u>\$ 110,182</u>	<u>\$ -</u>	<u>\$ 7,398,426</u>
Depreciation expense was allocated to education		<u>\$ 425,190</u>		

## 8 Long-Term Debt

### PRIMARY GOVERNMENT

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

One Year Ended June 30,	<u>Governmental Activities</u> <u>General Bonds Payable</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 1,492,831	\$ 923,544	\$ 232,608	\$ 92,446
2005	1,287,973	833,952	234,055	91,000
2006	1,291,760	761,941	235,568	89,486
2007	1,270,251	689,071	237,150	87,904
2008	1,269,589	616,738	238,806	86,249
2009-2013	5,384,012	2,033,545	1,221,645	403,625
2014-2018	3,132,616	948,772	1,276,046	349,225
2019-2023	2,152,594	182,471	338,556	281,124
2024-2028	-	-	423,802	195,878
2029-2033	-	-	530,513	89,167
2034	-	-	116,700	2,751
Compensated absences	706,874	-	34,361	-
Total	<u>\$ 17,988,500</u>	<u>\$ 6,990,034</u>	<u>\$ 5,119,810</u>	<u>\$ 1,768,855</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, 2003:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2003</u>
<b>Primary Government</b>				
<b>Governmental Activities</b>				
<b>General Fund</b>				
Capital leases (2) with Ford Motor Credit for police vehicles and equipment purchased over 3 years. Annual payments of \$66,421.74 with interest rates of approximately 2.5 percent to 3 percent.	\$ 122,606	\$ -	\$ 59,658	\$ 62,948
Capital lease with IBM Corporation for new computer equipment purchased over 5 years. Quarterly payments of \$3,818.86 with an interest rate of approximately 5 percent.	55,537	-	12,740	42,797
Wachovia Bank Moral Obligation Note Series 2001 for the Industrial Development Authority of the County of Southampton, Virginia due semiannually over 36 months with a stated interest rate of 4.441 percent.	234,604	-	114,822	119,782

	<u>Balance July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2003</u>
<b>General Fund - School Bonds</b>				
General Obligation Bonds (Virginia Public School Authority, 1991 Series A) issued June, 1991, due in various installments ranging from \$110,000 to \$375,000; rates from 6.10 percent to 7.80 percent; final maturity 12/15/2010. Interest due semiannually 6/15 and 12/15, starting 12/15/1991, with SunTrust Bank.	2,525,000	-	250,000	<b>2,275,000</b>
General Obligation Bond, consolidated the 1991 Series B and 1992 Series into one issue (Virginia Public School Authority, 1994 Series) due in various installments for 20 years at varying rates between 5 percent and 7 percent through 12/15/2011 with SunTrust Bank.	1,750,000	-	210,000	<b>1,540,000</b>
General Obligation Bond (Virginia Public School Authority, 1994 Series) due in various installments for 20 years at varying rates between 6.1 percent and 6.6 percent through 07/15/2015 with SunTrust Bank.	180,000	-	15,000	<b>165,000</b>
General Obligation Bonds (Virginia Public School Authority, Fall 1993) due in various installments ranging from \$15,000 to \$220,000; rates from 4.475 percent to 5 percent. Interest due semiannually, 6/15 and 12/15, with SunTrust Bank.	1,010,000	-	155,000	<b>855,000</b>
General Obligation Bonds (Virginia Public School Authority, 1992 Series B) issued 10/28/1992, due in various installments ranging from \$85,000 to \$180,000; rates from 5.1 percent to 8.12 percent; final maturity 12/15/2014. Interest due semiannually, 6/15 and 12/15, starting 6/15/1993, with SunTrust Bank.	1,270,000	-	150,000	<b>1,120,000</b>
General Obligation Bonds (Virginia Public School Authority, Series 2000 B) due in various installments ranging from \$218,266 to \$304,970; rate of 5.10 percent. Interest due semiannually, 7/15 and 1/15, with SunTrust Bank.	9,892,674	-	451,062	<b>9,441,612</b>
General Obligation Bonds (Virginia Public School Authority, Series 2002 B) due in various installments ranging from \$218,266 to \$304,970; rate of 5.10 percent. Interest due semiannually, 7/15 and 1/15, with SunTrust Bank.	-	1,302,700	-	<b>1,302,700</b>

	<u>Balance July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2003</u>
Revenue Note, Series 2001, with Industrial Development Authority of Southampton County, Virginia, for the Elementary Schools Project. This is temporary financing until the Virginia School Board Authority issues permanent financing.	1,500,000	-	1,500,000	-
General Obligation Refunding Note, Series 1998 issued July 1, 1998 with SunTrust Bank due 7/1/2003; payable annually beginning 7/1/1999 in annual installments of \$49,910 for 15 years with a rate of 6.62 percent; the proceeds of this note were used to pay off the outstanding Virginia Retirement System obligation.	381,445	-	24,658	<b>356,787</b>
Compensated Absences - General Fund	279,668	18,479	-	<b>298,147</b>
Compensated Absences - Welfare Fund	158,628	14,226	-	<b>172,854</b>
Compensated Absences - School Board	<u>233,291</u>	<u>2,582</u>	<u>-</u>	<b><u>235,873</u></b>
Total Governmental Activities	19,593,453	1,337,987	2,942,940	<b>17,988,500</b>
<b>Business-Type Activities</b>				
Virginia Resources Authority, \$4,022,364 note payable, payable in semiannual installments of \$100,559 over 20 years with no interest.	3,217,892	-	201,118	<b>3,016,774</b>
Rural Development, \$2,250,000 Revenue Bonds, Series 1994 A payable over 40 years not to exceed 5 percent interest. The monthly payments are \$10,328.	2,098,782	-	30,107	<b>2,068,675</b>
Compensated Absences - Water and Sewer Fund	<u>31,554</u>	<u>2,807</u>	<u>-</u>	<b><u>34,361</u></b>
Total Business-Type Activities	<u>5,348,228</u>	<u>2,807</u>	<u>231,225</u>	<b><u>5,119,810</u></b>
Total Primary Government	<u>\$ 24,941,681</u>	<u>\$ 1,340,794</u>	<u>\$ 3,174,165</u>	<b><u>\$ 23,108,310</u></b>

## **9** Claims, Judgments, and Compensated Absences

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the County has accrued the liability arising from outstanding claims, judgments, and compensated absences. Each County employee earns vacation at the rate of a minimum of 1 day per month up to 1 ¾ days per month based on years of service. Sick leave is earned at the rate of 1 ¼ days per month. Sick pay is paid based on 25 percent of unused sick leave up to a maximum of \$2,500. Accumulated vacation up to thirty days is paid upon termination. The County has outstanding compensated absences totaling \$471,001 in the governmental activities. The balance in the business-type activities is \$34,361. The balance in the component unit School Board is \$235,873.

## 10 Deferred Revenue

### Primary Government

Property taxes	\$	459,209
Prepaid taxes		<u>11,695</u>
Total Primary Government	\$	<u>470,904</u>

### Component Unit School Board

Algebra Reading	\$	116,811
Special Education		31,122
Other school programs		<u>27,059</u>
Total Component Unit School Board	\$	<u>174,992</u>

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

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

At June 30, 2003, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decision or pending matter not be favorable to the County.

## 12 Defined Benefit Pension Plan

### A. Plan Description

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5 percent per year beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the System at P. O. Box 2500, Richmond, Virginia 23218-2500.

**B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual salary to the VRS. The employer may assume this 5 percent member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2003 was 3.26 percent of annual covered payroll. The Component Unit School Board's contribution rate for non-professional employees for the fiscal year ended 2003 was 6 percent of annual covered payroll. The Component Unit School Board contributed \$407,481 to the teacher cost-sharing pool at a rate of 8.77 percent.

**C. Annual Pension Cost**

For fiscal year 2003, the County's annual pension cost of \$174,300 and \$9,229 for the County and the County School Board non-professionals, respectively, was equal to the County's required and actual contributions. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return, (b) projected salary increases ranging from 4.25 percent to 6.10 percent per year, and (c) 3.00 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00 percent. The actuarial value of the County's assets is equal to the modified market value of assets.

**REQUIRED SUPPLEMENTARY INFORMATION**  
Schedules of Funding Progress for County

<u>Actuarial Valuation Date</u>	(a) <u>Actuarial Value of Assets</u>	(b) <u>Actuarial Accrued Liability (AAL)</u>	(b-a) <u>Unfunded Actuarial Accrued Liability (UAAL)</u>	(a/b) <u>Funded Ratio</u>	(c) <u>Covered Payroll</u>	((b-a)/c) <u>UAAL as a Percentage of Covered Payroll</u>
<b>Southampton County</b>						
June 30, 2000	\$ 14,916,824	\$ 13,317,297	\$ (1,599,527)	112.01%	\$ 5,075,126	-31.52%
June 30, 2001	16,644,273	14,609,914	(2,034,359)	113.92%	5,266,908	-38.63%
June 30, 2002	17,353,746	15,305,731	(2,048,015)	113.38%	5,123,074	-39.98%
<b>Southampton County School Board</b>						
June 30, 2000	\$ 2,565,672	\$ 1,972,903	\$ (592,769)	130.05%	\$ 744,094	-79.66%
June 30, 2001	2,812,768	2,181,626	(631,142)	128.93%	785,713	-80.33%
June 30, 2002	2,884,757	2,346,998	(537,759)	122.91%	861,354	-62.43%

**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, 2002	June 30, 2002
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent, Open	Level Percent, Open
Payroll Growth Rate	3.00%	3.00%
Remaining Amortization Period	12 years	19 years
Asset Valuation Method	Modified Market	Modified Market
Actuarial Assumptions		
Investment rate of return <sup>1</sup>	8.00%	8.00%
Projected salary increases <sup>1</sup>		
NonLaw Enforcement Officer Employees	4.25% to 6.10%	4.25% to 6.10%
Law Enforcement Officer Employees	4.50% to 5.75%	4.50% to 5.75%
Cost-of-living adjustments	3.00%	3.00%

<sup>1</sup>Includes inflation of 3%.

## 13 Designated Fund Balances

Fund balances have been designated for the following purposes:

<u>Fund</u>	<u>Designation</u>	<u>Amount</u>
Federal Grants Fund	Subsequent years appropriations	\$ 40,256
E-911 Fund	Subsequent years appropriations	79,720
Forfeiture Fund	Subsequent years appropriations	20,872
Law Library Fund	Subsequent years appropriations	16,024
Canteen Fund	Subsequent years appropriations	40,207
Inmate Fund	Subsequent years appropriations	250,258
Utility Tax Building Fund	Subsequent years appropriations	1,043,584
Total Primary Government		<u>\$ 1,490,921</u>
School Endowment	Subsequent years appropriations	\$ 18,133
School Food Service	Subsequent years appropriations	66,812
Total Component Unit School Board		<u>\$ 84,945</u>

## 14 Legal Compliance

A. Expenditures in Excess of Appropriations

No expenditures exceeded appropriations.

B. Fund Deficits

No funds had fund deficits.

## 15 Surety Bond Information

The following constitutional officers are insured through the Commonwealth of Virginia Faithful Performance of Duty Bond Plan in effect at June 30, 2003:

### Fidelity and Deposit Company of Maryland - Surety

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

### Fidelity and Deposit Company of Maryland - Surety

Charles E. Turner, Superintendent of Schools and Clerk of School Board	10,000
David J. Holleran, Assistant Superintendent of Schools	10,000

### Selective Insurance - Surety

Michael W. Johnson, County Administrator	2,000
Walter L. Young, Jr., Supervisor	1,000
Dallas O. Jones, Supervisor	1,000
Eppa J. Gray, Jr., Vice Chairman, Board of Supervisors	1,000
Charleton Sykes, Supervisor	1,000
Carl J. Faison, Supervisor	1,000
Reggie W. Gilliam, Chairman, Board of Supervisors	1,000
Ronald M. West, Supervisor	1,000

## 16 Accounting Changes

During Fiscal Year 2003, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government," which was required based on the County's revenues. The following table shows beginning net assets restated for the effects of implementation of GASB Statement No. 34.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit School Board</u>
Fund Balances at June 30, 2002				
<b>Governmental Activities</b>				
Governmental fund types	\$ 6,029,258	\$ -	\$ 6,029,258	\$ 129,647
<b>Business-Type Activities</b>				
Regional water and sewer fund	-	11,484,815	11,484,815	-
Total	6,029,258	11,484,815	17,514,073	129,647
<b>Adjustments for</b>				
Capital assets - Governmental Funds	38,425,469	165,069	38,590,538	11,540,738
Long-term liabilities	(19,593,453)	-	(19,593,453)	(4,252,495)
Net Assets - Restated as of July 1, 2002	<u>\$ 24,861,274</u>	<u>\$ 11,649,884</u>	<u>\$ 36,511,158</u>	<u>\$ 7,417,890</u>

## 17 Prior Period Adjustment – Proprietary Fund

Due to the implementation of GASB #34, fixed assets were adjusted and land, buildings, and improvements had to be added to this fund.

# REQUIRED SUPPLEMENTARY INFORMATION



County of Southampton, Virginia

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
<b>General Property Taxes</b>				
Real property taxes	\$ 5,442,114	\$ 5,442,114	\$ 5,348,575	\$ (93,539)
Mobile home taxes	64,299	64,299	60,652	(3,647)
Personal property taxes	3,380,773	3,408,722	3,434,667	25,945
Public service corporation property taxes	343,781	343,781	684,062	340,281
Machinery and tools taxes	682,369	682,369	414,749	(267,620)
Farm implement/machinery seasonal taxes	378,430	378,430	366,429	(12,001)
Merchants' capital and contractors' equipment	132,206	132,206	124,892	(7,314)
Delinquent taxes	225,000	233,043	230,977	(2,066)
Interest on taxes	48,000	48,000	56,429	8,429
Penalties on taxes	110,000	110,000	130,296	20,296
Total General Property Taxes	<u>10,806,972</u>	<u>10,842,964</u>	<u>10,851,728</u>	<u>8,764</u>
<b>Other Local Taxes</b>				
Local sales and use taxes	300,000	300,000	328,760	28,760
Consumption tax	-	-	38,835	38,835
Business license taxes	96,000	96,000	81,842	(14,158)
Franchise taxes	12,000	12,000	31,909	19,909
Motor vehicle licenses	297,000	297,000	317,368	20,368
Tax on recordation and wills	35,093	35,093	33,466	(1,627)
Total Other Local Taxes	<u>740,093</u>	<u>740,093</u>	<u>832,180</u>	<u>92,087</u>
<b>Permits, Privilege Fees, and Regulatory Licenses</b>				
Animal licenses	20,000	20,000	18,226	(1,774)
Building permits	67,000	67,000	80,057	13,057
Other permits, licenses, and fees	2,650	2,650	7,395	4,745
Total Permits, Privilege Fees, and Regulatory Licenses	<u>89,650</u>	<u>89,650</u>	<u>105,678</u>	<u>16,028</u>
<b>Fines and Forfeitures</b>	340,125	357,625	712,567	354,942
<b>Revenue from Use of Money and Property</b>	105,000	105,000	65,752	(39,248)
<b>Charges for Services</b>				
Miscellaneous	4,850	12,751	18,722	5,971
Service charges - tax exempt	30,351	30,351	38,596	8,245
Circuit Court - Isle of Wight	11,375	11,375	11,375	-

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Health and social services utilities - reimbursement	47,000	70,031	78,624	8,593
Collection fee account	-	1,936	31,204	29,268
Correction and detention	-	76,607	76,607	-
Total Charges for Services	<u>93,576</u>	<u>203,051</u>	<u>255,128</u>	<u>52,077</u>
<b>Recovered Costs</b>				
City of Franklin shared costs	94,600	94,600	94,600	-
Insurance claims	-	13,962	12,150	(1,812)
Miscellaneous recoveries	-	23,661	28,884	5,223
General obligation debt	25,473	25,473	25,476	3
Hospitalization insurance	-	31,206	31,830	624
SEVAMP - visiting nurse	-	51,514	51,514	-
Jurors and witnesses - reimbursement	-	11,602	11,842	240
Total Recovered Costs	<u>120,073</u>	<u>252,018</u>	<u>256,296</u>	<u>4,278</u>
<b>Miscellaneous</b>				
Miscellaneous	-	10,380	48,632	38,252
Industrial corridor tax revenue	510,000	510,000	515,000	5,000
Camp Campbell Foundation	-	117,600	117,600	-
Total Miscellaneous	<u>510,000</u>	<u>637,980</u>	<u>681,232</u>	<u>43,252</u>
<b>Intergovernmental</b>				
<b>Revenue from the Commonwealth</b>				
<i>Non-Categorical Aid</i>				
ABC profits	17,808	17,808	17,773	(35)
Wine taxes	17,727	17,727	16,456	(1,271)
Rolling stock taxes - motor vehicle carriers tax	55,000	55,000	58,747	3,747
Mobile home titling tax	64,000	64,000	46,596	(17,404)
Recordation and grantors' tax - state	52,000	52,000	87,478	35,478
Total Non-Categorical Aid	<u>206,535</u>	<u>206,535</u>	<u>227,050</u>	<u>20,515</u>
<i>Categorical Aid</i>				
Shared Expenses				
Commonwealth's Attorney	283,008	268,615	266,079	(2,536)
Sheriff and Sheriff's auto	2,382,999	2,382,999	2,294,470	(88,529)
Commissioner of the Revenue	81,200	79,217	77,132	(2,085)
Treasurer	79,083	78,902	77,345	(1,557)
Medical Examiners	900	900	30	(870)
Electoral Board and General Registrar	41,213	41,213	38,424	(2,789)
Clerk - fringe benefits	7,773	7,773	7,917	144
Recycle grant	-	1,869	1,869	-
Jail operations	390,637	390,637	414,020	23,383
Jail beds	16,520	16,520	35,322	18,802

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Extradition expenses	-	2,462	2,462	-
Virginia Commission for the Arts	-	5,000	5,000	-
Miscellaneous state grants	17,500	353	353	-
Litter Control Grant	-	12,677	12,677	-
Emergency medical services	-	14,722	14,722	-
Fire program	-	60,658	60,658	-
School Resource Officer	-	21,697	21,313	(384)
Victim Witness Grant	-	49,138	48,723	(415)
VDOT - salaries	-	2,408	4,485	2,077
Comprehensive Services Act	37,726	36,186	27,364	(8,822)
Total Categorical Aid	<u>3,338,559</u>	<u>3,473,946</u>	<u>3,410,365</u>	<u>(63,581)</u>
Total Revenue from the Commonwealth	3,545,094	3,680,481	3,637,415	(43,066)
<b>Revenue from the Federal Government</b>				
Domestic preparedness equipment	-	4,252	45,615	41,363
Highway Safety Grant	-	14,647	17,437	2,790
Local Law Enforcement - Block Grant	-	1,237	1,237	-
Total Revenue from the Federal Government	<u>-</u>	<u>20,136</u>	<u>64,289</u>	<u>44,153</u>
Total Intergovernmental Revenue	<u>3,545,094</u>	<u>3,700,617</u>	<u>3,701,704</u>	<u>1,087</u>
Total Revenues	16,350,583	16,928,998	17,462,265	533,267
<b>Expenditures</b>				
<b>Current</b>				
<i>General Government Administration</i>				
Board of Supervisors	117,066	127,530	98,309	29,221
County Administrator	229,430	250,863	249,582	1,281
Commissioner of Revenue	170,144	165,118	154,647	10,471
Treasurer	182,125	190,806	191,284	(478)
Data processing	187,099	160,030	159,897	133
Insurance	93,925	94,318	78,484	15,834
Accounting	123,905	138,776	138,775	1
Delinquent taxes	56,700	64,743	64,742	1
Board of Elections	115,765	116,518	110,479	6,039
Total General Government Administration	<u>1,276,159</u>	<u>1,308,702</u>	<u>1,246,199</u>	<u>62,503</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Judicial Administration</i>				
Circuit Court	53,037	64,895	52,005	12,890
General District Court	6,110	6,110	5,385	725
Magistrate	1,338	1,338	1,204	134
Victim Witness Assistance Program	-	49,378	48,723	655
Clerk of the Circuit Court	108,982	129,321	125,019	4,302
Sheriff - Bailiff	340,426	346,472	336,041	10,431
Commonwealth Attorney	326,734	340,246	339,983	263
Total Judicial Administration	<u>836,627</u>	<u>937,760</u>	<u>908,360</u>	<u>29,400</u>
<i>Public Safety</i>				
Sheriff department	1,146,739	1,236,951	1,101,793	135,158
School resource officer	-	30,657	30,234	423
Fire and rescue services	797,544	986,321	982,771	3,550
Emergency services	24,538	33,666	27,884	5,782
Forestry	11,932	11,932	11,931	1
Detention	2,087,419	2,190,680	2,135,395	55,285
Probation	50,783	68,157	68,157	-
Inspections	45,808	46,064	45,477	587
Animal control	70,431	70,813	25,561	45,252
Medical Examiner	1,500	1,500	50	1,450
Total Public Safety	<u>4,236,694</u>	<u>4,676,741</u>	<u>4,429,253</u>	<u>247,488</u>
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	41,000	41,000	34,599	6,401
Refuse collection	328,771	336,367	336,366	1
Refuse disposal	817,269	931,131	931,130	1
Maintenance of buildings and grounds	350,466	379,087	378,234	853
Total Public Works	<u>1,537,506</u>	<u>1,687,585</u>	<u>1,680,329</u>	<u>7,256</u>
<i>Health and Welfare</i>				
Health department	268,133	268,133	268,133	-
Mental health	62,116	62,116	62,116	-
Family preservation services	-	18,814	18,814	-
Senior Citizens	-	51,530	51,530	-
Comprehensive services	55,732	77,042	32,338	44,704
Welfare and social services	14,037	14,037	13,801	236
Total Health and Welfare	<u>400,018</u>	<u>491,672</u>	<u>446,732</u>	<u>44,940</u>
<i>Education</i>				
Appropriation to public school system	<u>7,774,739</u>	<u>8,047,923</u>	<u>7,677,875</u>	<u>370,048</u>
Total Education	<u>7,774,739</u>	<u>8,047,923</u>	<u>7,677,875</u>	<u>370,048</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<i>Parks, Recreation, and Cultural</i>				
Regional library	162,970	162,970	162,970	-
Miscellaneous contributions	10,000	20,000	20,000	-
Total Parks, Recreation, and Cultural	<u>172,970</u>	<u>182,970</u>	<u>182,970</u>	<u>-</u>
<i>Community Development</i>				
Planning and community development	142,840	157,602	153,417	4,185
Economic development	87,674	98,690	58,365	40,325
Revenue sharing agreement	70,512	98,461	98,461	-
Soil and Water Conservation District	9,410	9,410	6,410	3,000
Cooperative extension program	61,031	62,900	44,018	18,882
Other	11,000	-	-	-
Total Community Development	<u>382,467</u>	<u>427,063</u>	<u>360,671</u>	<u>66,392</u>
<i>Debt Service</i>	<u>-</u>	<u>36,176</u>	<u>8,465</u>	<u>27,711</u>
Total Expenditures	<u>16,617,180</u>	<u>17,796,592</u>	<u>16,940,854</u>	<u>855,738</u>
Excess (Deficiency) of Revenues Over Expenditures	(266,597)	(867,594)	521,411	1,389,005
<b>Other Financing Sources (Uses)</b>				
Transfers in	250,000	287,394	460,501	173,107
Transfers out	<u>(659,104)</u>	<u>(659,104)</u>	<u>(563,958)</u>	<u>95,146</u>
Total Other Financing Sources (Uses)	<u>(409,104)</u>	<u>(371,710)</u>	<u>(103,457)</u>	<u>268,253</u>
Net Change in Fund Balance	(675,701)	(1,239,304)	417,954	1,657,258
Fund Balance - Beginning of Year	-	-	4,165,685	4,165,685
From Surplus Reserve	<u>675,701</u>	<u>1,239,456</u>	<u>-</u>	<u>(1,239,456)</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 152</u>	<u>\$ 4,583,639</u>	<u>\$ 4,583,487</u>

# OTHER SUPPLEMENTARY INFORMATION



## County of Southampton, Virginia

## Combining Balance Sheet

## Other Governmental Funds

At June 30, 2003

	Federal Grants Fund	Public Assistance	Special Revenue Funds				Canteen Fund	Inmate Fund	Capital Projects Utility Tax Building Fund	Total Other Governmental Funds
			911 Fund	Forfeiture Fund	Law Library Fund					
<b>Assets</b>										
Cash and investments	\$ -	\$ -	\$ 80,816	\$ 20,872	\$ 16,185	\$ 42,653	\$ 251,021	\$ 1,006,635	\$ 1,418,182	
Accounts receivable	-	-	123	-	-	-	-	36,949	37,072	
Due from other governments	71,444	119,715	-	-	-	-	-	-	191,159	
Total Assets	<u>\$ 71,444</u>	<u>\$ 119,715</u>	<u>\$ 80,939</u>	<u>\$ 20,872</u>	<u>\$ 16,185</u>	<u>\$ 42,653</u>	<u>\$ 251,021</u>	<u>\$ 1,043,584</u>	<u>\$ 1,646,413</u>	
<b>Liabilities</b>										
Pooled cash deficit	\$ 30,657	\$ 116,157	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 146,814	
Accounts payable and accrued liabilities	531	3,558	1,219	-	161	2,446	763	-	8,678	
Total Liabilities	31,188	119,715	1,219	-	161	2,446	763	-	155,492	
<b>Fund Balance</b>										
<b>Designated</b>										
Subsequent year's expenditures	40,256	-	79,720	20,872	16,024	40,207	250,258	1,043,584	1,490,921	
<b>Undesignated</b>										
	-	-	-	-	-	-	-	-	-	
Total Fund Balance	<u>40,256</u>	<u>-</u>	<u>79,720</u>	<u>20,872</u>	<u>16,024</u>	<u>40,207</u>	<u>250,258</u>	<u>1,043,584</u>	<u>1,490,921</u>	
Total Liabilities and Fund Balance	<u>\$ 71,444</u>	<u>\$ 119,715</u>	<u>\$ 80,939</u>	<u>\$ 20,872</u>	<u>\$ 16,185</u>	<u>\$ 42,653</u>	<u>\$ 251,021</u>	<u>\$ 1,043,584</u>	<u>\$ 1,646,413</u>	

County of Southampton, Virginia

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

Other Governmental Funds

At June 30, 2003

	<u>Federal Grants Fund</u>	<u>Public Assistance</u>	<u>Special Revenue Funds</u>			<u>Canteen Fund</u>	<u>Inmate Fund</u>	<u>Capital Projects</u>		<u>Total Other Governmental Funds</u>
			<u>911 Fund</u>	<u>Forfeiture Fund</u>	<u>Law Library Fund</u>			<u>Utility Tax Building Fund</u>	<u>Rehab Housing</u>	
<b>Revenues</b>										
Other local taxes	\$ -	\$ -	\$ 110,492	\$ -	\$ -	\$ -	\$ -	\$ 782,423	\$ -	\$ 892,915
Use of money and property	12,000	-	-	113	302	-	-	100,557	-	112,972
Charges for services	-	-	-	-	-	83,676	-	-	-	83,676
Miscellaneous	-	-	-	-	6,877	-	167,163	-	-	174,040
Recovered costs	27,770	-	-	-	-	-	-	-	-	27,770
Intergovernmental										
From the Commonwealth of Virginia	27,595	401,217	68,655	1,345	-	-	-	24,976	-	523,788
From the Federal Government	403,344	1,052,491	-	11,282	-	-	-	-	-	1,467,117
<b>Total Revenues</b>	<b>470,709</b>	<b>1,453,708</b>	<b>179,147</b>	<b>12,740</b>	<b>7,179</b>	<b>83,676</b>	<b>167,163</b>	<b>907,956</b>	<b>-</b>	<b>3,282,278</b>
<b>Expenditures</b>										
<b>Current</b>										
General government administration	-	-	-	-	-	-	-	654	299	953
Judicial administration	-	-	-	-	9,914	-	-	-	-	9,914
Public safety	-	-	222,118	8,889	-	81,084	47,387	192,663	-	552,141
Public works	-	-	-	-	-	-	-	94,470	-	94,470
Health and welfare	-	1,675,678	-	-	-	-	-	-	-	1,675,678
Education	-	-	-	-	-	-	-	461,018	-	461,018
Community development	448,950	-	-	-	-	-	-	-	-	448,950
<b>Debt service</b>	-	-	-	-	-	-	-	190,208	-	190,208
<b>Total Expenditures</b>	<b>448,950</b>	<b>1,675,678</b>	<b>222,118</b>	<b>8,889</b>	<b>9,914</b>	<b>81,084</b>	<b>47,387</b>	<b>939,013</b>	<b>299</b>	<b>3,433,332</b>

	<u>Federal Grants Fund</u>	<u>Public Assistance</u>	<u>Special Revenue Funds</u>			<u>Canteen Fund</u>	<u>Inmate Fund</u>	<u>Capital Projects</u>		<u>Total Other Governmental Funds</u>
			<u>911 Fund</u>	<u>Forfeiture Fund</u>	<u>Law Library Fund</u>			<u>Utility Tax Building Fund</u>	<u>Rehab Housing</u>	
Excess (Deficiency) of Revenues Over Expenditures	21,759	(221,970)	(42,971)	3,851	(2,735)	2,592	119,776	(31,057)	(299)	(151,054)
<b>Other Financing Sources (Uses)</b>										
Transfers in	-	238,903	-	-	-	-	-	-	-	238,903
Transfers out	-	(16,933)	-	-	-	-	(18,138)	(419,435)	(5,995)	(460,501)
Total Other Financing Sources (Uses)	-	221,970	-	-	-	-	(18,138)	(419,435)	(5,995)	(221,598)
Net Change in Fund Balance	21,759	-	(42,971)	3,851	(2,735)	2,592	101,638	(450,492)	(6,294)	(372,652)
Fund Balance - Beginning of Year	18,497	-	122,691	17,021	18,759	37,615	148,620	1,494,076	6,294	1,863,573
Fund Balance - End of Year	<u>\$ 40,256</u>	<u>\$ -</u>	<u>\$ 79,720</u>	<u>\$ 20,872</u>	<u>\$ 16,024</u>	<u>\$ 40,207</u>	<u>\$ 250,258</u>	<u>\$ 1,043,584</u>	<u>\$ -</u>	<u>\$ 1,490,921</u>

**County of Southampton, Virginia**

Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds

At June 30, 2003

	<u>Special Welfare</u>	<u>Blackwater Regional Library</u>	<u>Totals</u>
<b>Assets</b>			
Cash	<u>\$ 40,856</u>	<u>\$ 310,345</u>	<u>\$ 351,201</u>
<b>Liabilities</b>			
Amounts held for others	<u>\$ 40,856</u>	<u>\$ 310,345</u>	<u>\$ 351,201</u>
Total Liabilities	<u>\$ 40,856</u>	<u>\$ 310,345</u>	<u>\$ 351,201</u>

County of Southampton, Virginia

Component Unit School Board

Combining Balance Sheet

At June 30, 2003

	<u>School Operating Fund</u>	<u>School Food Services Fund</u>	<u>School Endowment Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and investments	\$ 1,702,287	\$ 103,698	\$ 18,133	\$ 1,824,118
Accounts receivable	-	24,914	-	24,914
Due from other governments	<u>639,658</u>	<u>-</u>	<u>-</u>	<u>639,658</u>
 Total Assets	 <u>\$ 2,341,945</u>	 <u>\$ 128,612</u>	 <u>\$ 18,133</u>	 <u>\$ 2,488,690</u>
<b>Liabilities</b>				
Accounts payable	\$ 242,688	\$ -	\$ -	\$ 242,688
Accrued liabilities	1,924,265	61,800	-	1,986,065
Deferred revenue	<u>174,992</u>	<u>-</u>	<u>-</u>	<u>174,992</u>
 Total Liabilities	 2,341,945	 61,800	 -	 2,403,745
<b>Fund Balance</b>				
<b>Designated</b>				
Endowment	-	-	18,133	18,133
Food services	<u>-</u>	<u>66,812</u>	<u>-</u>	<u>66,812</u>
 Total Fund Balance	 <u>-</u>	 <u>66,812</u>	 <u>18,133</u>	 <u>84,945</u>
 Total Liabilities and Fund Balance	 <u>\$ 2,341,945</u>	 <u>\$ 128,612</u>	 <u>\$ 18,133</u>	 <u>\$ 2,488,690</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, 2003

Total fund balances for governmental funds	\$ 84,945
Total net assets reported for governmental activities in the Statement of Net Assets is different because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land	\$ 988,200
Buildings and improvements, net of depreciation	1,036,207
Furniture, equipment, and vehicles, net of depreciation	<u>5,374,019</u>
Total Capital Assets	<u>7,398,426</u>
Total Net Assets of Governmental Activities	<u>\$ 7,483,371</u>

County of Southampton, Virginia

Component Unit School Board

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

Year Ended June 30, 2003

	<u>School Fund</u>	<u>School Food Services Fund</u>	<u>School Endowment Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Use of money and property	\$ -	\$ 1,643	\$ -	\$ 1,643
Charges for services	21,993	527,671	-	549,664
Miscellaneous	16,266	-	-	16,266
Recovered costs	260,136	-	-	260,136
Intergovernmental				
Appropriation from local government	8,138,893	-	-	8,138,893
Revenue from the Commonwealth	13,641,525	14,981	-	13,656,506
Revenue from the Federal Government	<u>1,385,914</u>	<u>477,311</u>	-	<u>1,863,225</u>
 Total Revenues	 23,464,727	 1,021,606	 -	 24,486,333
<b>Expenditures</b>				
Education	21,078,365	1,063,656	2,652	22,144,673
Debt service				
Principal and interest	<u>3,689,062</u>	<u>-</u>	<u>-</u>	<u>3,689,062</u>
 Total Expenditures	 <u>24,767,427</u>	 <u>1,063,656</u>	 <u>2,652</u>	 <u>25,833,735</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	(1,302,700)	(42,050)	(2,652)	(1,347,402)
Other Financing Sources				
Proceeds from loans	<u>1,302,700</u>	<u>-</u>	<u>-</u>	<u>1,302,700</u>
Change in net assets	-	(42,050)	(2,652)	(44,702)
Fund Balances - Beginning of Year	<u>-</u>	<u>108,862</u>	<u>20,785</u>	<u>129,647</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ 66,812</u>	<u>\$ 18,133</u>	<u>\$ 84,945</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, 2003

Net change in fund balances \$ (44,702)

School Board debt used to construct the school buildings is owed by the County. Therefore, the related assets are owned by the County jointly with the School Board and reported in the County's financial statements. A reduction in the following accounts has been made as follows:

Local appropriation	2,386,362	
Proceeds from bonds	1,302,700	
Less: Debt service	<u>(3,689,062)</u>	
Net affect		-

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation was exceeded by capital outlays in the current period.

110,183

Change in net assets of governmental activities \$ 65,481

## County of Southampton, Virginia

Component Unit School Board

School Operating Fund

Budgetary Comparison Schedule

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	-	21,154	21,993	839
Miscellaneous	2,000	73,273	16,266	(57,007)
Recovered costs	-	173,927	260,136	86,209
Intergovernmental				
Appropriation from primary government	8,314,287	8,587,471	8,138,893	(448,578)
Revenue from the Commonwealth	13,385,765	13,635,546	13,641,525	5,979
Revenue from the Federal Government	<u>1,209,707</u>	<u>1,616,665</u>	<u>1,385,914</u>	<u>(230,751)</u>
Total Revenues	22,911,759	24,108,036	23,464,727	(643,309)
<b>Expenditures</b>				
<b>Current</b>				
<i>Education</i>				
Instruction	15,284,476	16,350,693	15,568,454	(782,239)
Administration, attendance, and health	889,749	890,535	870,499	(20,036)
Transportation	1,876,992	1,996,708	1,992,035	(4,673)
Operation and maintenance	2,459,353	2,464,855	2,459,817	(5,038)
School food services	59,480	60,276	60,275	(1)
Facilities	124,026	127,286	127,285	(1)
Debt service	<u>2,217,683</u>	<u>2,217,683</u>	<u>3,689,062</u>	<u>1,471,379</u>
Total Expenditures	<u>22,911,759</u>	<u>24,108,036</u>	<u>24,767,427</u>	<u>659,391</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	-	-	(1,302,700)	(1,302,700)
Other Financing Sources				
Proceeds from loans	<u>-</u>	<u>-</u>	<u>1,302,700</u>	<u>1,302,700</u>
Change in net assets	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# STATISTICAL SECTION



**County of Southampton, Virginia**

General Governmental Revenues by Source<sup>(1)</sup>

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Other Local Taxes</u>	<u>Permits, Privilege Fees, and Regulatory Licenses</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>	<u>Charges for Services</u>	<u>Miscellaneous</u>	<u>Recovered Costs</u>	<u>Inter-Governmental</u>	<u>Total</u>
1994	\$6,310,321	\$1,301,981	\$ 101,605	\$ 141,560	\$ 566,779	\$ 536,359	\$ 618,884	\$ 576,896	\$ 12,573,210	\$22,727,595
1995	6,867,664	1,294,676	96,292	125,884	662,951	470,273	453,497	470,620	13,592,844	24,034,701
1996	7,415,036	1,426,641	94,795	123,923	717,322	568,361	430,792	441,041	14,509,354	25,727,265
1997	8,126,071	1,517,065	100,853	207,972	489,118	546,816	658,580	479,433	15,362,434	27,488,342
1998	8,494,780	1,517,838	91,224	236,855	518,675	563,231	711,422	396,399	16,287,169	28,817,593
1999	8,869,933	1,513,041	103,359	224,384	485,680	671,555	713,931	465,055	18,252,115	31,299,053
2000	9,165,401	1,572,826	100,051	219,132	609,339	629,965	882,767	686,433	18,435,035	32,300,949
2001	10,005,670	1,711,148	84,099	300,751	676,503	739,888	1,012,924	642,941	22,521,225	37,695,149
2002	10,490,345	1,747,432	102,353	444,781	266,856	891,938	773,921	627,995	21,270,480	36,616,101
<b>2003</b>	<b>10,851,728</b>	<b>1,725,095</b>	<b>105,678</b>	<b>712,567</b>	<b>180,367</b>	<b>888,468</b>	<b>871,538</b>	<b>544,202</b>	<b>21,212,340</b>	<b>37,091,983</b>

Note: <sup>(1)</sup> Includes All Governmental Funds and Discretely Presented Component Unit School Board. Does not include Primary Government appropriations to School Board.

## County of Southampton, Virginia

General Governmental Expenditures by Function <sup>(1)</sup>

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>	<u>Education</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Non-Departmental</u>	<u>Debt Service</u>	<u>Total</u>
1994	\$ 1,031,774	\$ 333,167	\$ 2,053,801	\$ 1,008,703	\$ 1,841,799	\$ 13,959,135	\$ 106,699	\$ 719,116	\$ 2,377,700	\$ 137,321	\$ 1,548,707	\$ 25,117,922
1995	985,075	432,286	2,483,787	1,025,668	1,850,790	14,848,819	109,900	308,438	3,293,453	101,500	1,934,021	27,373,737
1996	1,062,025	531,309	2,816,703	1,177,330	1,954,887	15,111,722	115,395	345,189	1,163,411	96,500	1,876,030	26,250,501
1997	974,940	589,469	3,055,539	1,186,963	2,010,763	16,756,718	117,777	234,332	1,983,074	106,000	1,774,425	28,790,000
1998	974,211	576,240	3,347,328	1,199,709	1,967,834	17,459,667	126,310	311,973	255,192	113,000	1,748,977	28,080,441
1999	1,285,249	626,539	4,041,713	1,395,082	2,104,811	18,153,835	150,602	900,837	-	-	2,148,868	30,807,536
2000	1,421,096	688,222	4,434,489	1,399,689	2,129,549	21,409,683	152,052	456,500	-	-	1,476,631	33,567,911
2001	1,258,745	824,593	5,015,226	1,886,011	2,097,678	29,864,653	191,926	2,592,246	-	-	7,737,198	51,468,276
2002	1,309,914	898,400	4,864,703	1,750,044	2,186,764	23,471,257	308,881	1,143,490	-	-	2,618,796	38,552,249
<b>2003</b>	<b>1,247,152</b>	<b>918,274</b>	<b>4,981,394</b>	<b>1,743,345</b>	<b>2,122,410</b>	<b>22,194,582</b>	<b>182,970</b>	<b>360,671</b>	<b>480,404</b>	<b>-</b>	<b>3,837,826</b>	<b>38,069,028</b>

Note: <sup>(1)</sup> Includes All Governmental Funds and Discretely Presented Component Unit School Board. Does not include Primary Government appropriations to School Board.

## County of Southampton, Virginia

## Assessed Value of Taxable Property

## Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools <sup>(1)</sup>	Merchant's Capital	Public Service Corporation		Total
						Real Estate	Personal Property	
1994	\$ 590,509,958	\$ 45,928,127	\$ 7,721,934	\$ 31,926,381	\$ 5,806,835	\$ 42,081,231	\$ 80,069	\$ 724,054,535
1995	592,974,400	49,902,766	7,766,086	40,904,061	6,274,757	44,927,238	71,165	742,820,473
1996	595,370,500	62,379,165	7,789,558	36,560,161	5,934,673	42,013,387	74,158	750,121,602
1997	697,615,500	66,602,387	8,514,551	42,320,137	6,565,073	45,767,268	54,851	867,439,767
1998	707,644,400	71,135,609	9,138,762	45,261,503	6,507,856	49,254,941	45,472	888,988,543
1999	720,095,600	71,557,399	10,148,462	49,759,875	6,245,087	45,407,342	35,538	903,249,303
2000	732,026,100	75,738,524	10,513,608	54,047,142	6,637,609	45,240,404	45,256	924,248,643
2001	828,455,500	84,102,464	10,026,895	52,122,708	6,406,037	51,950,044	22,800	1,033,086,448
2002	841,424,800	92,984,489	10,328,370	53,748,480	6,133,903	52,733,316	25,357	1,057,378,715
<b>2003</b>	<b>843,512,000</b>	<b>89,762,266</b>	<b>10,604,639</b>	<b>40,397,848</b>	<b>5,449,451</b>	<b>104,909,069</b>	<b>54,436</b>	<b>1,094,689,709</b>

<sup>(1)</sup>Includes farm machinery and contractor's equipment.

## Property Tax Rates - Last Ten Fiscal Years

## Tax Rates per Hundred Dollars of Assessed Valuation

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Farm Machinery and Seasonal	Merchant's Capital	Public Service Corporation	
							Real Estate	Personal Property
1994	.56	4.00	.56	2.40	2.00	.50	.56	4.00
1995	.60	4.00	.60	2.40	2.00	.50	.60	4.00
1996	.60	4.00	.60	2.40	2.00	.50	.60	4.00
1997	.58	4.00	.58	2.40	2.00	.50	.58	4.00
1998	.58	4.00	.58	2.40	1.95/1.25	.50	.58	4.00
1999	.61	4.00	.61	2.40	1.95/1.25	.50	.61	4.00
2000	.61	4.00	.61	2.40	1.95/1.25	.50	.61	4.00
2001	.60	4.00	.60	2.40	1.95/1.25	.50	.60	4.00
2002	.60	4.00	.60	2.40	1.95/1.25	.50	.60	4.00
<b>2003</b>	<b>.65</b>	<b>4.00</b>	<b>.65</b>	<b>2.40</b>	<b>1.95/1.25</b>	<b>.50</b>	<b>.65</b>	<b>4.00</b>

**County of Southampton, Virginia**

Property Tax Levies and Collections

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1994	\$ 6,185,180	\$ 5,905,356	95.48%	\$ 264,343	\$ 6,169,699	99.75%	\$ 899,081	14.54%
1995	6,884,856	6,753,944	98.10%	113,720	6,867,664	99.75%	449,898	6.53%
1996	7,264,837	7,199,199	99.10%	215,837	7,415,036	102.07%	354,398	4.88%
1997	7,993,325	7,753,258	97.00%	215,084	7,968,342	99.69%	406,800	5.09%
1998	8,311,817	8,043,345	96.77%	278,467	8,321,812	100.12%	437,623	5.27%
1999	8,719,979	8,518,192	97.69%	187,579	8,705,771	99.84%	470,125	5.39%
2000	9,033,866	8,755,624	96.92%	227,785	8,983,409	99.44%	622,384	6.89%
2001	9,866,373	9,581,703	97.11%	228,608	9,810,311	99.43%	649,539	6.58%
2002	10,342,181	10,067,617	97.35%	245,610	10,313,227	99.72%	783,477	7.58%
<b>2003</b>	<b>10,707,395</b>	<b>10,434,026</b>	<b>97.45%</b>	<b>230,977</b>	<b>10,665,003</b>	<b>99.60%</b>	<b>905,366</b>	<b>8.46%</b>

### County of Southampton, Virginia

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

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value (in thousands)</u>	<u>Net Bonded Debt</u>	<u>Ratio on Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1994	17,500	\$ 724,055	\$ 14,221,250	.0196	\$ 812.64
1995	17,500	742,820	13,942,231	.0188	796.70
1996	17,500	750,122	12,813,825	.0171	732.22
1997	17,500	867,440	12,052,971	.0139	688.74
1998	17,500	888,989	11,111,930	.0125	634.97
1999	17,500	903,249	10,076,109	.0112	575.78
2000	17,500	924,249	14,801,734	.0160	845.81
2001	17,482	1,033,086	18,649,887	.0181	1,066.81
2002	17,482	1,057,379	22,193,528	.0210	1,269.51
<b>2003</b>	<b>17,482</b>	<b>1,094,689</b>	<b>23,108,310</b>	<b>.0211</b>	<b>1,321.83</b>

**County of Southampton, Virginia**

Special Assessment Billings and Collections

Last Ten Fiscal Years

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

**County of Southampton, Virginia**

Computation of Legal Debt Margin, Direct and Overlapping Debt,  
and Revenue Bond Coverage

At June 30, 2003

**Legal Debt Margin**

The County of Southampton is not subject to legal debt computations per the Code of Virginia.

**Computation of Direct and Overlapping Debt**

The County of Southampton has not issued any debt which is overlapping with other governments during the last ten fiscal years.

Since there is no overlapping debt with other governments, there is no table of property tax rates for all overlapping governments nor are there any computations of overlapping debt.

**Revenue Bond Coverage**

The County of Southampton issued revenue bonds with Rural Development to finance the Enterprise-Water and Sewer Fund. All restrictions have been met for the payment of the bonds.

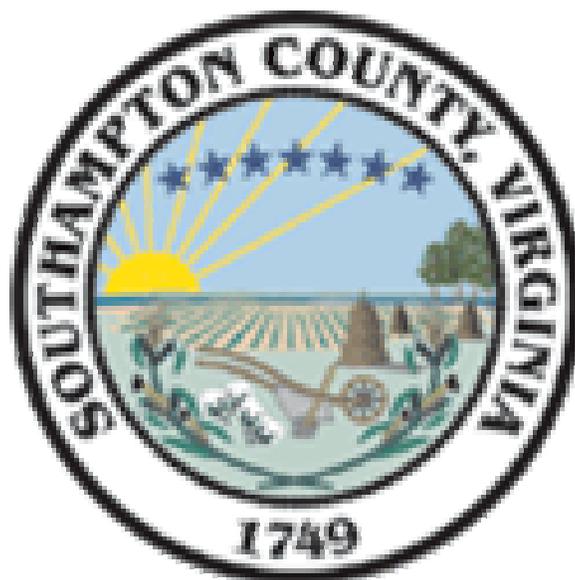
## County of Southampton, Virginia

## Jail Canteen and Other Revenue and Expense Information

Year Ended June 30, 2003

	<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	\$ 83,676	\$ 81,084	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,676	\$ 81,084
Inmate Enterprise Fund #737	-	-	33,232	33,771	6,422	-	127,509	13,616	167,163	47,387
Total	<u>\$ 83,676</u>	<u>\$ 81,084</u>	<u>\$ 33,232</u>	<u>\$ 33,771</u>	<u>\$ 6,422</u>	<u>\$ -</u>	<u>\$ 127,509</u>	<u>\$ 13,616</u>	<u>\$ 250,839</u>	<u>\$ 128,471</u>

# COMPLIANCE SECTION





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

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

We have audited the financial statements of the County of Southampton, Virginia as of and for the year ended June 30, 2003, and have issued our report thereon dated November 25, 2003. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the County of Southampton, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County of Southampton, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated November 25, 2003.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the organization, 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, and Alga, P. C.  
Certified Public Accountants

South Hill, Virginia  
November 25, 2003



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

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

### **Compliance**

We have audited the compliance of the County of Southampton, Virginia with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The County of Southampton, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Southampton, Virginia's management. Our responsibility is to express an opinion on the County of Southampton, Virginia's compliance based on our audit.

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

In our opinion, the County of Southampton, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

### **Internal Control Over Compliance**

The management of the County of Southampton, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Southampton, Virginia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

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

South Hill, Virginia  
November 25, 2003

**County of Southampton, Virginia**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2003

<b>Federal Granting Agency/Recipient State Agency/ Grant Program</b>	<b>Federal Catalog Number</b>	<b>State Agency Number</b>	<b>Expenditures</b>
<b>U. S. Department of Agriculture</b>			
<b>Pass-Through Payments</b>			
<i>State Department of Agriculture</i>			
Food Distribution - schools	10.555	N/A	\$ 62,302
Food - Food Distributed	10.550	N/A	1,426
 <i>Department of Social Services</i>			
Food Stamp Cluster			
Food Stamp Program	10.551	N/A	1,237,757
Administration for Food Stamp Program	10.561	765	207,723
Food Stamp Cluster Total			<u>1,445,480</u>
 <i>Department of Education</i>			
Child Nutrition Cluster			
National School Lunch Program	10.555	197	351,180
School Breakfast Program	10.553	197	126,131
Child Nutrition Cluster Total			<u>477,311</u>
Subtotal - U. S. Department of Agriculture			1,986,519
 <b>U. S. Department of Health and Human Services</b>			
<b>Pass-Through Payments</b>			
<i>Department of Social Services</i>			
Family Preservation and Support Services	93.556	765	14,684
Temporary Assistance to Needy Families	93.558	765	128,328
Child Care and Development Fund	93.596	765	103,570
Refugee and Entrant Assistance - State Admin. Programs	93.566	765	231
Low Income Energy Assistance	93.568	765	9,904
Payments to States for Child Care Assistance	93.575	765	104,094
Foster Care - Title IV-E	93.658	765	120,289
Adoption Assistance	93.659	765	6,091
Social Services Block Grant	93.667	765	220,227
Medical Assistance Program (Title XIX)	93.778	765	137,350
Subtotal - U. S. Department of Health and Human Services			<u>844,768</u>
 <b>U. S. Department of Justice</b>			
<b>Pass-Through Payments</b>			
<i>Department of Criminal Justice Services</i>			
State Domestic Preparedness Equipment Support Program	16.007	127	32,559
Subtotal - U. S. Department of Justice			<u>32,559</u>

<b>Federal Granting Agency/Recipient State Agency/ Grant Program</b>	<b>Federal Catalog Number</b>	<b>State Agency Number</b>	<b>Expenditures</b>
<b>U. S. Department of Transportation</b>			
<b>Pass-Through Payments</b>			
<i>Department of Motor Vehicles</i>			
State and Community Highway Safety Program			
Open Container/Alcohol Impaired Driving	20.000	154	7,500
Occupant Protection	20.600	154	<u>1,237</u>
Subtotal - U. S. Department of Transportation			8,737
<b>Federal Emergency Management Agency</b>			
<b>Pass-Through Payments</b>			
<i>Department of Emergency Management</i>			
Disaster Relief Public Assistance	83.544	127	11,063
State and Local All Hazards Emergency Operations Planning	83.562	127	8,259
Emergency Management Preparedness Grant	83.552	127	4,797
<i>Department of Emergency Services</i>			
Disaster Planning and Operations	83.552	127	<u>117,001</u>
Subtotal - Federal Emergency Management Agency			141,120
<b>U. S. Department of Education</b>			
<b>Pass-Through Payments</b>			
<i>Department of Education</i>			
Special Education Cluster			
Special education - Grants to States (Title VI Flowthrough)	84.027	197	531,159
Special education - Preschool grants (Title VI)	84.173	197	<u>14,914</u>
Special Education Cluster Total			546,073
Title I	84.010	197	592,523
Title VI - Class size reduction	84.340	197	111,451
Literacy Challenge Grant - Technology	84.318	197	1,467
Drug Free Schools and Communities	84.186	197	11,081
Title VI - Rural and Low Income Schools	84.358	197	34,617
Title VI - Innovative Programs	17.250	197	25,625
School to Work Transition	17.261	197	15,862
Adult Literacy	84.002	197	9,725
Title II - Education for Economic Security - Eisenhower	84.281	197	<u>37,490</u>
Subtotal - U. S. Department of Education			1,385,914

<b>Federal Granting Agency/Recipient State Agency/ Grant Program</b>	<b>Federal Catalog Number</b>	<b>State Agency Number</b>	<b>Expenditures</b>
<b>U. S. Department of Housing and Urban Development</b>			
<b>Pass-Through Payments</b>			
<i>Department of Housing and Community Development</i>			
Community Development Block Grants/State's Programs	14.228	165	81,330
Appalachian Regional Development (Appalachian Program)	23.001	165	59,506
Community Development Block Grants/State's Programs	14.239	165	<u>61,321</u>
Subtotal - U. S. Department of Housing and Urban Development			<u>202,157</u>
Grand Totals			<u>\$ 4,601,774</u>

### Notes to Schedule of Expenditures of Federal Awards

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the County and is presented on GAAP. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**2. Food Stamps**

Nonmonetary assistance in the form of food stamps amounting to \$1,237,757 are reported in the schedule at fair market value of the food stamps at the time of receipt.

**3. Commodities – Food Distribution**

Nonmonetary assistance in the form of food distribution amounting to \$62,302 and \$1,426 for the schools and jails, respectively, are reported in the schedule as being received and disbursed.

## County of Southampton, Virginia

### Schedule of Findings and Questioned Costs

Year Ended June 30, 2003

#### 1. Summary of Audit Results

- (a) The auditor's report expresses an unqualified opinion on the financial statements of the County of Southampton, Virginia.
- (b) No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- (c) No instances of noncompliance material to the financial statements of the County of Southampton, Virginia were disclosed during the audit.
- (d) No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.
- (e) The auditor's report on compliance for the major federal award programs for the County of Southampton, Virginia expresses an unqualified opinion on all major federal programs.
- (f) There were no audit findings relative to the major federal award programs for the County of Southampton, Virginia to be reported in this schedule.
- (g) The programs tested as major programs included:
  - 1. Food Stamps Cluster
  - 2. Child Nutrition Cluster
  - 3. Social Services Block Grant
  - 4. Medical Assistance Program (Title XIX)
  - 5. Disaster Planning and Operations
- (h) The threshold for distinguishing Types A and B programs was \$300,000.
- (i) The County of Southampton, Virginia was not determined to be a low-risk auditee.

#### 2. Findings Relating to the Financial Statements Reported in Accordance With *Government Auditing Standards*:

None.

#### 3. Findings and Questioned Costs Relating to Federal Awards:

None.

**County of Southampton, Virginia**

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2003

**FINANCIAL STATEMENTS – COMPONENT UNIT SCHOOL BOARD**

There were no findings in the prior year.