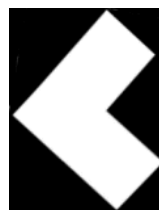


County of Southampton, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2014



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

County of Southampton, Virginia

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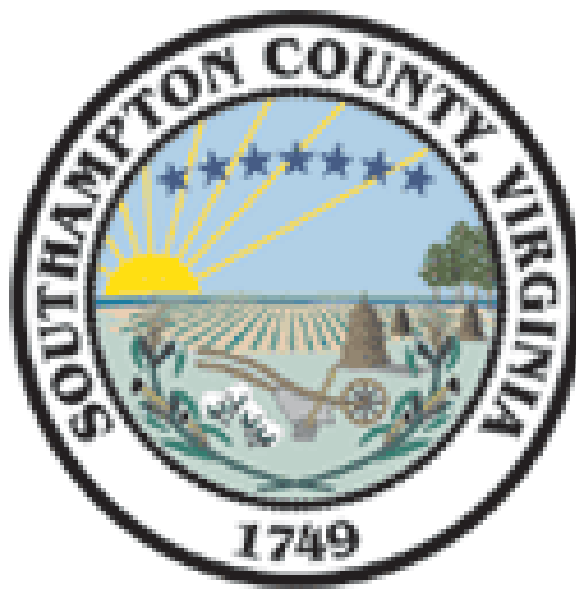
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FINANCIAL SECTION





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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Southampton, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Southampton, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Southampton, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 9 and 59 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Southampton, Virginia's basic financial statements. The combining and individual nonmajor fund financial statements and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2015, on our consideration of the County of Southampton, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Southampton, Virginia's internal control over financial reporting and compliance.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
January 9, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Southampton, Virginia presents the following discussion and analysis as an overview of the County of Southampton, Virginia's financial activities for the fiscal year ending June 30, 2014. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter and the County's financial statements.

Financial Highlights

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 \$30,958,353. Of this amount, \$3,966,785 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 \$30,036,493 and expenses amounted to \$31,458,673. The County's total net position decreased \$1,422,180.
- For business-type activities, revenues were \$3,868,135 and expenses were \$4,702,228. The net position decreased by \$834,093.

Highlights for Fund Financial Statements

- As of June 30, 2014, the County's Governmental Funds reported combined fund balances of \$5,372,902, a decrease of \$1,556,145 in comparison with the prior year. Approximately 62.2 percent of the combined fund balances, \$3,344,452, is unrestricted and available to meet the County's current and future needs.
- The General Fund reported a fund balance of \$3,843,732, a decrease of \$84,026 from June 30, 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

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 position and how they have changed during the fiscal year.

Statement of Net Position: presents information on all of the County's assets and liabilities. The difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources can be used as one way to measure the County's financial health or financial condition. Over time, increases or decreases in the net position 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.

Statement of Activities: presents information using the accrual basis accounting method and shows how the County's net position 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 financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the County include general government administration, judicial administration, public safety, public works, health and welfare, parks, recreation and cultural, and community development. Public utilities represent the business-type activities.

Furthermore, the government-wide financial statements include a legally separate entity, the school board, for which the County is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The County uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the County's most significant funds rather than the County as a whole. Major funds are separately reported.

The County has three types 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 long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Public Assistance Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data from the other County non-major funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements presented later in this report.

Proprietary Funds – The County uses an Enterprise Fund which operates in a manner similar to private business enterprises. Costs are recovered primarily through user charges. Proprietary Fund financial statements provide both long and short-term financial information.

Fiduciary Funds – The County is the trustee, or fiduciary, for the County's agency funds. Agency funds utilize the accrual basis of accounting described in the Governmental Fund presentation. Since by definition, these assets are being held for the benefit of a third party and cannot be used to support activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information such as budgetary comparison schedules and combining financial statements.

Governmental accounting and reporting standards also require reporting certain information about the County's other postemployment benefits as required supplementary information. The County has elected to include this information within the notes to the basic financial statements.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position								
As of June 30, 2014 and 2013								
	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2014	2013	2014	2013	2014	2013	2014	2013
Assets								
Current and other assets	\$ 8,095,960	\$ 10,093,678	\$ 255,555	\$ 359,343	\$ 8,351,515	\$ 10,453,021	\$ 4,413,402	\$ 4,121,206
Capital assets (net)	<u>50,960,498</u>	<u>51,874,289</u>	<u>38,165,794</u>	<u>39,441,660</u>	<u>89,126,292</u>	<u>91,315,949</u>	<u>6,588,026</u>	<u>6,238,485</u>
Total Assets	<u>\$ 59,056,458</u>	<u>\$ 61,967,967</u>	<u>\$ 38,421,349</u>	<u>\$ 39,801,003</u>	<u>\$ 97,477,807</u>	<u>\$ 101,768,970</u>	<u>\$ 11,001,428</u>	<u>\$ 10,359,691</u>
Liabilities								
Other liabilities	\$ 2,897,287	\$ 3,260,004	\$ 787,068	\$ 964,524	\$ 3,684,355	\$ 4,224,528	\$ 4,158,650	\$ 4,262,957
Long-term liabilities	<u>28,016,553</u>	<u>29,143,165</u>	<u>34,818,546</u>	<u>35,186,651</u>	<u>62,835,099</u>	<u>64,329,816</u>	<u>1,561,025</u>	<u>1,226,294</u>
Total Liabilities	<u>30,913,840</u>	<u>32,403,169</u>	<u>35,605,614</u>	<u>36,151,175</u>	<u>66,519,454</u>	<u>68,554,344</u>	<u>5,719,675</u>	<u>5,489,251</u>
Deferred Inflows of Resources								
Unexpended grants payable	-	-	-	-	-	-	143,745	-
Net Position								
Net investment in capital assets	22,224,704	21,557,169	3,452,156	4,255,008	25,676,860	25,812,177	6,588,026	6,238,485
Restricted for capital projects	1,266,115	2,931,070	48,593	118,311	1,314,708	3,049,381	-	-
Unrestricted	<u>4,651,799</u>	<u>5,076,559</u>	<u>(685,014)</u>	<u>(723,491)</u>	<u>3,966,785</u>	<u>4,353,068</u>	<u>(1,450,018)</u>	<u>(1,368,045)</u>
Total Net Position	<u>28,142,618</u>	<u>29,564,798</u>	<u>2,815,735</u>	<u>3,649,828</u>	<u>30,958,353</u>	<u>33,214,626</u>	<u>5,138,008</u>	<u>4,870,440</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 59,056,458</u>	<u>\$ 61,967,967</u>	<u>\$ 38,421,349</u>	<u>\$ 39,801,003</u>	<u>\$ 97,477,807</u>	<u>\$ 101,768,970</u>	<u>\$ 11,001,428</u>	<u>\$ 10,359,691</u>

The Commonwealth of Virginia requires that counties, as well as their financial dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. For the purpose of this financial statement, the debt and correlating asset (or portion therefore) is recorded as an asset and long-term liability of the primary government. GASB Statement No. 14, *The Financial Reporting Entity*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements. The net position of the total financial reporting entity best represents the entity's financial position. In the case of the County's reporting entity, assets exceeded liabilities by \$30,958,353 at June 30, 2014. The portion of the reporting entity's net position, \$25,676,860, 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:

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit School Board</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues								
Program Revenues								
Charges for services	\$ 2,738,608	\$ 2,879,241	\$ 1,234,388	\$ 1,152,490	\$ 3,972,996	\$ 4,031,731	\$ 479,333	\$ 418,028
Operating grants and contributions	6,996,242	6,400,131	11,025	-	7,007,267	6,400,131	18,956,488	19,079,995
General Revenues								
General property taxes, real and personal	16,662,215	16,160,635	-	-	16,662,215	16,160,635	-	-
Other taxes	2,029,524	2,076,676	-	-	2,029,524	2,076,676	-	-
Payment from County of Southampton, VA								
Education	-	-	-	-	-	-	9,614,315	9,118,672
Noncategorical aid from state	3,046,572	3,053,221	-	-	3,046,572	3,053,221	-	-
Use of property	135,740	102,092	-	-	135,740	102,092	-	-
Investment earnings	2,584	11,341	32	88	2,616	11,429	107	107
Miscellaneous	1,047,698	916,534	-	-	1,047,698	916,534	-	115,035
Transfers	<u>(2,622,690)</u>	<u>(2,582,106)</u>	<u>2,622,690</u>	<u>2,582,106</u>	<u>-</u>	<u>-</u>	<u>180,251</u>	<u>-</u>
Total Revenues and Transfers	30,036,493	29,017,765	3,868,135	3,734,684	33,904,628	32,752,449	29,230,494	28,731,837
Expenses								
General government administration	2,714,769	2,651,331	-	-	2,714,769	2,651,331	-	-
Judicial administration	1,733,218	1,714,148	-	-	1,733,218	1,714,148	-	-
Public safety	7,935,507	7,332,613	-	-	7,935,507	7,332,613	-	-
Public works	2,465,941	2,512,210	-	-	2,465,941	2,512,210	-	-
Health and welfare	2,938,086	2,912,878	-	-	2,938,086	2,912,878	-	-
Education	9,614,315	9,118,672	-	-	9,614,315	9,118,672	28,962,926	29,321,159
Parks, recreation, and cultural	413,166	409,532	-	-	413,166	409,532	-	-
Community development	2,454,699	966,674	-	-	2,454,699	966,674	-	-
Water and sewer	-	-	2,987,177	2,812,774	2,987,177	2,812,774	-	-
Interest on long-term debt	1,188,972	1,272,330	1,715,051	1,723,448	2,904,023	2,995,778	-	-
Total Expenses	<u>31,458,673</u>	<u>28,890,388</u>	<u>4,702,228</u>	<u>4,536,222</u>	<u>36,160,901</u>	<u>33,426,610</u>	<u>28,962,926</u>	<u>29,321,159</u>
Increase (Decrease) in Net Position	(1,422,180)	127,377	(834,093)	(801,538)	(2,256,273)	(674,161)	267,568	(589,322)
Beginning Net Position	29,564,798	28,826,046	3,649,828	4,451,366	33,214,626	33,277,412	4,870,440	5,459,762
Prior Period Adjustment	<u>-</u>	<u>611,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>611,375</u>	<u>-</u>	<u>-</u>
Ending Net Position	<u>\$ 28,142,618</u>	<u>\$ 29,564,798</u>	<u>\$ 2,815,735</u>	<u>\$ 3,649,828</u>	<u>\$ 30,958,353</u>	<u>\$ 33,214,626</u>	<u>\$ 5,138,008</u>	<u>\$ 4,870,440</u>

Governmental activities decreased the County's net position by \$1,422,180 for fiscal year 2014. Revenues from governmental activities totaled \$30,036,493. Taxes comprise the largest source of these revenues, totaling \$16,662,215 or 55.5 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$31,458,673. Education was the County's largest program with expenses totaling \$9,614,315. Public safety, which totals \$7,935,507, represents the second largest expense.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>		<u>2013</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 2,714,769	\$ (2,209,395)	\$ 2,651,331	\$ (2,155,802)
Judicial administration	1,733,218	(914,787)	1,714,148	(937,757)
Public safety	7,935,507	(3,090,304)	7,332,613	(3,169,927)
Public works	2,465,941	(1,209,615)	2,512,210	(1,072,233)
Health and welfare	2,938,086	(896,019)	2,912,878	(890,994)
Education	9,614,315	(9,614,315)	9,118,672	(9,118,672)
Parks, recreation, and cultural	413,166	(345,717)	409,532	(326,627)
Community development	2,454,699	(2,254,699)	966,674	(666,674)
Interest on long-term debt	<u>1,188,972</u>	<u>(1,188,972)</u>	<u>1,272,330</u>	<u>(1,272,330)</u>
Total	<u>\$ 31,458,673</u>	<u>\$ (21,723,823)</u>	<u>\$28,890,388</u>	<u>\$ (19,611,016)</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2014, the County's Governmental Funds reported a combined ending fund balance of \$5,372,902, a decrease of \$1,556,145 in comparison with the prior year. Approximately 62.2 percent, or \$3,344,452, is available for spending at the government's discretion (unassigned fund balance).

The General Fund is the main operating fund of the County. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$3,843,732. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 14.4 percent of total fund expenditures.

- The General Fund contributed \$11,034,089 in operating funds to finance the Schools' operations.

The Capital Projects Fund which has a total fund balance of \$1,018,003, all of which is restricted and assigned for ongoing and future capital projects.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>			<u>2013</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 16,541,275	\$ 16,569,366	\$ 16,497,857	\$ 16,208,453	\$ 16,236,573	\$ 16,032,974
Other	4,708,542	5,226,150	5,284,202	4,572,043	5,929,430	5,945,993
Intergovernmental	<u>7,066,680</u>	<u>7,934,889</u>	<u>7,989,546</u>	<u>6,906,127</u>	<u>7,607,276</u>	<u>7,645,226</u>
Total	28,316,497	29,730,405	29,771,605	27,686,623	29,773,279	29,624,193
Expenditures	<u>25,301,573</u>	<u>27,033,282</u>	<u>26,753,687</u>	<u>25,014,990</u>	<u>27,516,695</u>	<u>27,036,606</u>
Excess (Deficiency) of Revenues Over Expenditures	3,014,924	2,697,123	3,017,918	2,671,633	2,256,584	2,587,587
Other Financing Sources (Uses)						
Proceeds of long-term debt/leases	-	-	275,463	-	-	-
Transfers in	108,000	143,187	143,187	207,013	207,013	207,013
Transfers out	<u>(3,583,488)</u>	<u>(3,583,488)</u>	<u>(3,520,594)</u>	<u>(3,330,906)</u>	<u>(3,340,906)</u>	<u>(3,307,100)</u>
Total	<u>(3,475,488)</u>	<u>(3,440,301)</u>	<u>(3,101,944)</u>	<u>(3,123,893)</u>	<u>(3,133,893)</u>	<u>(3,100,087)</u>
Change in Fund Balance	(460,564)	(743,178)	(84,026)	(452,260)	(877,309)	(512,500)
Transfer from Reserve	<u>460,564</u>	<u>778,365</u>	-	<u>452,260</u>	<u>877,309</u>	-
Change in Fund Balance after Surplus	<u>\$ -</u>	<u>\$ 35,187</u>	<u>\$ (84,026)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (512,500)</u>

Final amended budget revenues were more than the original budget by \$1,413,908.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$1,731,709.

Actual revenues were more than final budget amounts by \$41,200, or .1 percent, while actual expenditures were \$279,595, or 1.03 percent less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2014, the County's net investment in capital assets totals \$22,224,704, which is net capital assets less related debt for governmental activities and \$3,452,156 for business-type activities.

During fiscal year 2014, the County's net capital assets (including additions, decreases, and depreciation) decreased \$913,791 for governmental activities and decreased \$1,275,866 for business-type activities, as summarized in the following table:

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Land and land improvements	\$ 7,465,992	\$ 493,248	\$ 7,959,240
Buildings and improvements	58,964,019	-	58,964,019
Furniture, equipment, and vehicles	7,102,408	128,355	7,230,763
Total Capital Assets	73,532,419	621,603	74,154,022
Less: Accumulated depreciation	(21,658,130)	(1,535,394)	(23,193,524)
Total Capital Assets, Net	<u>\$ 51,874,289</u>	<u>\$ (913,791)</u>	<u>\$ 50,960,498</u>

Business-Type Activities

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Land and land improvements	\$ 338,162	\$ 5,623	\$ 343,785
Construction in progress	5,402	-	5,402
Buildings and improvements	1,053,937	-	1,053,937
Infrastructure and equipment	52,720,291	27,468	52,747,759
Vehicles	228,692	-	228,692
Total Capital Assets	54,346,484	33,091	54,379,575
Less: Accumulated depreciation	(14,904,824)	(1,308,957)	(16,213,781)
Total Capital Assets, Net	<u>\$ 39,441,660</u>	<u>\$ (1,275,866)</u>	<u>\$ 38,165,794</u>

Component Unit School Board

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Land and land improvements	\$ 1,362,200	\$ -	\$ 1,362,200
Buildings and improvements	2,413,008	-	2,413,008
Furniture, equipment, and vehicles	13,019,544	999,791	14,019,335
Total Capital Assets	16,794,752	999,791	17,794,543
Less: Accumulated depreciation	(10,556,267)	(650,250)	(11,206,517)
Total Capital Assets, Net	<u>\$ 6,238,485</u>	<u>\$ 349,541</u>	<u>\$ 6,588,026</u>

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

Long-Term Debt

As of June 30, 2014, the County's long-term obligations, excluding the Component Unit, total \$65,161,485.

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Governmental Activities			
Long-term debt	\$ 29,842,210	\$ (1,551,644)	\$ 28,290,566
Net OPEB obligation	971,319	72,079	1,043,398
<i>Compensated absences</i>			
General Fund	378,841	6,500	385,341
Welfare Fund	<u>166,272</u>	<u>12,134</u>	<u>178,406</u>
Total Governmental Activities	31,358,642	(1,460,931)	29,897,711
Add			
Unamortized premium	<u>474,910</u>	<u>(29,682)</u>	<u>445,228</u>
Total Long-Term Indebtedness - Primary Government	31,833,552	(1,490,613)	30,342,939
Business-Type Activities			
Long-term debt	35,186,651	(473,014)	34,713,637
<i>Compensated absences</i>			
Water and Sewer Fund	<u>105,723</u>	<u>(814)</u>	<u>104,909</u>
Total Business-Type Activities	<u>35,292,374</u>	<u>(473,828)</u>	<u>34,818,546</u>
Total Primary Government	<u>\$ 67,125,926</u>	<u>\$ (1,964,441)</u>	<u>\$ 65,161,485</u>
Component Unit School Board			
Compensated absences	\$ 289,916	\$ 9,418	\$ 299,334
Net OPEB obligation	<u>1,226,294</u>	<u>35,397</u>	<u>1,261,691</u>
Total Component Unit School Board	<u>\$ 1,516,210</u>	<u>\$ 44,815</u>	<u>\$ 1,561,025</u>

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

More detailed information on the County's long-term obligations is presented in Note 11 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the County of Southampton, Virginia in June 2014 was 6.5 percent, a decrease of .4 percent from June 2013. This compares unfavorably to the state's rate of 5.4 percent and the national rate of 6.3 percent.
- According to the Weldon Cooper Center for Public Service at the University of Virginia, the provisional 2010 population was 18,570, an increase of 6.2 percent since the 2000 U. S. Census.
- The median adjusted gross income for individual tax returns in Southampton County in 2007 was \$19,953, compared to \$22,993 for the state, according to the Weldon Cooper Center for Public Service at the University of Virginia.

The fiscal year 2015 Adopted Budget anticipates General Fund revenues and expenditures to be \$30,694,073, a 9 percent increase over the fiscal year 2014 original budget.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS



County of Southampton, Virginia

Statement of Net Position

At June 30, 2014

	<u>Primary Government</u>			<u>Component Unit School Board</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Assets				
Cash, cash equivalents, and investments	\$ 2,894,622	\$ 23,053	\$ 2,917,675	\$ 3,289,351
Restricted cash	1,266,115	48,593	1,314,708	-
Receivables, net	1,491,456	183,909	1,675,365	79,235
Long-term notes receivable	926,054	-	926,054	-
Due from other funds	670,932	-	670,932	-
Due from other governments	846,781	-	846,781	1,044,816
Capital Assets				
Land and construction in progress	7,959,240	349,187	8,308,427	1,362,200
Other capital assets, net of accumulated depreciation	43,001,258	37,816,607	80,817,865	5,225,826
Capital Assets, Net	<u>50,960,498</u>	<u>38,165,794</u>	<u>89,126,292</u>	<u>6,588,026</u>
Total Assets	<u>\$ 59,056,458</u>	<u>\$ 38,421,349</u>	<u>\$ 97,477,807</u>	<u>\$ 11,001,428</u>
Liabilities				
Accounts payable and accrued expenses	\$ 570,901	\$ 43,786	\$ 614,687	\$ 4,158,650
Due to other funds	-	670,932	670,932	-
Customer deposits	-	72,350	72,350	-
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	2,326,386	531,274	2,857,660	-
<i>Due in more than one year</i>				
Bonds, loans, and capital leases payable	26,409,408	34,182,363	60,591,771	-
Compensated absences	563,747	104,909	668,656	299,334
Net OPEB obligation	<u>1,043,398</u>	<u>-</u>	<u>1,043,398</u>	<u>1,261,691</u>
Total Liabilities	30,913,840	35,605,614	66,519,454	5,719,675
Deferred Inflows of Resources				
Unexpended grants payable	-	-	-	143,745
Net Position				
Net investment in capital assets	22,224,704	3,452,156	25,676,860	6,588,026
Restricted for capital projects	1,266,115	48,593	1,314,708	-
Unrestricted	<u>4,651,799</u>	<u>(685,014)</u>	<u>3,966,785</u>	<u>(1,450,018)</u>
Total Net Position	<u>28,142,618</u>	<u>2,815,735</u>	<u>30,958,353</u>	<u>5,138,008</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 59,056,458</u>	<u>\$ 38,421,349</u>	<u>\$ 97,477,807</u>	<u>\$ 11,001,428</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, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Component Unit School Board
Primary Government						
Governmental Activities						
General government administration	\$ 2,714,769	\$ 292,503	\$ 212,871	\$ (2,209,395)		\$ (2,209,395)
Judicial administration	1,733,218	57,342	761,089	(914,787)		(914,787)
Public safety	7,935,507	1,339,905	3,505,298	(3,090,304)		(3,090,304)
Public works	2,465,941	1,048,858	207,468	(1,209,615)		(1,209,615)
Health and welfare	2,938,086	-	2,042,067	(896,019)		(896,019)
Education - local school system	9,614,315	-	-	(9,614,315)		(9,614,315)
Parks, recreation, and cultural	413,166	-	67,449	(345,717)		(345,717)
Community development	2,454,699	-	200,000	(2,254,699)		(2,254,699)
Interest and bond issue costs	1,188,972	-	-	(1,188,972)		(1,188,972)
Total Governmental Activities	31,458,673	2,738,608	6,996,242	(21,723,823)		(21,723,823)
Business-Type Activities						
Regional Water and Sewer Fund	4,702,228	1,234,388	11,025		\$ (3,456,815)	(3,456,815)
Total Business-Type Activities	4,702,228	1,234,388	11,025		(3,456,815)	(3,456,815)
Total Primary Government	\$ 36,160,901	\$ 3,972,996	\$ 7,007,267		(3,456,815)	(25,180,638)
Component Unit						
Southampton County School Board	\$ 28,962,926	\$ 479,333	\$ 18,956,488			\$ (9,527,105)
General Revenues						
Taxes						
General property taxes, real and personal				16,662,215	-	16,662,215
Other local taxes				2,029,524	-	2,029,524
Payment from County of Southampton, VA						
Education				-	-	9,614,315
Noncategorical aid from state				3,046,572	-	3,046,572
Use of property				135,740	-	135,740
Investment earnings				2,584	32	2,616
Miscellaneous				1,047,698	-	1,047,698
Transfers				(2,622,690)	2,622,690	-
Total General Revenues and Transfers				20,301,643	2,622,722	22,924,365
Change in Net Position				(1,422,180)	(834,093)	267,568
Net Position - Beginning of Year				29,564,798	3,649,828	33,214,626
Net Position - End of Year				\$ 28,142,618	\$ 2,815,735	\$ 30,958,353
						\$ 5,138,008

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

County of Southampton, Virginia

Balance Sheet

Governmental Funds

At June 30, 2014

	General Fund	Public Assistance	Capital Projects Utility Tax Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 3,007,887	\$ -	\$ -	\$ 519,213	\$ 3,527,100
Restricted cash	-	-	1,266,115	-	1,266,115
Property taxes receivable, net	1,035,487	-	-	-	1,035,487
Accounts receivable	406,997	-	48,972	-	455,969
Due from other funds	670,932	-	-	-	670,932
Due from other governments	495,887	135,043	215,808	43	846,781
Total Assets	<u>\$ 5,617,190</u>	<u>\$ 135,043</u>	<u>\$ 1,530,895</u>	<u>\$ 519,256</u>	<u>\$ 7,802,384</u>
Liabilities					
Pooled cash deficit	\$ -	\$ 133,198	\$ 499,280	\$ -	\$ 632,478
Accounts payable and accrued liabilities	<u>547,355</u>	<u>1,845</u>	<u>13,612</u>	<u>8,089</u>	<u>570,901</u>
Total Liabilities	547,355	135,043	512,892	8,089	1,203,379
Deferred Inflows of Resources					
Unavailable revenue - taxes and landfill fees	<u>1,226,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,226,103</u>
Total Deferred Inflows of Resources	1,226,103	-	-	-	1,226,103
Fund Balance					
Restricted fund balance	-	-	1,517,283	511,167	2,028,450
Unassigned fund balance	<u>3,843,732</u>	<u>-</u>	<u>(499,280)</u>	<u>-</u>	<u>3,344,452</u>
Total Fund Balance	<u>3,843,732</u>	<u>-</u>	<u>1,018,003</u>	<u>511,167</u>	<u>5,372,902</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 5,617,190</u>	<u>\$ 135,043</u>	<u>\$ 1,530,895</u>	<u>\$ 519,256</u>	<u>\$ 7,802,384</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 Position

At June 30, 2014

Total Fund Balances for Governmental Funds		\$ 5,372,902
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Long-term notes receivable that are not available to pay for current-period expenditures and, therefore, are not reported in the funds:		
Long-term note receivable		926,054
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - taxes and landfill fees		1,226,103
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$ 7,959,240	
Buildings and improvements, net of accumulated depreciation	39,871,634	
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>3,129,624</u>	
Total Capital Assets		50,960,498
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 position are as follows:		
Bonds and notes payable	(28,735,794)	
Net OPEB obligation	(1,043,398)	
Compensated absences	<u>(563,747)</u>	
Total		<u>(30,342,939)</u>
Total Net Position of Governmental Activities		<u>\$ 28,142,618</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, 2014

	<u>General Fund</u>	<u>Public Assistance</u>	<u>Capital Projects Utility Tax Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 16,497,857	\$ -	\$ -	\$ -	\$ 16,497,857
Other local taxes	1,351,169	-	668,199	-	2,019,368
Permits, privilege fees, and regulatory licenses	25,358	-	-	-	25,358
Fines and forfeitures	738,640	-	-	-	738,640
Use of money and property	1,974	-	135,740	610	138,324
Charges for services	1,886,333	-	-	88,277	1,974,610
Miscellaneous	865,470	-	14,732	167,496	1,047,698
Recovered costs	415,258	-	-	-	415,258
<i>Intergovernmental</i>					
Revenue from the Commonwealth of Virginia	7,897,874	564,477	193,203	3,075	8,658,629
Revenue from the Federal Government	<u>91,672</u>	<u>1,222,369</u>	<u>-</u>	<u>70,144</u>	<u>1,384,185</u>
Total Revenues	29,771,605	1,786,846	1,011,874	329,602	32,899,927
Expenditures					
Current					
General government administration	2,080,836	-	-	-	2,080,836
Judicial administration	1,726,417	-	-	6,801	1,733,218
Public safety	7,595,259	-	109,431	129,568	7,834,258
Public works	2,406,017	-	19,032	-	2,425,049
Health and welfare	829,188	2,053,462	-	-	2,882,650
Education - public school system	11,034,089	-	-	-	11,034,089
Parks, recreation, and cultural	383,634	-	-	-	383,634
Community development	698,247	-	1,797,335	-	2,495,582
Debt service	<u>-</u>	<u>-</u>	<u>1,239,529</u>	<u>-</u>	<u>1,239,529</u>
Total Expenditures	<u>26,753,687</u>	<u>2,053,462</u>	<u>3,165,327</u>	<u>136,369</u>	<u>32,108,845</u>
Excess (Deficiency) of Revenues Over Expenditures	3,017,918	(266,616)	(2,153,453)	193,233	791,082
Other Financing Sources (Uses)					
Proceeds from long-term capital lease	275,463	-	-	-	275,463
Transfers in	143,187	266,616	631,288	-	1,041,091
Transfers out	<u>(3,520,594)</u>	<u>-</u>	<u>-</u>	<u>(143,187)</u>	<u>(3,663,781)</u>
Total Other Financing Sources (Uses)	<u>(3,101,944)</u>	<u>266,616</u>	<u>631,288</u>	<u>(143,187)</u>	<u>(2,347,227)</u>
Net Change in Fund Balance	(84,026)	-	(1,522,165)	50,046	(1,556,145)
Fund Balance - Beginning of Year	<u>3,927,758</u>	<u>-</u>	<u>2,540,168</u>	<u>461,121</u>	<u>6,929,047</u>
Fund Balance - End of Year	<u>\$ 3,843,732</u>	<u>\$ -</u>	<u>\$ 1,018,003</u>	<u>\$ 511,167</u>	<u>\$ 5,372,902</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, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (1,556,145)

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period and dispositions of assets. (913,791)

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements, but recognized in the Statement of Activities.

Partial forgiveness of note receivable	(617,371)
Property taxes	164,358
Landfill fees	10,156

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 Position, 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 Position.

Proceeds of new debt or capital leases	(724,967)	
Repayments on debt	<u>2,306,293</u>	
Net Adjustment		1,581,326

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

Net OPEB obligation	(72,079)	
Compensated absences	<u>(18,634)</u>	
Net Adjustment		<u>(90,713)</u>

Change in Net Position of Governmental Activities		<u>\$ (1,422,180)</u>
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The accompanying notes to financial statements are an integral part of this statement.

County of Southampton, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2014

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

Assets**Current Assets**

Cash	\$	23,053
Restricted cash		48,593
Receivables, net		<u>183,909</u>
Total Current Assets		255,555

Noncurrent Assets

Capital assets, net		<u>38,165,794</u>
Total Noncurrent Assets		<u>38,165,794</u>

Total Assets	\$	<u><u>38,421,349</u></u>
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Liabilities**Current Liabilities**

Accounts payable and accrued expenses	\$	43,786
Due to General Fund		670,932
Short-term portion of debt		<u>531,274</u>
Total Current Liabilities		1,245,992

Noncurrent Liabilities

Customer deposits		72,350
Compensated absences		104,909
Long-term debt, net of unamortized discount		<u>34,182,363</u>
Total Noncurrent Liabilities		<u>34,359,622</u>

Total Liabilities		35,605,614
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Net Position

Net investment in capital assets		3,452,156
Restricted for construction		48,593
Unrestricted		<u>(685,014)</u>
Total Net Position		<u>2,815,735</u>

Total Liabilities and Net Position	\$	<u><u>38,421,349</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

County of Southampton, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2014

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

Operating Revenues

Charges for services, net	\$ 1,215,144
Operating grants	11,025
Miscellaneous	<u>19,244</u>

Total Operating Revenues 1,245,413

Operating Expenses

Personal services	590,769
Fringe benefits	275,418
Repairs and maintenance	291,573
Professional fees	20,011
Utilities	237,462
Chemicals, lab, permits	153,856
Vehicle and power equipment	37,396
Bad debt expense	20,587
Insurance	19,649
Other supplies and charges	31,499
Depreciation	<u>1,308,957</u>

Total Operating Expenses 2,987,177

Operating Loss (1,741,764)

Nonoperating Revenues (Expenses)

Interest income	32
Interest expense	<u>(1,715,051)</u>

Total Nonoperating Revenues (Expenses) (1,715,019)

Loss Before Transfers (3,456,783)

Operating Transfers In 2,622,690

Net Operating Transfers 2,622,690

Change in Net Position (834,093)

Total Net Position - Beginning of Year 3,649,828

Total Net Position - End of Year \$ 2,815,735

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, 2014

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

Cash Flows from Operating Activities

Receipts from customers	\$ 1,251,242
Other receipts	30,269
Payments for personnel and related costs	(867,001)
Payments to suppliers and other operating costs	<u>(815,999)</u>
Net Cash Used in Operating Activities	(401,489)

Cash Flows from Noncapital Financing Activities

Net transfers from other funds	<u>2,554,348</u>
Net Cash Provided by Noncapital Financing Activities	2,554,348

Cash Flows from Capital and Related Financing Activities

Purchases and construction of capital assets	(33,091)
Principal paid on capital debt	(473,014)
Interest paid on capital debt	<u>(1,715,051)</u>
Net Cash Used in Capital and Related Financing Activities	(2,221,156)

Cash Flows from Investing Activities

Interest income	<u>32</u>
Net Cash Provided by Investing Activities	<u>32</u>

Net Decrease in Cash and Cash Equivalents	(68,265)
Cash and Cash Equivalents - Beginning of Year	<u>139,911</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 71,646</u></u>

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities

Operating loss	\$ (1,741,764)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation expense	1,308,957
Changes in assets and liabilities	
Receivables, net	35,523
Accounts payable and accrued expenses	(3,966)
Compensated absences	(814)
Customer deposits	<u>575</u>
Net Cash Used in Operating Activities	<u><u>\$ (401,489)</u></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, 2014

	Agency Funds
Assets	
Cash and investments	<u>\$ 1,316,624</u>
Total Assets	<u><u>\$ 1,316,624</u></u>
Liabilities	
Amounts held for others	<u>\$ 1,316,624</u>
Total Liabilities	<u><u>\$ 1,316,624</u></u>

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

County of Southampton, Virginia

Statement of Activities

Component Unit School Board

Year Ended June 30, 2014

<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 Position</u>
School Board				
Education	\$ 27,920,044	\$ 479,333	\$ 18,956,488	\$ (8,484,223)
Depreciation	<u>1,042,882</u>	<u>-</u>	<u>-</u>	<u>(1,042,882)</u>
Total School Board	<u>\$ 28,962,926</u>	<u>\$ 479,333</u>	<u>\$ 18,956,488</u>	(9,527,105)
				General Revenues
				Payment from County 9,614,315
				Interest and investment earnings 107
				Miscellaneous <u>180,251</u>
				Total General Revenues <u>9,794,673</u>
				Change in Net Position 267,568
				Net Position - Beginning of Year <u>4,870,440</u>
				Net Position - End of Year <u>\$ 5,138,008</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, 2014

1 Summary of Significant Accounting Policies

Narrative Profile

The County of Southampton, Virginia (the "County"), which was founded in 1749, has a population of approximately 18,570 living within an area of 599 square miles. The County is located in the Tidewater area in Southeastern Virginia. The County is governed by an appointed County Administrator and a seven-member Board of Supervisors with each serving administrative and legislative functions.

The County engages in a comprehensive range of municipal services, including general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation, and cultural, and community development.

The financial statements of the County 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:

1-A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Southampton, Virginia (the primary government) and its component unit. 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. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

Individual Component Unit Disclosures

Discretely Presented Component Unit

Southampton County School Board

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

Exclusions from the Reporting Entity

Jointly Governed Organizations

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

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

Blackwater Regional Library

The Blackwater Regional Library provides library services to the County. The participating localities provide annual contributions for operations based on book circulation. No one locality contributes more than 50 percent of the Library's funding nor can impose its will on the organization, and there is no financial benefit/burden relationship. The County appropriated to the Library \$229,772 in operating funds in fiscal year 2014. The County has no equity interest in the Library.

Western Tidewater Community Services Board

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

Related Organization

Industrial Development Authority of Southampton County, Virginia

The Industrial Development Authority (the "Authority") of the County 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 has no financial responsibility for the debt issued by the Authority.

1-B. Financial Reporting Model

The County's Comprehensive Annual Financial Report includes management's discussion and analysis, the basic financial statements, and other supplementary information, described as follows:

Management's Discussion and Analysis – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the County's financial activities.

Government-wide Financial Statements – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the County as a whole. The primary government and the component unit are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the County's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The fiduciary funds of the primary government are not included in the government-wide financial statements.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the County and its discretely presented component unit at year end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and for each identifiable activity of the business-type activities of the County. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The County does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the County's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the County.

Fund Financial Statements – During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. Fund financial statements are provided for governmental, proprietary, and fiduciary funds.

Major individual governmental and proprietary funds are reported in separate columns.

Reconciliation of Government-wide and Fund Financial Statements – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total governmental activities net position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position of governmental activities as shown on the government-wide Statement of Activities is presented.

1-C. Financial Statement Presentation

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 following is a brief description of the funds reported by the County in each of its fund types in the financial statements:

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The County reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the County's major governmental funds:

Major Governmental Funds

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.

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 due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:

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 the administration of the County's social services program.

Forfeiture Fund – This fund accounts for County revenues and expenditures associated with the Sheriff's Department and Commonwealth's Attorney's Office 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 individual account balances for inmates within the jail.

Capital Projects Funds – The Capital Projects Fund consists of the Utility Tax Building Fund which accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The County has one enterprise fund, the Water and Sewer Fund, which accounts 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.

Fiduciary Funds – (Agency Funds) – Fiduciary funds account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. Agency Funds consist of the following:

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.

Non-Judicial Escrow Fund – This fund accounts for monies held for the sale of real estate property being sold to collect real estate taxes.

Cypress Escrow Fund – This fund accounts for funds held in escrow for a VDOT Roadway System. There is a twelve month waiting period for acceptance by VDOT.

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

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

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 State and Federal grants and appropriations from the County. 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 revenues derived from State and Federal grants and food and beverage sales.

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

1-D. Measurement Focus and Basis of Accounting

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government administration, judicial administration, public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property taxes, 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 (general government administration, judicial administration, public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within

60 days after year end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and, subsequently, remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditures. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1-E-1 Cash and Cash Equivalents

The County operates a cash and investment pool which all funds utilize with the exception of some agency funds and some special purpose projects. The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The County allocates investment earnings of the cash and investment pool to each participating fund on a monthly basis in accordance with that fund's average equity balance in the pool for that month.

1-E-2 Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

1-E-3 Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portions of the interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as internal balances.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounts were as follows at June 30:

General Fund - taxes receivable	<u>\$ 464,965</u>
Water and Sewer Fund - receivables	<u>\$ 103,931</u>

Real and Personal Property Tax Data

The tax calendars for real and personal property taxes are summarized below:

Real Property Personal Property

Lewy	January 1	January 1
Due Date	December 5	December 5

The County bills and collects its own property taxes.

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.

1-E-4 Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

1-E-5 Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The County reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	10 - 50 years
Furniture and equipment	3 - 25 years
Infrastructure	25 years
Vehicles	5-10 years

1-E-6 Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. Under a modified accrual basis of accounting, unavailable revenue, representing property taxes and landfill charges receivables, is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, second half installments levied during the fiscal year but due after June 30, and amounts prepaid on the second half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, second half installments levied during the fiscal year but due after June 30 and amounts prepaid on the second half installments are reported as deferred inflows of resources.

1-E-7 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absence liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level when paid.

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.

1-E-8 Retirement Plan

Retirement plan contributions are actuarially determined for the Virginia Retirement System (VRS) and consist of current service costs and amortization of prior service cost over a 30-year period. The County's policy is to fund pension cost at the actuarially determined rates.

1-E-9 Other Postemployment Benefits Plans

Other postemployment benefit plan contributions are actuarially determined to project the present value of postemployment benefits for retired and active employees. The notes to financial statements present required schedules of funding progress that includes multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

1-E-10 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

Governmental Fund Balances – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

1-E-11 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for water and sewer utilities. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets.

1-E-12 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

1-E-13 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.

1-E-14 Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2 Stewardship, Compliance, and Accountability

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. Unexpended appropriations lapse at the end of each fiscal year.

Budgetary Data

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

1. Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing 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.
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. These appropriations for each fund, function, and department can be revised only by the Board of Supervisors.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds and component units.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures in Excess of Appropriations

No expenditures exceeded appropriations.

Fund Deficits

The business-type activities had an unrestricted net position deficit of \$685,014 and the Component Unit School Board had one of \$1,450,018.

The Capital Projects Fund had an unassigned deficit of \$499,280.

3 Deposits and Investments

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

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), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

Interest Rate Risk

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

Concentration of Credit Risk

The County places no limit on the amount the Treasurer may invest in any one issuer. More than 5 percent of the County's investments are in a repurchase agreement with a financial institution. This investment is 15 percent of the County's total cash and investments.

The following is a summary of cash and investments:

<u>Asset Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Petty cash	\$ 1,000	
Deposit accounts	7,829,442	
Investments		
Davenport and Company - Mutual Funds	<u>1,007,916</u>	<u>\$ 1,007,916</u>
Total Cash and Investments	<u>\$ 8,838,358</u>	

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Primary Government				
Cash and cash equivalents	\$ 2,894,622	\$ 23,053	\$ 308,708	\$ 3,226,383
Restricted cash	1,266,115	48,593	-	1,314,708
Investments	<u>-</u>	<u>-</u>	<u>1,007,916</u>	<u>1,007,916</u>
Total Primary Government	4,160,737	71,646	1,316,624	5,549,007
Component Unit School Board				
Cash and cash equivalents	<u>3,289,351</u>	<u>-</u>	<u>-</u>	<u>3,289,351</u>
Grand Total	<u>\$ 7,450,088</u>	<u>\$ 71,646</u>	<u>\$ 1,316,624</u>	<u>\$ 8,838,358</u>

4 Receivables

Receivables at June 30, 2014 consist of the following:

Primary Government

	<u>Governmental Activities</u>						
		<u>Capital Projects</u>		<u>Total</u>		<u>Total</u>	<u>Component</u>
	<u>General</u>	<u>Utility Tax Building Fund</u>	<u>Other Nonmajor</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Primary Government</u>	<u>Unit School Board</u>
Property taxes	\$ 1,500,452	\$ -	\$ -	1,500,452	\$ -	\$ 1,500,452	\$ -
Landfill fees	322,709	-	-	322,709	-	322,709	-
Utility taxes	-	38,703	-	38,703	-	38,703	-
Other miscellaneous	84,288	10,269	-	94,557	-	94,557	79,235
Water and sewer	-	-	-	-	287,840	287,840	-
Total	1,907,449	48,972	-	1,956,421	287,840	2,244,261	79,235
Allowance for uncollectibles	(464,965)	-	-	(464,965)	(103,931)	(568,896)	-
Net Receivables	<u>\$ 1,442,484</u>	<u>\$ 48,972</u>	<u>\$ -</u>	<u>\$ 1,491,456</u>	<u>\$ 183,909</u>	<u>\$ 1,675,365</u>	<u>\$ 79,235</u>

The County sold land in its industrial park to a new business for \$1,543,425 through an interest free note receivable. One annual installment is payable to the County in 2017. The payment schedule is as follows:

	<u>Governmental Activities</u>	
<u>Year(s) Ended June 30,</u>	<u>Long-Term Note Receivable</u>	
	<u>Principal</u>	<u>Interest</u>
2017	<u>\$ 926,054</u>	<u>\$ -</u>

5 Interfund Transfers

Interfund transfers for the year ended June 30, 2014 consisted of the following:

Primary Government	<u>Transfer to</u>	<u>Transfer from</u>
General Fund		
To Public Assistance	\$ 266,616	\$ -
To Enterprise Fund for operating costs and debt service	2,622,690	-
To Utility Tax Building Fund	631,288	-
From Federal Grants Fund	-	35,187
From Inmate Fund	-	108,000
Total General Fund	3,520,594	143,187
Public Assistance Fund		
From General Fund	-	266,616
Inmate Fund		
To General Fund	108,000	-
Federal Grants Fund		
To General Fund	35,187	-
Enterprise Fund		
From General Fund for operating costs and debt service	-	2,622,690
Utility Tax Building Fund		
From General Fund	-	631,288
Total	<u>\$ 3,663,781</u>	<u>\$ 3,663,781</u>

6 Transfer to Component Unit/Transfer from Primary Government

Details of the primary government due to component unit as of June 30, 2014 are as follows:

	<u>Transfer to</u>	<u>Transfer from</u>
General Fund		
To School Fund for local appropriation	\$ 11,034,089	\$ -
School Fund		
From General Fund for local appropriation	-	11,034,089
Total	<u>\$ 11,034,089</u>	<u>\$ 11,034,089</u>

7 Due to/From Other Funds

Details of the primary government interfund receivables and payables as of June 30, 2014 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund		
Due from Enterprise Fund for operating costs and debt service	\$ 670,932	\$ -
Enterprise Fund		
Due to General Fund for operating costs and debt service	-	670,932
Total	<u>\$ 670,932</u>	<u>\$ 670,932</u>

8 Due from Other Governmental Units

Details of the County's receivables from other governmental units, as of June 30, 2014, are as follows:

	<u>Governmental Activities</u>				<u>Total</u>	<u>Component</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Public Assistance</u>	<u>Law Library</u>		<u>Unit School Board</u>
Commonwealth of Virginia						
Local and State sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 222,529
Compensation board - salaries	71,417	-	-	-	71,417	-
Mobile home tax	10,765	-	-	-	10,765	-
Fire program	7,494	-		-	7,494	-
Four for Life	17,379	-		-	17,379	-
Comprehensive services funds	57,407	-	-	-	57,407	-
Communication sales tax	47,001	-	-	-	47,001	-
Public assistance funds	-	-	135,043	-	135,043	-
Sheriffs reimbursements	232,794	-	-	-	232,794	-
PSAP grants	1,512	-	-	-	1,512	-
Highway safety grants	22,010	-	-	-	22,010	-
Victim witness	13,413	-	-	-	13,413	-
Department of Transportation	-	192,753		-	192,753	-
Other	14,695	23,055	-	43	37,793	52,720
School lunch and breakfast program	-	-	-	-	-	36,169
Technology Plan	-	-	-	-	-	381,082
Vocational education	-	-	-	-	-	-
Federal Money from State						
Title I	-	-	-	-	-	137,058
Opportunity Fund	-	-	-	-	-	21,068
Title VIB Flow-through	-	-	-	-	-	173,825
Title IIA	-	-	-	-	-	20,365
Total	<u>\$495,887</u>	<u>\$215,808</u>	<u>\$ 135,043</u>	<u>\$ 43</u>	<u>\$846,781</u>	<u>\$ 1,044,816</u>

9 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 7,465,992	\$ 493,248	\$ -	\$ 7,959,240
Total Capital Assets Not Being Depreciated	7,465,992	493,248	-	7,959,240
Other Capital Assets				
Buildings and improvements	58,897,144	-	-	58,897,144
Furniture, equipment, and vehicles	7,169,283	491,079	362,724	7,297,638
Total Other Capital Assets	66,066,427	491,079	362,724	66,194,782
Less: Accumulated depreciation for				
Buildings and improvements	17,702,934	1,322,576	-	19,025,510
Furniture, equipment, and vehicles	3,955,196	381,313	168,495	4,168,014
Total Accumulated Depreciation	21,658,130	1,703,889	168,495	23,193,524
Other Capital Assets, Net	44,408,297	(1,212,810)	194,229	43,001,258
Net Capital Assets	\$ 51,874,289	\$ (719,562)	\$ 194,229	\$ 50,960,498

Depreciation expense was allocated as follows:

General government administration	\$ 814,745
Public safety	353,448
Public works	61,517
Health and welfare	19,275
Education	386,458
Parks, recreation, and cultural	29,532
Community development	38,914
Total Depreciation Expense	\$ 1,703,889

Business-Type Activities

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 338,162	\$ -	\$ -	\$ 338,162
Construction in progress	<u>5,402</u>	<u>11,025</u>	<u>5,402</u>	<u>11,025</u>
Total Capital Assets Not Being Depreciated	343,564	11,025	5,402	349,187
Other Capital Assets				
Buildings and improvements	1,053,937	-	-	1,053,937
Infrastructure and equipment	52,720,291	27,468	-	52,747,759
Vehicles	<u>228,692</u>	<u>-</u>	<u>-</u>	<u>228,692</u>
Total Other Capital Assets	54,002,920	27,468	-	54,030,388
Less: Accumulated depreciation for				
Buildings and improvements	203,269	28,557	-	231,826
Infrastructure and equipment	14,494,106	1,275,849	-	15,769,955
Vehicles	<u>207,449</u>	<u>4,551</u>	<u>-</u>	<u>212,000</u>
Total Accumulated Depreciation	<u>14,904,824</u>	<u>1,308,957</u>	<u>-</u>	<u>16,213,781</u>
Other Capital Assets, Net	<u>39,098,096</u>	<u>(1,281,489)</u>	<u>-</u>	<u>37,816,607</u>
Net Capital Assets	<u>\$ 39,441,660</u>	<u>\$ (1,270,464)</u>	<u>\$ 5,402</u>	<u>\$ 38,165,794</u>

Depreciation expense was allocated as follows:

Water and sewer expense	<u>\$ 1,308,957</u>
Total Depreciation Expense	<u><u>\$ 1,308,957</u></u>

Component Unit School Board

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,362,200	\$ -	\$ -	\$ 1,362,200
Total Capital Assets Not Being Depreciated	1,362,200	-	-	1,362,200
Other Capital Assets				
Buildings and improvements	2,413,008	-	-	2,413,008
Furniture, equipment, and vehicles	13,019,544	1,013,513	13,722	14,019,335
Total Other Capital Assets	15,432,552	1,013,513	13,722	16,432,343
Less: Accumulated depreciation for				
Buildings and improvements	1,798,804	38,740	-	1,837,544
Furniture, equipment, and vehicles	8,757,463	617,684	6,174	9,368,973
Total Accumulated Depreciation	10,556,267	656,424	6,174	11,206,517
Other Capital Assets, Net	4,876,285	357,089	7,548	5,225,826
Net Capital Assets	\$ 6,238,485	\$ 357,089	\$ 7,548	\$ 6,588,026

Depreciation expense was allocated as follows:

Education	\$ 656,424
Total Depreciation Expense	\$ 656,424

10 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 leave is paid based on 25 percent of unused sick leave up to a maximum of \$5,000. Accumulated vacation up to thirty days is paid upon termination. The County has outstanding compensated absences totaling \$563,747 for the governmental activities, \$104,909 for the business-type activities, and \$299,334 for the Component Unit School Board.

11 Long-Term Debt

PRIMARY GOVERNMENT

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

Year(s) Ended June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Component Unit School Board</u>	
	<u>General Bonds Payable</u>					
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 2,296,704	\$ 1,171,247	\$ 544,154	\$ 1,706,084	\$ -	\$ -
2016	2,030,561	1,082,609	792,554	1,688,418	-	-
2017	2,096,141	993,543	821,094	1,661,590	-	-
2018	2,083,797	901,218	849,794	1,632,657	-	-
2019	2,147,465	809,310	987,526	3,597,999	-	-
2020-2024	9,455,898	2,787,118	5,621,241	7,272,586	-	-
2025-2029	7,805,000	952,674	6,960,912	5,747,521	-	-
2030-2034	375,000	7,500	8,155,488	3,863,473	-	-
2035-2039	-	-	10,290,000	1,467,796	-	-
2040-2044	-	-	-	-	-	-
Compensated absences	563,747	-	104,909	-	299,334	-
Net OPEB obligation	<u>1,043,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,261,691</u>	<u>-</u>
Total	29,897,711	8,705,219	35,127,672	28,638,124	1,561,025	-
Less						
Unamortized discount	-	-	(309,126)	-	-	-
Add						
Unamortized premium	<u>445,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 30,342,939</u>	<u>\$ 8,705,219</u>	<u>\$ 34,818,546</u>	<u>\$ 28,638,124</u>	<u>\$ 1,561,025</u>	<u>\$ -</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the County:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Primary Government					
Governmental Activities					
General Fund					
Capital lease with RBC Centura for a public safety communications system purchased over 10 years. Semiannual payments of interest at 3.39 percent with annual principal payments from \$235,000 to \$311,000 per year.	\$ 612,000	\$ -	\$ 301,000	\$ 311,000	\$ 311,000
Capital lease with Ford Motor Credit for sheriff vehicles purchased over 4 years. Annual payments are made in November of 2013, 2014, 2015, and 2016. Interest is stated at a rate of 4.70%. Annual payments are \$73,680.43.	-	275,463	73,680	201,783	64,197
Public Facility Lease Revenue Bonds Series 2006A, issued November 15, 2006, with interest payable semiannually at interest rates varying from 4.00 percent to 5.00 percent. Principal is due annually for 20 years. The bond is payable to Regions Bank.	17,570,000	-	840,000	16,730,000	875,000
School Fund - School Bonds and School Related					
Literary Loan with the Virginia Department of Treasury, issued December 15, 2009, with interest payable annually at 2.00 percent. Principal is due annually for 20 years.	6,375,000	-	375,000	6,000,000	375,000
General Obligation Bond (Virginia Public School Authority, 1994 Series) due in various installments for 20 years at varying rates between 6.10 percent and 6.60 percent through July 15, 2015 with U.S. Bank.	15,000	-	15,000	-	-
General Obligation Bonds (Virginia Public School Authority, Fall 1993) due in various installments ranging from \$15,000 to \$220,000; rates from 4.475 percent to 5.00 percent. Interest due semiannually, June 15 and December 15, with U.S. Bank.	15,000	-	15,000	-	-
General Obligation Bonds (Virginia Public School Authority, Series 2000B) due in various installments ranging from \$218,266 to \$304,970; rate of 5.10 percent. Interest due semiannually, July 15 and January 15, with U.S. Bank.	4,567,186	-	535,638	4,031,548	544,700

	<u>Balance July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
General Obligation Bonds (Virginia Public School Authority, Series 2002B) due in various installments ranging from \$60,596 to \$74,322 and rates from 2.35 percent to 5.10 percent. Interest due semiannually, July 15 and January 15, with U.S. Bank.	688,024	-	63,636	624,388	64,658
Virginia School Bus Lease, Series 2013, Capital One purchased over 7 years. Annual payments are made in June with semi-annual interest payments in December and June. Interest is stated at a rate of 1.98%.	-	449,504	57,657	391,847	62,149
Net OPEB obligation	971,319	72,079	-	1,043,398	-
Compensated Absences - General Fund	378,841	6,500	-	385,341	-
Compensated Absences - Welfare Fund	<u>166,272</u>	<u>12,134</u>	<u>-</u>	<u>178,406</u>	<u>-</u>
Total Governmental Activities	31,358,642	815,680	2,276,611	29,897,711	2,296,704
Add					
Unamortized Premium on Bond Series 2006A and 2006B Bonds	<u>474,910</u>	<u>-</u>	<u>29,682</u>	<u>445,228</u>	<u>29,682</u>
Total Long-Term Indebtedness - Governmental Activities	31,833,552	815,680	2,306,293	30,342,939	2,326,386
Business-Type Activities					
Virginia Resources Authority, \$4,022,364 note payable, payable in semiannual installments of \$100,559 over 20 years with no interest.	1,005,591	-	201,118	804,473	201,118
Virginia Resources Authority, Wastewater Revolving Loan Fund issued March 2012 for \$880,502 at 0.00 percent interest. Payable over 20 years.	1,015,626	-	52,196	963,430	52,196
VRA Virginia Pooled Financing Program, Series 2008B issued November 2008 with US Bank due November 2038; payable annually beginning October 2012 in varying annual installments for 30 years with a rate of 5.44 percent.	31,910,000	-	155,000	31,755,000	210,000
Revenue Refunding Bond, Series 2007 issued June 18, 2007 with BB&T due June 30, 2028; payable annually beginning June 30, 2010 in annual installments of \$141,550 for 20 years with a rate of 4.12 percent; the proceeds of this note were used to pay off the outstanding Rural Development Bond.	1,577,440	-	77,580	1,499,860	80,840
Compensated Absences - Water and Sewer Fund	<u>105,723</u>	<u>-</u>	<u>814</u>	<u>104,909</u>	<u>-</u>
Subtotal	35,614,380	-	486,708	35,127,672	544,154
Less: Unamortized Discount on Series 2008B Bonds	<u>(322,006)</u>	<u>-</u>	<u>(12,880)</u>	<u>(309,126)</u>	<u>(12,880)</u>
Total Business-Type Activities	<u>35,292,374</u>	<u>-</u>	<u>473,828</u>	<u>34,818,546</u>	<u>531,274</u>
Total Primary Government	<u>\$ 67,125,926</u>	<u>\$ 815,680</u>	<u>\$ 2,780,121</u>	<u>\$ 65,161,485</u>	<u>\$ 2,857,660</u>

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Component Unit School Board					
Governmental Activities					
Operating Fund					
Compensated Absences - School Board	\$ 289,916	\$ 9,418	\$ -	\$ 299,334	\$ -
Net OPEB obligation	<u>1,226,294</u>	<u>35,397</u>	<u>-</u>	<u>1,261,691</u>	<u>-</u>
 Total Component Unit School Board	 \$ 1,516,210	 \$ 44,815	 \$ -	 \$ 1,561,025	 \$ -

12 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2014 is determined as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Component</u> <u>Unit</u> <u>School Board</u>
Net Investment in Capital Assets			
Cost of capital assets	\$ 74,154,022	\$ 54,379,574	\$ 17,794,543
Less: Accumulated depreciation	<u>(23,193,524)</u>	<u>(16,213,781)</u>	<u>(11,206,517)</u>
Book value	50,960,498	38,165,793	6,588,026
Less: Capital related debt	<u>(28,290,566)</u>	<u>(35,022,763)</u>	<u>-</u>
Add: Unamortized discount	-	309,126	-
Less: Unamortized debt issuance premium	<u>(445,228)</u>	<u>-</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 22,224,704</u>	<u>\$ 3,452,156</u>	<u>\$ 6,588,026</u>

13 Deferred Inflows of Resources

Deferred inflows of resources from unavailable property taxes, landfill fees, and school grants are comprised of the following:

Deferred Inflows of Resources

	<u>Primary</u> <u>Government -</u> <u>General Fund</u>	<u>Component</u> <u>Unit School</u> <u>Board</u>
Delinquent taxes not collected within 60 days	\$ 857,767	\$ -
Unexpended grants	-	143,745
Prepaid property taxes - property taxes paid in advance	45,627	-
Delinquent landfill fees not collected within 60 days	<u>322,709</u>	<u>-</u>
 Totals	 <u>\$ 1,226,103</u>	 <u>\$ 143,745</u>

14 Risk Management

The County and School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Both participate in VACo (Virginia Association of Counties). Also, see Note 18 for Surety Bond Information.

15 Commitments and Contingencies

Federal programs in which the County and all discretely presented component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

16 Litigation

At June 30, 2014, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions or pending matters not be favorable to such entities.

17 Legal Compliance

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Estate	<u>\$ 1,343,689,600</u>
Debt Limit - 10 Percent of Total Assessed Value	\$ 134,368,960
Amount of Debt Applicable to Debt Limit	
General Obligation Debt	<u>63,313,329</u>
Legal Debt Margin	<u>\$ 71,055,631</u>

18 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, 2014:

Division of Risk Management/AON

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

The following are insured/bonded through policies purchased by the School Board and County, respectively:

Zurich North America

Dr. Alvera J. Parrish, Superintendent of Schools and Clerk of School Board	\$ 10,000
Dr. Wayne K. Smith, Assistant Superintendent of Schools	10,000

Selective Insurance - Surety

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

19 Appropriation to School from General Fund

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

Appropriation from General Fund	<u>\$ 11,034,089</u>
Total Appropriation per Fund Financial Statements	11,034,089
Depreciation on new school buildings	386,458
New capital lease proceeds for school buses	449,504
Debt on school buildings belonging to General Fund paid by School Fund	<u>(2,255,736)</u>
Appropriation to School Fund per Government-Wide Financial Statements	<u><u>\$ 9,614,315</u></u>

20 Pension Plan

A. Plan Description

<i>Name of Plan:</i>	Virginia Retirement System (VRS)
<i>Identification of Plan:</i>	Agent and Cost-Sharing Multiple-Employer Pension Plan
<i>Administering Entity:</i>	Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has different eligibility and benefit structures as set out in the table below:

VRS PLAN 1

About VRS Plan 1

VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Eligible Members

Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

VRS PLAN 2

About VRS Plan 2

VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Eligible Members

Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")

- The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

****Non-Eligible Members***

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

**VRS
PLAN 1**

Retirement Contributions

Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service

Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

**VRS
PLAN 2**

Retirement Contributions

Same as VRS Plan 1.

Creditable Service

Same as VRS Plan 1.

Vesting

Same as VRS Plan 1.

**HYBRID
RETIREMENT PLAN**

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service

Defined Benefit Component:

Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit.

Defined Contribution Component:

Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70 1/2.

**VRS
PLAN 1**

Calculating the Benefit

The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

Normal Retirement Age

Age 65.

Earliest Unreduced Retirement Eligibility

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility

Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

**VRS
PLAN 2**

Calculating the Benefit

See definition under VRS Plan 1.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.

Normal Retirement Age

Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility

Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

**HYBRID
RETIREMENT PLAN**

Calculating the Benefit

Defined Benefit Component:

See definition under VRS Plan 1.

Defined Contribution Component:

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Normal Retirement Age

Defined Benefit Component:

Same as VRS Plan 2.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**VRS
PLAN 1**

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility:

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased, or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**VRS
PLAN 2**

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as VRS Plan 1

Exceptions to COLA Effective Dates:

Same as VRS Plan 1

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it is earned, purchased, or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**HYBRID
RETIREMENT PLAN**

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as VRS Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as VRS Plan 1 and VRS Plan 2

Exceptions to COLA Effective Dates:

Same as VRS Plan 1 and VRS Plan 2

Disability Coverage

Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**VRS
PLAN 1**

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

**VRS
PLAN 2**

Purchase of Prior Service

Same as VRS Plan 1

**HYBRID
RETIREMENT PLAN**

Purchase of Prior Service

Defined Benefit Component:

Same as VRS Plan 1

Defined Contribution Component:

Not applicable

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid 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 2014 was **14.49%** of annual covered payroll. The Component Unit School Board's contribution rate for nonprofessional employees for the fiscal year ended 2014 was **4.41%** of annual covered payroll. The Component Unit School Board contributed **\$1,434,122** to the teacher cost-sharing pool at a rate of **11.66%** for the employer share.

C. Annual Pension Cost

For fiscal year 2014, County's annual pension cost of **\$1,033,858** and **\$39,383** for the County and the County School Board nonprofessionals, respectively, **was** equal to the County and County School Board's required and actual contributions.

Three-Year Trend Information for County

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 799,277	100.0%	\$ -
June 30, 2013	1,024,662	100.0%	-
June 30, 2014	1,033,858	100.0%	-

Three-Year Trend Information for Non-Professional School Board

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 24,811	100.0%	\$ -
June 30, 2013	40,697	100.0%	-
June 30, 2014	39,383	100.0%	-

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of **7.00%**, (b) projected salary increases ranging from **3.75% to 5.60%** per year for general government employees, **3.75% to 6.20%** per year for teachers, and **3.50% to 4.75%** for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of **2.50%** per year for Plan 1 employees and **2.25%** for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of **2.50%**. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was **74.95%** funded. The actuarial accrued liability for benefits was **\$34,527,563**, and the actuarial value of assets was **\$25,876,860**, resulting in an unfunded actuarial accrued liability (UAAL) of **\$8,650,703**. The covered payroll (annual payroll of active employees covered by the plan) was **\$6,894,663**, and ratio of the UAAL to the covered payroll was **125.47%**.

For the nonprofessional School Board, as of June 30, 2013, the most recent actuarial valuation date, the plan was **102.75%** funded. The actuarial accrued liability for benefits was **\$3,802,942**, and the actuarial value of assets was **\$3,907,521**, resulting in an unfunded actuarial accrued liability (UAAL) of **\$(104,579)**. The covered payroll (annual payroll of active employees covered by the plan) was **\$923,755**, and ratio of the UAAL to the covered payroll was **(11.32)%**.

The schedule of funding progress, presented below, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for County

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Southampton County						
June 30, 2011	\$25,471,990	\$33,788,317	\$8,316,327	75.39%	\$6,904,468	120.45%
June 30, 2012	25,087,651	35,271,171	10,183,520	71.13%	7,099,949	143.43%
June 30, 2013	25,876,860	34,527,563	8,650,703	74.95%	6,894,663	125.47%
Southampton County School Board						
June 30, 2011	\$3,853,178	\$3,972,247	\$119,069	97.00%	\$984,012	12.10%
June 30, 2012	3,796,912	3,892,160	95,248	97.55%	993,045	9.59%
June 30, 2013	3,907,521	3,802,942	(104,579)	102.75%	923,755	(11.32%)

This information presented in the above 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, 2013	June 30, 2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed	Level Percent of Pay, Closed
Payroll Growth Rate	3.00%	3.00%
Remaining Amortization Period	30 Years (Decreasing by one each year in subsequent valuations until reaching 0 years)	30 Years (Decreasing by one each year in subsequent valuations until reaching 0 years)
Asset Valuation Method	Five-Year Smoothed Market Value	Five-Year Smoothed Market Value
Actuarial Assumptions		
a. Investment Rate of Return*	7.00%	7.00%
b. Projected Salary Increases*		
1) Non-LEO Members	3.50% to 5.35%	3.50% to 5.35%
2) LEO Members	3.50% to 4.75%	3.50% to 4.75%
c. Cost-of-Living Adjustments		
1) Plan 1 Members	2.50%	2.50%
2) Plan 2 Members	2.25%	2.25%

*Includes inflation of 2.5%

21 Other Postemployment Benefits (OPEB)—Healthcare

Plan Description

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

Cash and Cash Equivalents

The County and School Board have established an OPEB Trust Fund for funding a portion of the costs for their OPEB plans. These funds are accounted for in an individual agency fund of the County. As of June 30, 2014, the balances in these accounts were \$458,308 and \$549,608 for the County and the School Board, respectively, giving a total of \$1,007,916.

Funding Policy

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

Net OPEB Obligations and Annual OPEB Cost

This summary identifies the value of benefits at July 1, 2013 and costs for the fiscal years through June 30, 2014, reflecting the partial funding approach, utilizing a discount rate of 7.25 percent (10-Year Phase In), and amortizing the Unfunded Actuarial Accrued Liability as a level of percentage of payroll. A summary of the net OPEB obligation is as follows:

	<u>County</u>	<u>Component Unit School Board</u>
Annual OPEB Cost (Expense)		
Annual Required Contribution (ARC)	\$ 246,103	\$ 269,915
Adjustments	<u>27,123</u>	<u>34,242</u>
Annual OPEB Cost (Expense)	273,226	304,157
Contributions Made		
To Trust Fund	(130,000)	(155,000)
Implicit rate subsidy	<u>(71,197)</u>	<u>(113,760)</u>
Increase in Net OPEB Obligation	72,029	35,397
Net OPEB Obligation - Beginning of Year	<u>971,319</u>	<u>1,226,294</u>
Net OPEB Obligation - End of Year	<u>\$ 1,043,348</u>	<u>\$ 1,261,691</u>

Three-year trend information is as follows:

County				
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>	
6/30/12	\$ 311,278	33.09%	\$ 829,454	
6/30/13	330,865	40.00%	971,319	
6/30/14	273,226	47.58%	1,043,348	

Component Unit School Board				
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>	
6/30/12	\$ 348,903	36.40%	\$ 1,075,503	
6/30/13	373,956	35.00%	1,226,294	
06/30/14	304,157	50.96%	1,261,691	

Valuation information is as follows:

County

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Liability (AAL) - Projected Unit Credit</u> (b)	<u>Unfunded AAL (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percentage of Covered Payroll</u> (b-a)/(c)
7/1/2009	\$ 16,000	\$ 1,734,745	\$ 1,718,745	0.92%	\$ 5,954,054	28.87%
7/1/2011	72,307	2,247,534	2,175,227	3.22%	6,009,054	36.20%
7/1/2013	281,075	2,384,720	2,103,645	11.79%	6,840,978	30.75%

Component Unit School Board

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Liability (AAL) - Projected Unit Credit</u> (b)	<u>Unfunded AAL (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percentage of Covered Payroll</u> (b-a)/(c)
7/1/2009	\$ 29,000	\$ 3,178,280	\$ 3,149,280	0.91%	\$ 9,694,574	32.48%
7/1/2011	121,812	3,745,578	3,623,766	3.25%	10,553,139	34.34%
7/1/2013	365,056	3,464,469	3,099,413	10.54%	12,047,846	25.73%

Virginia Retirement System (VRS)

Plan Description

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

Summary of Main Benefit Provisions as Interpreted for Valuation Purposes

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Health Insurance Credit Program

Schedule of Funding Progress for County

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
		Actuarial Accrued				
Actuarial Valuation Date	Actuarial Value of Assets	Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2011	\$ 153,724	\$ 140,314	\$ (13,410)	109.56%	\$ 2,675,001	-0.50%
June 30, 2012	146,368	141,614	(4,754)	103.36%	3,066,361	-0.16%
June 30, 2013	153,388	142,556	(10,832)	107.60%	2,129,302	-0.51%

Valuation Date June 30, 2013

Actuarial Cost Method Entry Age Normal

Amortization Method Level Percentage of Pay, Closed

Remaining Amortization Period 30 Years

Asset Valuation Method Market Value of Assets

Actuarial Assumptions

Investment Rate of Return¹ 7.00%

Payroll Growth Rate 3.00%

¹Includes inflation at 2.5%

22 Fund Balances – Governmental Funds

As of June 30, 2014, fund balances are composed of the following:

Primary Government

<u>Fund</u>	<u>Restricted for</u>	<u>Amount</u>
Capital Projects Utility Tax Fund	Restricted for construction	\$ 1,517,283
Forfeiture Fund	Subsequent years' appropriations	248,846
Law Library Fund	Subsequent years' appropriations	17,791
Canteen Fund	Subsequent years' appropriations	58,858
Inmate Fund	Subsequent years' appropriations	185,672
Total Restricted Funds		<u>\$ 2,028,450</u>

Component Unit School Board

<u>Fund</u>	<u>Restricted for</u>	<u>Amount</u>
School Endowment Fund	School use only	<u>\$ 23,769</u>
<u>Fund</u>	<u>Assigned for</u>	<u>Amount</u>
School Food Fund	School cafeteria operations	<u>\$ 87,238</u>

23 Implementation of GASB Statement No. 65

The County implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year ended June 30, 2014. These statements required changes in account captions in the Statements of Net Position.

REQUIRED SUPPLEMENTARY INFORMATION



County of Southampton, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2014

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real property taxes	\$ 9,874,185	\$ 9,874,185	\$ 9,598,304	\$ (275,881)
Mobile home taxes	55,165	55,165	51,683	(3,482)
Personal property taxes	3,764,670	3,764,670	3,656,684	(107,986)
Public service corporation property taxes	1,012,087	1,012,087	1,071,217	59,130
Machinery and tools taxes	347,678	347,678	374,800	27,122
Farm implement/machinery seasonal taxes	460,317	460,317	512,193	51,876
Merchants' capital and contractors' equipment	154,432	154,432	158,681	4,249
Delinquent taxes	571,000	571,000	658,912	87,912
Interest on taxes	125,741	128,722	151,199	22,477
Penalties and fees on late taxes	176,000	201,110	264,184	63,074
Total General Property Taxes	16,541,275	16,569,366	16,497,857	(71,509)
Other Local Taxes				
Local sales and use taxes	636,571	636,571	548,427	(88,144)
Consumption tax	47,357	47,357	62,865	15,508
Bank stock tax	-	-	2,561	2,561
Transient occupancy tax	9,000	9,000	11,253	2,253
Business license taxes	143,700	143,700	217,011	73,311
Motor vehicle licenses	413,789	413,789	399,582	(14,207)
Tax on recordation and wills	120,000	120,000	109,470	(10,530)
Total Other Local Taxes	1,370,417	1,370,417	1,351,169	(19,248)
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	16,500	16,500	17,602	1,102
Building permits	96,031	96,031	-	(96,031)
Other permits, licenses, and fees	7,730	7,730	7,756	26
Total Permits, Privilege Fees, and Regulatory Licenses	120,261	120,261	25,358	(94,903)
Fines and Forfeitures	597,250	714,481	738,640	24,159
Revenue from Use of Money and Property	4,000	4,000	1,974	(2,026)
Charges for Services				
Miscellaneous	6,700	12,486	19,494	7,008
Service charges - tax exempt	3,500	3,500	6,242	2,742
School resource officer reimbursement	54,241	54,241	48,354	(5,887)
Reimbursements for utilities and salaries	60,000	212,327	231,015	18,688
Courthouse maintenance fees	23,000	23,000	31,380	8,380

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Commonwealth's Attorney - City of Franklin	22,000	22,000	22,000	-
Solid waste management	1,189,475	1,189,475	1,023,500	(165,975)
Ambulance transfers	350,000	353,080	468,596	115,516
Collection fee account	4,436	4,436	35,752	31,316
Total Charges for Services	1,713,352	1,874,545	1,886,333	11,788
Recovered Costs				
City of Franklin shared costs	203,920	203,920	203,920	-
Insurance claims	-	64,166	64,166	-
Miscellaneous recoveries	3,300	89,318	144,922	55,604
General obligation debt	2,250	2,250	2,250	-
Total Recovered Costs	209,470	359,654	415,258	55,604
Miscellaneous				
Miscellaneous	900	20,900	23,805	2,905
Industrial corridor tax revenue	692,892	692,892	772,665	79,773
Camp Campbell Foundation	-	69,000	69,000	-
Total Miscellaneous	693,792	782,792	865,470	82,678
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	66,000	66,000	82,265	16,265
Communication sales tax	575,000	575,000	559,505	(15,495)
Personal property tax relief act	2,346,261	2,346,261	2,346,261	-
Mobile home titling tax	15,000	15,000	26,826	11,826
Recordation and grantors' tax - State	43,799	43,799	31,715	(12,084)
Total Noncategorical Aid	3,046,060	3,046,060	3,046,572	512
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Commonwealth's Attorney	374,345	382,004	382,004	-
Sheriff and Sheriff's auto	2,590,508	2,666,287	2,726,287	60,000
Commissioner of the Revenue	94,086	94,086	95,621	1,535
Treasurer	79,540	79,540	80,610	1,070
Electoral Board and General Registrar	34,036	34,036	36,640	2,604
Clerk of Court	302,225	302,225	312,352	10,127
Jail operations	231,116	321,728	321,728	-
Miscellaneous State grants	-	7,381	12,507	5,126
Circuit court grant	-	14,200	14,200	-
PSAP grants	41,341	237,730	237,546	(184)
Litter Control Grant	-	14,265	14,265	-

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Emergency Medical Services	-	17,379	17,379	-
Governor's Opportunity Fund	-	200,000	200,000	-
Fire program allocation	-	92,409	92,409	-
Victim Witness Grant	53,246	53,246	52,533	(713)
Comprehensive Services Act	220,177	291,020	255,221	(35,799)
Total Categorical Aid	<u>4,020,620</u>	<u>4,807,536</u>	<u>4,851,302</u>	<u>43,766</u>
 Total Revenue from the Commonwealth of Virginia	 7,066,680	 7,853,596	 7,897,874	 44,278
Revenue from the Federal Government				
ARRA Byrne Grant	-	2,213	2,213	-
Historical Society Grant	-	55,925	67,449	11,524
Highway Safety Grant	-	23,155	22,010	(1,145)
Total Revenue from the Federal Government	<u>-</u>	<u>81,293</u>	<u>91,672</u>	<u>10,379</u>
 Total Intergovernmental Revenues	 <u>7,066,680</u>	 <u>7,934,889</u>	 <u>7,989,546</u>	 <u>54,657</u>
 Total Revenues	 28,316,497	 29,730,405	 29,771,605	 41,200

Expenditures

Current

General Government Administration

Board of Supervisors	210,317	210,317	208,379	1,938
County Administrator	216,123	262,995	259,623	3,372
Commissioner of Revenue	305,898	307,104	296,756	10,348
Treasurer	312,274	327,853	314,007	13,846
Data processing	377,722	422,903	412,066	10,837
Insurance	299,121	220,068	203,371	16,697
Accounting	229,204	211,782	210,677	1,105
Delinquent taxes	11,959	25,211	25,133	78
Board of Assessors	8,839	8,839	7,600	1,239
Board of Elections	151,872	152,322	143,224	9,098
Total General Government Administration	<u>2,123,329</u>	<u>2,149,394</u>	<u>2,080,836</u>	<u>68,558</u>

Judicial Administration

Circuit Court	34,227	41,958	39,522	2,436
General District Court	22,200	22,273	20,166	2,107
Magistrate	658	658	626	32
Victim Witness Assistance Program	74,188	74,379	73,629	750
Clerk of the Circuit Court	475,189	523,161	511,916	11,245
Sheriff - Bailiff	370,063	388,900	388,587	313
Courthouse Security	335,613	358,281	150,932	207,349
Commonwealth's Attorney	508,813	543,837	541,039	2,798
Total Judicial Administration	<u>1,820,951</u>	<u>1,953,447</u>	<u>1,726,417</u>	<u>227,030</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Public Safety</i>				
Sheriff's Department	1,686,047	1,971,576	2,228,534	(256,958)
Project Life Saver	-	12,584	825	11,759
School resource officer	53,394	53,394	46,009	7,385
Fire departments	303,892	401,388	400,735	653
Camp Campbell funds	-	69,000	69,000	-
Rescue squads	948,343	968,802	963,802	5,000
911	151,473	313,053	312,762	291
Wireless 911	48,387	52,288	52,157	131
Emergency services	140,356	169,777	167,260	2,517
Forestry	21,729	22,061	22,061	-
Detention	2,842,657	2,968,522	2,923,798	44,724
Probation	103,311	103,311	90,745	12,566
Inspections	114,271	224,909	224,096	813
Animal control	105,228	96,432	93,215	3,217
Medical Examiner	400	400	260	140
Total Public Safety	6,519,488	7,427,497	7,595,259	(167,762)
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	53,189	55,679	54,264	1,415
Refuse collection	758,556	767,338	752,658	14,680
Refuse disposal	1,091,000	1,091,453	1,087,959	3,494
Maintenance of buildings and grounds	503,197	528,343	511,136	17,207
Total Public Works	2,405,942	2,442,813	2,406,017	36,796
<i>Health and Welfare</i>				
Health Department	294,880	294,880	294,880	-
Mental health	66,876	66,876	66,876	-
Comprehensive services	361,385	470,408	456,699	13,709
Welfare and Social Services	10,733	10,733	10,733	-
Total Health and Welfare	733,874	842,897	829,188	13,709
<i>Education</i>				
Appropriation to public school system	11,040,669	11,040,669	11,034,089	6,580
Total Education	11,040,669	11,040,669	11,034,089	6,580
<i>Parks, Recreation, and Cultural</i>				
Regional library	229,772	229,772	229,772	-
Miscellaneous contributions	32,000	198,138	153,862	44,276
Total Parks, Recreation, and Cultural	261,772	427,910	383,634	44,276
<i>Community Development</i>				
Planning and community development	200,023	409,514	368,128	41,386
Economic development	125,000	125,000	125,000	-
Revenue sharing agreement	15,974	15,974	15,915	59
Soil and Water Conservation District and Chowan	9,768	151,509	151,509	-
Cooperative Extension Program	44,783	46,658	37,695	8,963
Total Community Development	395,548	748,655	698,247	50,408

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Debt Service</i>	-	-	-	-
Total Expenditures	<u>25,301,573</u>	<u>27,033,282</u>	<u>26,753,687</u>	<u>279,595</u>
Excess (Deficiency) of Revenues Over Expenditures	3,014,924	2,697,123	3,017,918	320,795
Other Financing Sources (Uses)				
Proceeds from long-term capital lease	-	-	275,463	275,463
Transfers in	108,000	143,187	143,187	-
Transfers out	<u>(3,583,488)</u>	<u>(3,583,488)</u>	<u>(3,520,594)</u>	<u>62,894</u>
Total Other Financing Sources (Uses)	<u>(3,475,488)</u>	<u>(3,440,301)</u>	<u>(3,101,944)</u>	<u>338,357</u>
Net Change in Fund Balance before Transfer from Surplus	(460,564)	(743,178)	(84,026)	659,152
Transfer from Surplus Funds	<u>460,564</u>	<u>778,365</u>	-	<u>(778,365)</u>
Net Change in Fund Balance after Transfer from Surplus	<u>\$ -</u>	<u>\$ 35,187</u>	(84,026)	<u>\$ (119,213)</u>
Fund Balance - Beginning of Year			<u>3,927,758</u>	
Fund Balance - End of Year			<u>\$ 3,843,732</u>	

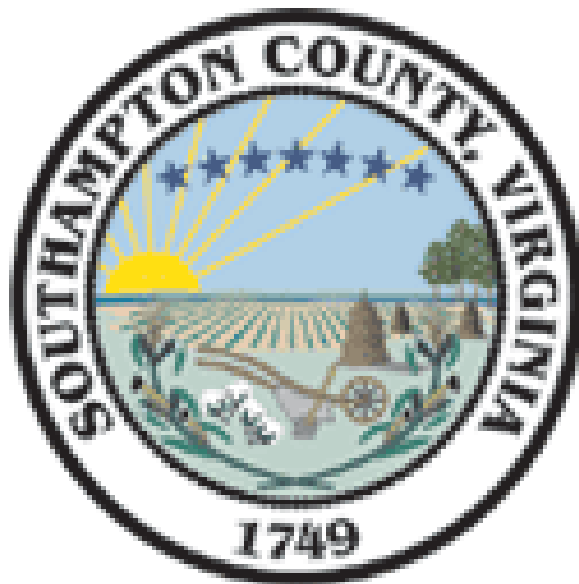
Public Assistance Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental				
Revenue from the Commonwealth of Virginia	\$ 565,000	\$ 565,000	\$ 564,477	\$ (523)
Revenue from the Federal Government	<u>1,372,065</u>	<u>1,372,065</u>	<u>1,222,369</u>	<u>(149,696)</u>
Total Intergovernmental Revenues	<u>1,937,065</u>	<u>1,937,065</u>	<u>1,786,846</u>	<u>(150,219)</u>
Total Revenues	1,937,065	1,937,065	1,786,846	(150,219)
Expenditures				
Current				
<i>Health and Welfare</i>				
Welfare and Social Services	<u>2,266,575</u>	<u>2,266,575</u>	<u>2,053,462</u>	<u>213,113</u>
Total Expenditures	<u>2,266,575</u>	<u>2,266,575</u>	<u>2,053,462</u>	<u>213,113</u>
Excess (Deficiency) of Revenues Over Expenditures	(329,510)	(329,510)	(266,616)	62,894
Other Financing Sources (Uses)				
Transfers in	<u>329,510</u>	<u>329,510</u>	<u>266,616</u>	<u>(62,894)</u>
Total Other Financing Sources (Uses)	<u>329,510</u>	<u>329,510</u>	<u>266,616</u>	<u>(62,894)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

Capital Projects - Utility Tax Building Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Other Local Taxes				
Utility taxes	\$ 493,108	\$ 493,108	\$ 509,364	\$ 16,256
Meals taxes	<u>158,000</u>	<u>158,000</u>	<u>158,835</u>	<u>835</u>
Total Other Local Taxes	651,108	651,108	668,199	17,091
Revenue from Use of Money and Property				
Interest income	-	-	184	184
Lease income	100,000	100,000	75,000	(25,000)
Rental of property	<u>60,556</u>	<u>60,556</u>	<u>60,556</u>	<u>-</u>
Total Revenue from Use of Money and Property	160,556	160,556	135,740	(24,816)
Miscellaneous	4,920	5,331	14,732	9,401
Intergovernmental				
Revenue from the Virginia Resources Authority	-	450	450	-
Revenue from the Virginia Dept. of Transportation	<u>-</u>	<u>192,753</u>	<u>192,753</u>	<u>-</u>
Total Intergovernmental Revenues	<u>-</u>	<u>193,203</u>	<u>193,203</u>	<u>-</u>
Total Revenues	816,584	1,010,198	1,011,874	1,676
Expenditures				
Current				
Public safety - fire and rescue projects	455,500	455,500	56,000	399,500
Judicial Administration - Courthouse security project	65,000	65,000	9,110	55,890
Public safety - vehicles	45,122	45,122	44,321	801
Public works - refuse	44,000	44,000	19,032	24,968
Capital outlay - Turner Tract	-	1,820,835	1,797,335	23,500
Debt service	<u>1,238,596</u>	<u>1,241,507</u>	<u>1,239,529</u>	<u>1,978</u>
Total Expenditures	<u>1,848,218</u>	<u>3,671,964</u>	<u>3,165,327</u>	<u>506,637</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,031,634)	(2,661,766)	(2,153,453)	508,313
Other Financing Sources (Uses)				
Transfers in	<u>631,288</u>	<u>631,288</u>	<u>631,288</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>631,288</u>	<u>631,288</u>	<u>631,288</u>	<u>-</u>
Net Change in Fund Balance Before Reserve	(400,346)	(2,030,478)	(1,522,165)	508,313
From Reserve Funds	<u>400,346</u>	<u>2,030,478</u>	<u>-</u>	<u>(2,030,478)</u>
Net Change in Fund Balance After Reserve	<u>\$ -</u>	<u>\$ -</u>	(1,522,165)	<u>\$ (1,522,165)</u>
Fund Balance - Beginning of Year			<u>2,540,168</u>	
Fund Balance - End of Year			<u>\$ 1,018,003</u>	

OTHER SUPPLEMENTARY INFORMATION



County of Southampton, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2014

	<u>Forfeiture Fund</u>	<u>Law Library Fund</u>	<u>Canteen Fund</u>	<u>Inmate Fund</u>	<u>Total Other Governmental Funds</u>
Assets					
Cash and investments	\$ 253,511	\$ 18,190	\$ 61,180	\$ 186,332	\$ 519,213
Due from other governments	<u>-</u>	<u>43</u>	<u>-</u>	<u>-</u>	<u>43</u>
Total Assets	<u>\$ 253,511</u>	<u>\$ 18,233</u>	<u>\$ 61,180</u>	<u>\$ 186,332</u>	<u>\$ 519,256</u>
Liabilities					
Accounts payable and accrued liabilities	\$ 4,665	\$ 442	\$ 2,322	\$ 660	\$ 8,089
Total Liabilities	4,665	442	2,322	660	8,089
Fund Balance					
Restricted fund balance	<u>248,846</u>	<u>17,791</u>	<u>58,858</u>	<u>185,672</u>	<u>511,167</u>
Total Fund Balance	<u>248,846</u>	<u>17,791</u>	<u>58,858</u>	<u>185,672</u>	<u>511,167</u>
Total Liabilities and Fund Balance	<u>\$ 253,511</u>	<u>\$ 18,233</u>	<u>\$ 61,180</u>	<u>\$ 186,332</u>	<u>\$ 519,256</u>

County of Southampton, Virginia

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

Other Governmental Funds

At June 30, 2014

	<u>Federal Grants Fund</u>	<u>Forfeiture Fund</u>	<u>Law Library Fund</u>	<u>Canteen Fund</u>	<u>Inmate Fund</u>	<u>Total Other Governmental Funds</u>
Revenues						
Use of money and property	\$ -	\$ 605	\$ 5	\$ -	\$ -	\$ 610
Charges for services	-	-	3,962	84,315	-	88,277
Miscellaneous	-	-	-	-	167,496	167,496
Intergovernmental						
From the Commonwealth of Virginia	-	3,075	-	-	-	3,075
From the Federal Government	-	70,144	-	-	-	70,144
Total Revenues	-	73,824	3,967	84,315	167,496	329,602
Expenditures						
Current						
Judicial administration	-	-	6,801	-	-	6,801
Public safety	-	8,926	-	76,140	44,502	129,568
Total Expenditures	-	8,926	6,801	76,140	44,502	136,369
Excess (Deficiency) of Revenues Over Expenditures	-	64,898	(2,834)	8,175	122,994	193,233
Other Financing Sources (Uses)						
Transfers out	(35,187)	-	-	-	(108,000)	(143,187)
Total Other Financing Sources (Uses)	(35,187)	-	-	-	(108,000)	(143,187)
Net Change in Fund Balances	(35,187)	64,898	(2,834)	8,175	14,994	50,046
Fund Balance - Beginning of Year	35,187	183,948	20,625	50,683	170,678	461,121
Fund Balance - End of Year	\$ -	\$ 248,846	\$ 17,791	\$ 58,858	\$ 185,672	\$ 511,167

County of Southampton, Virginia

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

At June 30, 2014

	<u>Special Welfare</u>	<u>Non-Judicial Escrow</u>	<u>Cypress Escrow</u>	<u>Blackwater Regional Library</u>	<u>OPEB Trust Accounts</u>	<u>Totals</u>
Assets						
Cash	<u>\$41,522</u>	<u>\$ 2,004</u>	<u>\$ 8,063</u>	<u>\$ 257,119</u>	<u>\$1,007,916</u>	<u>\$ 1,316,624</u>
Liabilities						
Amounts held for others	<u>\$41,522</u>	<u>\$ 2,004</u>	<u>\$ 8,063</u>	<u>\$ 257,119</u>	<u>\$1,007,916</u>	<u>\$ 1,316,624</u>
Total Liabilities	<u>\$41,522</u>	<u>\$ 2,004</u>	<u>\$ 8,063</u>	<u>\$ 257,119</u>	<u>\$1,007,916</u>	<u>\$ 1,316,624</u>

County of Southampton, Virginia

Component Unit School Board

Combining Balance Sheet

At June 30, 2014

	School Operating Fund	School Food Services Fund	School Endowment Fund	Total Governmental Funds
Assets				
Cash and investments	\$ 3,150,595	\$ 114,987	\$ 23,769	\$ 3,289,351
Accounts receivable	79,235	-	-	79,235
Due from other governments	<u>1,008,647</u>	<u>36,169</u>	<u>-</u>	<u>1,044,816</u>
Total Assets	<u>\$ 4,238,477</u>	<u>\$ 151,156</u>	<u>\$ 23,769</u>	<u>\$ 4,413,402</u>
Liabilities				
Accounts payable	\$ 1,650,865	\$ -	\$ -	\$ 1,650,865
Accrued liabilities	<u>2,443,867</u>	<u>63,918</u>	<u>-</u>	<u>2,507,785</u>
Total Liabilities	4,094,732	63,918	-	4,158,650
Deferred Inflows of Resources				
Unexpended grants payable	<u>143,745</u>	<u>-</u>	<u>-</u>	<u>143,745</u>
Total Deferred Inflows of Resources	143,745	-	-	143,745
Fund Balance				
Restricted Fund Balance				
Endowment	-	-	23,769	23,769
Assigned Fund Balance				
Food services	<u>-</u>	<u>87,238</u>	<u>-</u>	<u>87,238</u>
Total Fund Balance	<u>-</u>	<u>87,238</u>	<u>23,769</u>	<u>111,007</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 4,238,477</u>	<u>\$ 151,156</u>	<u>\$ 23,769</u>	<u>\$ 4,413,402</u>

County of Southampton, Virginia

Component Unit School Board

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

At June 30, 2014

Total Fund Balances for Governmental Funds	\$ 111,007
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Total net position reported for governmental activities in the Statement of Net Position is different because:

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

Land	\$ 1,362,200
Buildings and improvements, net of depreciation	575,464
Furniture, equipment, and vehicles, net of depreciation	<u>4,650,362</u>

Total Capital Assets	6,588,026
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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 position are as follows:

Net OPEB obligation	(1,261,691)
Compensated absences	<u>(299,334)</u>

Total Liabilities	<u>(1,561,025)</u>
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Total Net Position of Governmental Activities	<u><u>\$ 5,138,008</u></u>
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County of Southampton, Virginia

Component Unit School Board

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

Year Ended June 30, 2014

	School Operating Fund	School Food Services Fund	School Endowment Fund	Total School Funds
Revenues				
Use of money and property	\$ -	\$ -	\$ 107	\$ 107
Charges for services	149,130	330,203	-	479,333
Miscellaneous	180,251	-	-	180,251
Recovered costs	501,693	-	-	501,693
Intergovernmental				
From County of Southampton, Virginia	11,034,089	-	-	11,034,089
From the Commonwealth of Virginia	16,825,285	22,580	-	16,847,865
From the Federal Government	<u>1,375,305</u>	<u>733,318</u>	<u>-</u>	<u>2,108,623</u>
 Total Revenues	 30,065,753	 1,086,101	 107	 31,151,961
Expenditures				
Education	28,259,521	1,123,366	-	29,382,887
Debt service	<u>2,255,736</u>	<u>-</u>	<u>-</u>	<u>2,255,736</u>
 Total Expenditures	 <u>30,515,257</u>	 <u>1,123,366</u>	 <u>-</u>	 <u>31,638,623</u>
 Excess of Revenues over Expenditures before Other Financing Sources (Uses)	 (449,504)	 (37,265)	 107	 (486,662)
Other Financing Sources (Uses)				
Proceeds of long-term capital lease	<u>449,504</u>	<u>-</u>	<u>-</u>	<u>449,504</u>
 Total Other Financing Sources (Uses)	 <u>449,504</u>	 <u>-</u>	 <u>-</u>	 <u>449,504</u>
 Net Change in Fund Balances	 -	 (37,265)	 107	 (37,158)
 Fund Balances - Beginning of Year	 <u>-</u>	 <u>124,503</u>	 <u>23,662</u>	 <u>148,165</u>
 Fund Balances - End of Year	 <u>\$ -</u>	 <u>\$ 87,238</u>	 <u>\$ 23,769</u>	 <u>\$ 111,007</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, 2014

Net Change in Fund Balances	\$ (37,158)
-----------------------------	-------------

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 position are as follows:

Net OPEB obligation	(35,397)
Compensated absences	(9,418)

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 capital outlays and dispositions exceeded depreciation expense in the current period.

349,541

Change in Net Position of Governmental Activities	<u>\$ 267,568</u>
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County of Southampton, Virginia

Component Unit School Board

Budgetary Comparison Schedule

Year Ended June 30, 2014

School Operating Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Charges for services	\$ 60,000	\$ 149,130	\$ 149,130	\$ -
Miscellaneous	-	296,640	180,251	(116,389)
Recovered costs	-	527,617	501,693	(25,924)
Intergovernmental				
From County of Southampton, Virginia	11,040,669	11,040,669	11,034,089	(6,580)
From the Commonwealth of Virginia	16,562,862	16,873,815	16,825,285	(48,530)
From the Federal Government	<u>1,488,337</u>	<u>1,579,284</u>	<u>1,375,305</u>	<u>(203,979)</u>
Total Revenues	29,151,868	30,467,155	30,065,753	(401,402)
Expenditures				
Current				
<i>Education</i>				
Instruction	19,247,649	20,276,420	19,134,584	1,141,836
Administration, attendance, and health	956,249	1,096,895	1,210,410	(113,515)
Transportation	2,885,679	2,621,861	3,071,365	(449,504)
Operation and maintenance	3,124,393	3,163,254	3,316,727	(153,473)
School food services	62,040	119,433	119,433	-
Facilities	154,026	315,474	315,423	51
Technology	459,841	611,827	1,091,579	(479,752)
Debt service	<u>2,261,991</u>	<u>2,261,991</u>	<u>2,255,736</u>	<u>6,255</u>
Total Expenditures	<u>29,151,868</u>	<u>30,467,155</u>	<u>30,515,257</u>	<u>(48,102)</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	(449,504)	<u>\$ (449,504)</u>
Other Financing Sources (Uses)				
Proceeds of long-term capital lease			<u>449,504</u>	
Total Other Financing Sources (Uses)			<u>449,504</u>	
Net Change in Fund Balance			-	
Fund Balance - Beginning of Year			<u>-</u>	
Fund Balance - End of Year			<u>\$ -</u>	

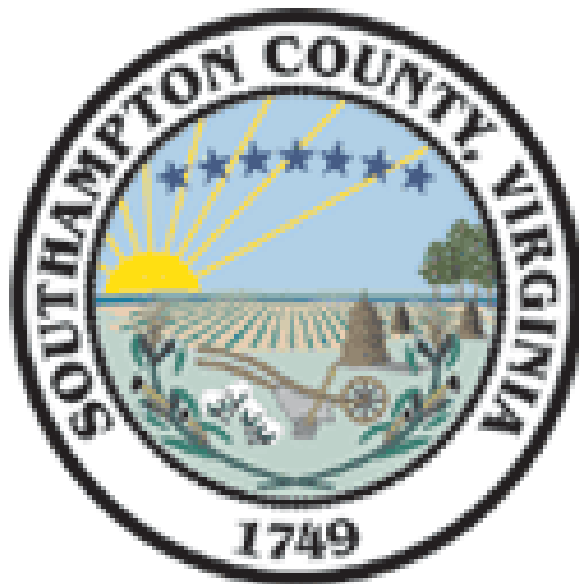
County of Southampton, Virginia

Jail Canteen and Other Revenue and Expense Information

Year Ended June 30, 2014

	<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	\$ 84,315	\$ 76,140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,315	\$ 76,140
Inmate Enterprise Fund #737	-	-	22,102	10,312	5,174	-	140,220	34,190	167,496	44,502
Total	<u>\$ 84,315</u>	<u>\$ 76,140</u>	<u>\$ 22,102</u>	<u>\$ 10,312</u>	<u>\$ 5,174</u>	<u>\$ -</u>	<u>\$ 140,220</u>	<u>\$ 34,190</u>	<u>\$ 251,811</u>	<u>\$ 120,642</u>

OTHER INFORMATION SECTION



County of Southampton, Virginia

General Governmental Revenues by Source⁽¹⁾

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Other Local Taxes</u>	<u>Permits, Privilege Fees, and Regulatory Licenses</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>	<u>Charges for Services</u>	<u>Miscellaneous</u>	<u>Recovered Costs</u>	<u>Inter-Governmental</u>	<u>Total</u>
2005	\$12,038,438	\$2,216,223	\$132,365	\$632,070	\$280,268	\$1,007,538	\$1,089,214	\$920,340	\$23,116,346	\$41,432,802
2006	13,390,066	2,262,388	196,550	708,708	442,329	1,071,819	960,685	694,662	24,279,301	44,006,508
2007	14,874,178	2,369,813	178,369	584,227	1,413,394	1,197,487	1,148,517	937,409	26,630,870	49,334,264
2008	15,579,133	2,345,943	129,129	656,971	1,407,587	1,147,654	1,077,308	970,097	27,211,900	50,525,722
2009	16,382,810	2,266,221	99,283	603,927	226,354	1,237,198	1,043,920	1,129,624	28,546,566	51,535,903
2010	16,321,948	2,249,072	128,209	625,133	99,322	1,267,856	951,159	947,657	28,363,955	50,954,311
2011	17,880,160	2,466,909	121,723	640,231	129,008	1,193,571	1,055,396	1,232,737	25,872,866	50,592,601
2012	18,300,902	2,413,080	139,286	632,501	78,918	1,290,027	1,006,612	1,091,047	25,556,713	50,509,086
2013	16,032,974	2,076,676	130,959	719,987	123,004	2,133,770	1,037,313	1,870,729	28,533,347	52,658,759
2014	16,497,857	2,019,368	25,358	738,640	138,431	2,453,943	1,227,949	916,951	28,999,302	53,017,799

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

Note: Personal Property Tax Relief Act (PPTRA) is being reported as Intergovernmental Revenue instead of General Property Taxes.

County of Southampton, Virginia

General Governmental Expenditures by Function⁽¹⁾

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>	<u>Education</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
2005	\$1,732,990	\$1,032,057	\$5,799,765	\$1,897,775	\$2,266,718	\$24,794,037	\$194,188	\$1,396,781	\$ -	\$2,064,429	\$41,178,740
2006	1,510,473	1,039,566	7,320,128	1,830,291	2,412,488	26,179,344	206,377	1,082,759	-	2,318,849	43,900,275
2007	1,604,512	1,468,616	8,031,351	2,118,186	2,580,711	28,672,977	217,948	996,896	2,418,121	2,720,816	50,830,134
2008	1,723,732	1,485,902	6,920,199	2,604,289	2,708,076	29,393,059	265,910	2,630,318	10,982,958	3,424,807	62,139,250
2009	2,001,505	1,621,781	6,889,435	2,545,408	3,070,897	30,595,432	337,016	734,563	3,309,622	4,093,102	55,198,761
2010	1,924,123	1,583,442	6,789,787	3,056,131	3,241,370	29,369,532	322,963	779,305	680,140	3,907,127	51,653,920
2011	1,953,705	1,538,605	7,116,500	2,624,589	3,172,496	29,290,655	290,107	523,419	3,188,048	4,187,328	53,885,452
2012	2,292,723	1,559,984	6,934,012	2,636,254	3,004,826	29,927,233	292,862	565,563	340,642	3,812,796	51,366,895
2013	2,197,482	1,678,682	7,019,697	2,443,846	2,860,107	29,015,475	380,000	3,313,891	-	3,581,984	52,491,164
2014	2,080,836	1,733,218	7,834,258	2,425,049	2,882,650	29,382,887	383,634	2,495,582	-	3,495,265	52,713,379

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

County of Southampton, Virginia

Assessed Value of Taxable Property

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Machinery and Tools⁽¹⁾</u>	<u>Merchant's Capital</u>	<u>Public Service Corporation</u> <u>Real Estate</u>	<u>Personal Property</u>	<u>Total</u>
2005	\$868,693,000	\$115,859,855	\$11,230,823	\$43,779,916	\$5,689,205	\$93,010,785	\$61,823	\$1,138,325,407
2006	888,219,800	125,537,532	11,712,889	45,603,562	5,805,897	96,037,773	56,626	1,172,974,079
2007	1,247,276,700	139,633,432	10,580,097	48,236,403	6,136,426	114,173,976	58,881	1,566,095,915
2008	1,262,490,400	139,460,957	10,772,297	46,134,347	5,659,225	98,111,716	66,449	1,562,695,391
2009	1,285,434,300	142,850,802	10,685,985	43,374,015	6,100,633	88,019,964	43,363	1,576,509,062
2010	1,282,273,000	127,448,482	10,837,391	43,918,406	9,864,305	101,407,727	85,981	1,575,835,292
2011	1,293,700,800	131,828,952	10,675,953	44,052,047	11,198,575	113,116,206	68,031	1,604,640,564
2012	1,299,862,900	132,534,753	10,495,150	43,893,776	10,199,919	112,595,293	61,432	1,609,643,223
2013	1,337,723,000	137,133,629	7,658,626	43,576,110	10,234,997	134,364,168	87,128	1,670,777,658
2014	1,343,689,600	136,417,586	7,793,192	48,160,345	10,617,374	141,762,740	258,152	1,688,698,989

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

Property Tax Rates - Last Ten Fiscal Years

Tax Rates per Hundred Dollars of Assessed Valuation

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Machinery and Tools</u>	<u>Farm Machinery and Seasonal</u>	<u>Merchant's Capital</u>	<u>Public Service Corporation</u> <u>Real Estate</u>	<u>Personal Property</u>
2005	.67	4.00	.67	2.40	1.95/1.25	.50	.67	4.00
2006	.74	4.00	.74	2.40	1.95/1.25	.50	.74	4.00
2007	.64	4.00	.64	2.40	1.95/1.25	.50	.64	4.00
2008	.68	4.00	.68	2.40	1.95/1.25	.50	.68	4.00
2009	.72	4.00	.72	2.40	1.95/1.25	.50	.72	4.00
2010	.72	4.50	.72	2.40	1.95/1.25	.50	.72	4.50
2011	.76	5.00	.76	2.40	1.95/1.25	.50	.76	5.00
2012	.77	5.00	.77	2.40	1.95/1.25	.50	.77	5.00
2013	.75	5.00	.75	2.40	1.95/1.25	.50	.75	5.00
2014	.75	5.00	.75	2.40	1.95/1.25	.50	.75	5.00

County of Southampton, Virginia

Property Tax Levies and Collections

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u> ⁽¹⁾	<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>
2005	\$11,708,655	\$11,489,404	98.13%	\$277,028	\$11,766,432	100.49%	\$753,549	6.44%
2006	12,949,887	12,771,772	98.62%	297,024	13,068,796	100.92%	816,160	6.30%
2007	14,935,391	14,258,992	95.47%	370,860	14,629,852	97.95%	915,964	6.13%
2008	15,476,133	15,062,780	97.33%	270,553	15,333,333	99.08%	1,028,548	6.65%
2009	16,084,440	15,692,945	97.57%	449,877	16,142,822	100.36%	1,123,198	6.98%
2010	16,143,974	15,492,497	95.96%	536,310	16,028,807	99.29%	1,436,610	8.90%
2011	17,709,212	16,778,761	94.75%	701,801	17,480,562	98.71%	1,433,684	8.10%
2012	17,932,688	17,318,765	96.58%	579,172	17,897,937	99.81%	1,410,615	7.87%
2013	18,221,824	17,572,558	96.44%	164,117	17,736,675	97.34%	1,352,238	7.42%
2014	18,441,331	17,769,823	96.36%	658,912	18,428,735	99.93%	1,500,452	8.14%

(1) Included PPTRA (Personal Property Tax Relief Act) money from the state.

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>
2005	17,482	\$1,138,325	\$22,129,882	.0194	\$1,266
2006	17,482	1,172,974	20,319,234	.0173	1,162
2007	17,482	1,566,096	47,898,504	.0306	2,740
2008	17,482	1,562,695	46,178,356	.0296	2,641
2009	17,482	1,576,510	75,287,113	.0478	4,307
2010	18,570	1,575,836	72,726,353	.0462	3,916
2011	18,570	1,604,641	69,913,304	.0436	3,765
2012	18,570	1,609,643	67,354,628	.0418	3,627
2013	18,570	1,670,778	65,503,771	.0392	3,527
2014	18,570	1,688,699	63,313,329	.0375	3,409

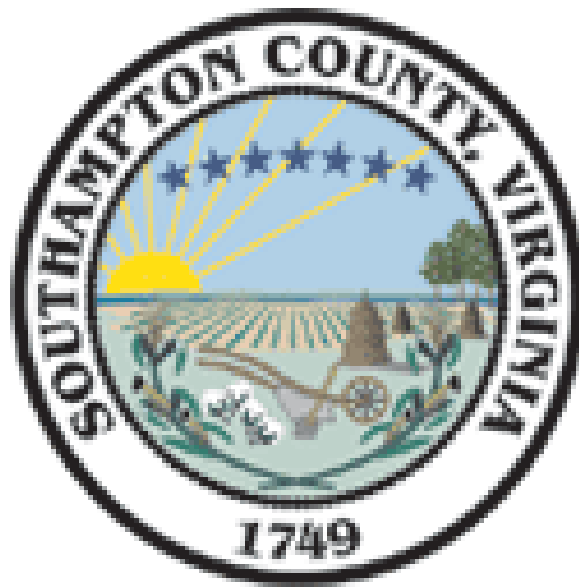
County of Southampton, Virginia

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.

COMPLIANCE SECTION





**Creedle
Jones
& Alga**

A Professional Corporation

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

To the Board of Supervisors
County of Southampton, Virginia

We have audited, in accordance with the 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 *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Southampton, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise County of Southampton, Virginia's basic financial statements and have issued our report thereon dated January 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Southampton, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Southampton, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Southampton, Virginia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

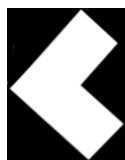
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
January 9, 2015



**Creedle
Jones
& Alga**

A Professional Corporation

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Supervisors
County of Southampton, Virginia

Report on Compliance for Each Major Federal Program

We have audited County of Southampton, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Southampton, Virginia's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of County of Southampton, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, *OMB Circular A-133*, and specifications require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Southampton, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of County of Southampton, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Southampton, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
January 9, 2015

County of Southampton, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Granting Agency/Recipient State Agency/ Grant Program	<u>Federal Catalog Number</u>	<u>State Agency Number</u>	<u>Expenditures</u>
U. S. Department of Agriculture			
Pass-Through Payments			
<i>State Department of Agriculture</i>			
Food Distribution - Schools	10.555	N/A	\$ 59,474
<i>Department of Social Services</i>			
Food Stamp Cluster			
Administration for Food Stamp Program	10.561	765	252,993
Total Food Stamp Cluster			252,993
<i>Department of Education</i>			
Child Nutrition Cluster			
National School Lunch Program	10.555	197	521,806
School Breakfast Program	10.553	197	211,512
Total Child Nutrition Cluster			733,318
Subtotal - U. S. Department of Agriculture			1,045,785
U. S. Department of Health and Human Services			
Pass-Through Payments			
<i>Department of Social Services</i>			
Child Care Cluster			
Child Care Mandatory and Matching Funds	93.596	765	41,480
Total Child Care Cluster			41,480
<i>Department of Social Services</i>			
Promoting Safe and Stable Families	93.556	765	15,264
Temporary Assistance to Needy Families	93.558	765	293,369
Refugee and Entrant Assistance	93.566	765	1,513
Low Income Home Energy Assistance	93.568	765	30,665
Headstart Wrap Around Childcare	93.575	765	(15)
Child Welfare Services	93.645	765	2,018
Foster Care - Title IV-E	93.658	765	74,000
Adoption Assistance	93.659	765	67,961
Chafee Foster Care Independence Program	93.674	765	2,525
Social Services Block Grant	93.667	765	210,803
State Children's Insurance Program	93.767	765	7,531
Medical Assistance Program (Medicaid; Title XIX)	93.778	765	222,262
Subtotal - U. S. Department of Health and Human Services			969,376

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
U. S. Department of Transportation			
Direct Payments			
Highway Planning and Construction - Historical Society Grant	20.205	N/A	67,449
Pass-Through Payments			
<i>Department of Motor Vehicles</i>			
Ground Transportation System	20.602	140	22,010
Subtotal - U. S. Department of Transportation			89,459
U. S. Department of Treasury			
Direct Payments			
Treasury Forfeiture Fund	21.000	N/A	70,144
Subtotal - U. S. Department of Treasury			70,144
U. S. Department of Justice			
Direct Payments			
ARRA Byrne Grants - Technology and Safety Grant	16.738	157	2,213
Subtotal - U. S. Department of Justice			2,213
Environmental Protection Agency			
Pass-Through Payments			
<i>Virginia Department of Health</i>			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	601	11,025
Subtotal - Environmental Protection Agency			11,025
U. S. Department of Education			
Pass-Through Payments			
<i>Department of Education</i>			
Special Education Cluster			
Special Education - Grants to States (Title VI Flow-Through)	84.027	197	521,541
Special Education - Preschool Grants (Title VI)	84.173	197	14,876
Total Special Education Cluster			536,417
Title I Cluster			
Title I	84.010	197	485,383
			485,383
Certification Exam and Perkins CTE Secondary	84.048	197	49,749
Title II Part A Improving Teacher Quality	84.367	197	121,640
Adult Literacy	84.002	197	46,136
Subtotal - U. S. Department of Education - School			1,239,325
U. S. Department of Labor			
Direct Payments - School			
Opportunity, Inc. Program 850	17.259	N/A	135,980
Subtotal - U. S. Department of Labor			135,980
Grand Totals			\$ 3,563,307

Notes to Schedule of Expenditures of Federal Awards

1. Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the County and is presented on the modified accrual basis of accounting. 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 basic financial statements.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the Schedule of Expenditures of Federal Awards.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule of Expenditures of Federal Awards.

Major Programs – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for the County were determined using a risk-based approach in accordance with OMB Circular A-133.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the accompanying schedule.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs.

2. Nonmonetary Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County consumed nonmonetary assistance in the form of food commodities. Commodities with a fair value of \$59,474 at the time received were consumed during the year ended June 30, 2014. These commodities were included in the determination of federal awards expended during the year ended June 30, 2014.

3. Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental Federal Revenues per the Basic Financial Statements

Primary Government

General Fund	\$ 91,672
Special Revenue Funds	
Virginia Public Assistance Fund	1,228,369
Forfeiture funds	70,144
Enterprise Fund - Water and Sewer Fund	<u>11,025</u>
Total Primary Government	1,401,210

Component Unit School Board

School Operating Fund	1,375,305
School Cafeteria Fund	<u>733,318</u>
Total Component Unit School Board	2,108,623

Add: Amounts Not Reported in Financial Statements

U. S. Department of Agriculture - Food Commodities	10.555	<u>59,474</u>
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Total Federal Expenditures per Basic Financial Statements	<u>\$ 3,569,307</u>
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Total Federal Expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 3,563,307</u>
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County of Southampton, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

1. SUMMARY OF AUDITOR'S RESULTS

- (a) The auditor's report expresses an **unmodified opinion** on the financial statements of the County of Southampton, Virginia.
- (b) **No deficiencies** relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- (c) **No instances of noncompliance** material to the financial statements of the County of Southampton, Virginia were disclosed during the audit.
- (d) **No deficiencies** relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by 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 **unmodified opinion** on all major federal programs.
- (f) There were **no audit findings** relative to the major federal award programs for the County of Southampton, Virginia to be reported in this schedule.
- (g) The programs tested as major programs included:
 - 1. **CFDA #10.555 and #10.553, Child Nutrition Cluster**
 - 2. **CFDA #84.027 and #84.173, Special Education Cluster**
 - 3. **CFDA #84.010, Title I**
- (h) The **threshold for** distinguishing Types A and B programs was **\$300,000**.
- (i) The County of Southampton, Virginia **was** determined to be a **low-risk auditee**.

2. FINDINGS - FINANCIAL STATEMENT AUDIT

None

3. FINDINGS AND QUESTIONED COSTS - MAJOR PROGRAMS AUDIT

None

County of Southampton, Virginia

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2014

FINANCIAL STATEMENTS

There were no findings in the prior year.