

COUNTY OF SURRY, VIRGINIA



ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2011

INTRODUCTORY SECTION

COUNTY OF SURRY, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

COUNTY OF SURRY, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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COUNTY OF SURRY, VIRGINIA

Board of Supervisors

Reginald O. Harrison, Chairperson

Ernest L. Blount
Judy S. Lyttle

M. Sherlock Holmes
John M. Seward

Social Services Board

Bishop Howard Daniels, Chairperson

Earlene Sprouse
Linda Lewis
M. Sherlock Holmes

Gladys Hardy
C. Perrnell Fields, Sr.
Troilen Seward

County School Board

Elsie Dennis, Chairperson

Gladys Harris
Audrey Byrd

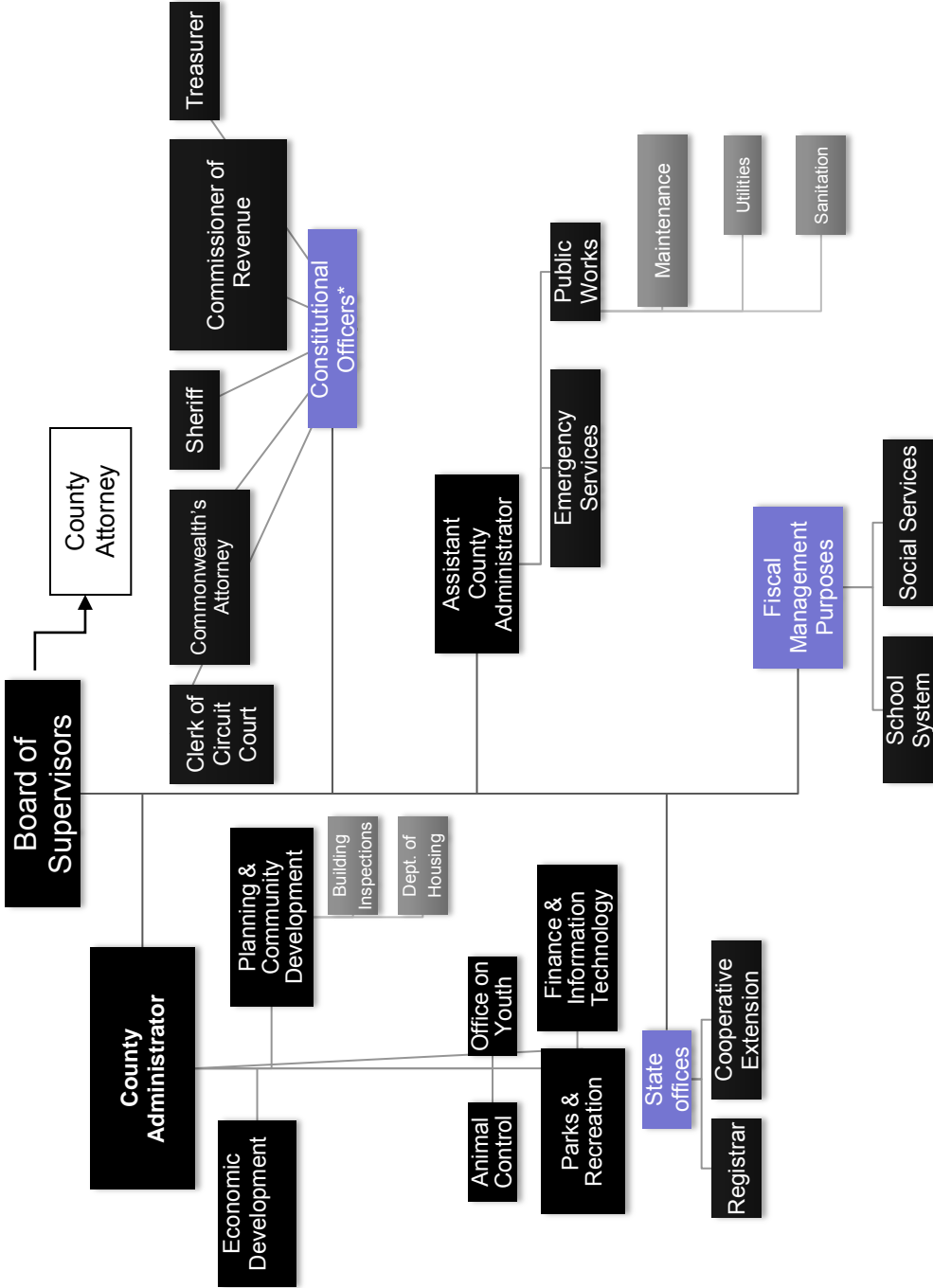
Laura Sheffield
Harold Jones

Other Officials

Judge of the Circuit Court
Clerk of the Circuit Court
Commonwealth's Attorney
Commissioner of the Revenue
Treasurer
Sheriff
Superintendent of Schools
Director of Social Services
County Administrator
Judge of the General District Court
Judge of the Juvenile and Domestic Relations Court
County Attorney

W. Allan Sharrett
Gail P. Clayton
Gerald G. Poindexter
Deborah J. Nee
Mary H. Shaw
Alvin Clayton
Lloyd Hamlin
Valerie Pierce
Tyrone W. Franklin
J. Larry Palmer
Carson Saunders
William Hefty

Surry County Organization Chart



**Employees of the Constitutional Officers fall under the County's personnel plan.*



"The Countrie it selfe, I must confesse is a very pleasant land, rich in commodities; and fertile in soyle..."

Samuel Argall, ca. 1609

Surry County
County Administrator's Office
P. O. Box 65
45 School Street
Surry, Virginia 23883

Mr. Tyrone W. Franklin

County Administrator

Telephone: (757) 294-5271

Fax: (757) 294-5204

Email: twfranklin@surrycountyva.gov

**The Honorable Members of the Board of Supervisors
County of Surry, Virginia**

Members of the Board:

I am pleased to submit to you the Annual Financial Report of Surry County (the "County") for the fiscal year ended June 30, 2011. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management of the County. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the County's financial statements are free of any material misstatements and are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP).

To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County. We believe that all disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included. It is important to add that staff is continuing its efforts to provide the highest standards of an internal control framework.

Section 15.2 2511 of the Code of Virginia requires that local governments have their financial records audited annually as of the end of the fiscal year by independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2011 are free of material misstatement. Robinson, Farmer Cox Associates (RFCA) performed this service and based upon the various audit testing performed, have issued an unqualified opinion on the County's financial statements for the year ended June 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management Discussion & Analysis (MD&A). It can be found immediately following the report of the independent auditors. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Sections of the Report

The annual financial report is presented in four sections in accordance with general accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board as follows:

- (1) **Introductory Section** – which contains the County's organizational structure and this transmittal letter

- (2) Financial Section – which consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, including the notes to the statements, required supplementary information and other supplementary information.
- (3) Statistical Section – which is unaudited and includes selected financial and demographic information generally presented on a multi-year basis
- (4) Compliance Section – which is comprised of the independent auditor's reports on internal control and compliance with applicable laws and regulations as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, the Schedule of Expenditures of Federal Awards with related notes and the Schedule of Findings and Questioned Costs.

Profile of the Government and its Services

The County of Surry, formed in 1652, is located strategically in southeastern Virginia, 10 miles south of Williamsburg, 50 miles southeast of Richmond and 40 miles northwest of Norfolk. The County covers 306 square miles and has a population of 7,058 persons (2010 Biennial Census). The greater proportion of the County's land area remains rural although areas of the County are experiencing moderate residential growth. The County of Surry is governed by a five-member Board of Supervisors elected by districts. The Board has overall administrative and legislative responsibilities including levying taxes, appropriating funds, approving and enforcing the County's Comprehensive Plan, making and enforcing ordinances and establishing policies. The County Administrator is appointed to implement the policy decisions of the Board and to direct the day to day activities of the County. In addition to the Board, other elected officials in the County government include the Clerk of Circuit Court, Commissioner of the Revenue, Commonwealth's Attorney, Sheriff and Treasurer.

The operation of the public school system is vested in a five-member elected School Board. The Board of Supervisors makes an annual appropriation to the School Board based upon an approved budget. Since the School Board is fiscally dependent on the County, the financial statements of the Surry Public School System are included as a component unit of the County in accordance with GASB Statement No. 14.

The County provides a full range of municipal services to include education, public safety (sheriff, animal control, building inspections, emergency services, volunteer fire protection and paid/volunteer rescue services), parks, recreation & cultural services and activities, public works, health and welfare administration, planning & community development and general administrative services. In addition, the County provides sewer services to approximately 131 residential and commercial customers in the Town of Dendron and four business customers in the Town of Surry. The Utilities Fund account for these operations.

Long-Term Financial Planning

The County employs the services of a financial advisor as needed to guide them through the long-term financial planning needed to address capital projects needs of the County. The Capital Improvements Program (CIP) is the County's strategy for investing in facilities, equipment and other significant improvements. Most of the current capital projects are funded through bank qualified loans and General Obligation Bonds issued by the County. Revenue bonds are primarily used to fund water and sewer improvements. Loan payments are usually repaid over twenty years, and the annual principal and interest payment is called "debt service". Debt service is budgeted for and paid out of the County's annual operating budget. Debt service on the School Board Component Unit traditionally has been budgeted within the School Fund, but reflected as an operating

expenditure from the General Fund for auditing purposes, since the School Division cannot legally issue debt. Future debt issuances associated with Education will be budgeted under the General Fund.

Financial Policies

Financial policies relative to debt as a percentage of assessed value and general fund expenditures help guide the Board's policymaking decisions on financing capital projects. The County's imposed policy states that the net debt ratio as a percentage of assessed value should not exceed 3.0%. The actual percentage is less than 1%. The total ratio of debt service as a percentage of general fund expenditures is 4.73%, below the established guideline of 10%.

The General Fund Balance is an important element in the financial position of the County. The unassigned General Fund Balance, which represents available current financial resources, totaled \$6.95 million at June 30, 2011. Uses of the unassigned fund balance are carefully evaluated to ensure that the balance will be sufficient to meet future obligations. In this case, a large portion is needed to finance operations of the County from July 1 through December 5 of each year. In addition, \$1.19 million of this amount was designated to the FY2011 operating and capital improvement budgets. With the unassigned General Fund balance at \$6.95 million, the County continues to maintain a sound financial position.

Major Initiatives and Significant Events in Fiscal Year 2011

Capital Projects

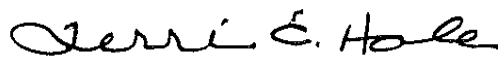
The County has substantially completed all capital project initiatives originally commenced in previous fiscal years. These projects included the courthouse/government center renovation project, acquisition of public safety equipment and fire station renovation, high school renovation project and the Elberon Heights Community Improvement Project. The Broadband Development Initiative will continue through FY2012 with up to \$310,000 in local funds allocated to the project matched with \$700,000 in state grant funds. The state funds were awarded to the County via competitive application for Community Development Block Grant funding in support of a broadband implementation project. It is anticipated that construction will begin in early 2012.

Acknowledgements

The preparation of this report could not be accomplished without the dedicated services of the Finance, Treasurer's and School Finance staff. We would like to express our appreciation to these departments and to the many other County departments who provided assistance to Robinson, Farmer, Cox Associates in preparation of a favorable financial report. We also give credit to the Board of Supervisors for their support, guidance and establishment of policies that further enhance sound financial management practices and operations.



Tyrone W. Franklin
County Administrator



Terri E. Hale
Director of Finance & Information Technology

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

To The Honorable Members of the Board of Supervisors
County of Surry
Surry, Virginia

We have audited the accompanying 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 the County of Surry, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Surry, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Surry, Virginia, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the County of Surry, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011, on our consideration of the County of Surry, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress 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 management's discussion and analysis and schedules of funding progress 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 management's discussion and analysis and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

A handwritten signature in black ink, appearing to read "R. F. Clark", followed by a long horizontal line.

Richmond, Virginia
December 22, 2011

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County of Surry, Virginia Annual Financial Report presents our Management Discussion and Analysis of the County's financial activities during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the transmittal letter in the beginning of this report and the County's basic financial statements, which follow this analysis.

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 consist of three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements (Full Accrual)

The government- wide statements report information about the County as a whole using accounting methods similar to those used by private sector companies (as required under governmental reporting, GASB Statement No. 34). Government wide financial statements consist of two statements: the Statement of Net Assets and the Statement of Activities, which include all the government's assets, liabilities, revenues and expenses using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or expenditures are paid.

The **Statement of Net Assets** presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **Statement of Activities** presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the primary event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the Statement of Net Assets and the Statement of Activities, the County is divided into three categories:

- *Governmental activities* – Includes most of the County's basic services such as public safety, general government and judicial administration, public works, health and welfare, community development and parks & recreation. These activities are financed by local tax revenue, state revenue including grants and federal revenue primarily for welfare administration and assistance.
- *Business-type activities* - The County charges user fees to customers to help cover the costs of certain services it provides. The County's Utilities Fund is included here.
- *Component Unit* - The County's Public School System is included as a separate legal entity in this report. The County is financially accountable for this "component unit" and provides operating support from local tax revenue. The Cafeteria Fund is also reported here.

Fund Financial Statements

Fund financial statements provide more detailed information about the County's most significant funds, not the County as a whole. Funds are used to keep track of specific sources of funding and spending for particular purposes. Some are required by state law; others are established to control and manage funds allocated for specific purposes. All of the funds of the

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

County can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements, reconciliation between the two methods is provided at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

The County maintains budgetary control over its operating funds. The primary objective of budgetary control is to ensure compliance with the legal provisions via budget resolutions embodied in the annual appropriated budget. Budgets are adopted on a fund level. To demonstrate compliance with the budget, a budgetary comparison statement is provided for the General Fund to include variance information. The County has two major governmental funds – the General Fund and the Capital Projects Fund.

Proprietary funds – Proprietary funds consist of enterprise funds. Enterprise funds are established to account for the delivery of goods and services to the general public and use the accrual basis of accounting, similar to private sector business. The Utilities Fund provides a centralized source for water/sewer services to County residents.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data included in the government-wide and fund financial statements. The notes also contain required supplementary information such as budgetary comparison schedules and presentation of combining financial statements for the discretely presented component unit - School Board. The School Board does not issue separate financial statements.

Required Supplementary Information

In addition to basic financial statements and notes, this report also presents budgetary comparison schedules.

Financial Analysis of the County as a Whole

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Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, governmental assets at June 30, 2011 exceeded liabilities by \$12.35 million, while business assets exceeded its liabilities by \$6.67 million. The following table provides comparative information on the County's net assets as of June 30, 2010 and June 30, 2011. (Exhibit 1)

County of Surry, Virginia's Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 13,011,163	\$ 11,861,949	\$ 8,696	\$ 4,549	\$ 13,019,859	\$ 11,866,498
Capital assets	20,996,469	21,968,458	6,664,789	6,873,964	27,661,258	28,842,422
Total assets	<u>\$ 34,007,632</u>	<u>\$ 33,830,407</u>	<u>\$ 6,673,485</u>	<u>\$ 6,878,513</u>	<u>\$ 40,681,117</u>	<u>\$ 40,708,920</u>
Current liabilities	\$ 928,486	\$ 612,421	\$ 29,259	\$ 45,812	\$ 957,745	\$ 658,233
Long-term liabilities:						
Due within one year	963,635	1,097,801	57,130	53,177	1,020,765	1,150,978
Due in more than one year	19,764,970	20,682,031	845,297	953,220	20,610,267	21,635,251
Total liabilities	<u>\$ 21,657,091</u>	<u>\$ 22,392,253</u>	<u>\$ 931,686</u>	<u>\$ 1,052,209</u>	<u>\$ 22,588,777</u>	<u>\$ 23,444,462</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 2,422,090	\$ 2,320,769	\$ 5,762,362	\$ 5,867,567	\$ 8,184,452	\$ 8,188,336
Unrestricted	9,928,451	9,117,385	(20,563)	(41,263)	9,907,888	9,076,122
Total net assets	<u>\$ 12,350,541</u>	<u>\$ 11,438,154</u>	<u>\$ 5,741,799</u>	<u>\$ 5,826,304</u>	<u>\$ 18,092,340</u>	<u>\$ 17,264,458</u>

Net Assets: Unrestricted net assets of governmental activities account for \$9.93 million or 80.38% of the County's net assets and is used to meet the County's ongoing obligations. The remaining balance of the County's governmental net assets (19.62%) is its investment in capital assets (e.g. land, buildings, systems, machinery and equipment, and infrastructure), less accumulated depreciation and any debt used to acquire those assets that remain outstanding at year-end. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Statement of Activities – Changes in Net Assets

The Statement of Activities illustrates the general revenue sources that support the various governmental operations.

Governmental Activities - Governmental activities increased the County's net assets by \$912,387 from \$11.44 million to \$12.35 million at June 30, 2011, as shown on the Statement of Activities. Key factors associated with the increase in net assets include:

- An increase of \$558,082 in public service corporation revenues resulting from higher assessments;
- An increase of \$87,661 in local sales and business license taxes; and
- Penalties and interest on delinquent general property taxes increased by \$16,174.

Business Type Activities - The net assets of the County's business-type activities decreased from \$5.83 million in FY2010 to \$5.74 million. This is primarily attributed to a decrease in the resources from capital grants and contributions restricted for the use of business type activities, in this case continuing operations of the County's Utilities Fund. The County's general fund provided \$277,520 in operational support for the Utilities Fund in FY2011. The following table shows the revenues and expenses of the governmental and business type activities. (Exhibit 2)

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Surry, Virginia's Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 173,396	\$ 152,375	\$ 60,662	\$ 45,582	\$ 234,058	\$ 197,957
Operating grants and contributions	2,204,458	2,315,618	-	-	2,204,458	2,315,618
Capital grants and contributions	186,400	612,584	-	57,208	186,400	669,792
General revenues:						
General property taxes	18,997,082	17,428,339	-	-	18,997,082	17,428,339
Other local taxes	692,822	643,424	-	-	692,822	643,424
Grants and other contributions not restricted	735,599	708,314	-	-	735,599	708,314
Other general revenues	134,417	192,612			134,417	192,612
Transfers	(277,520)	(135,000)	277,520	135,000	-	-
Total revenues	\$ 22,846,654	\$ 21,918,266	\$ 338,182	\$ 237,790	\$ 23,184,836	\$ 22,156,056
Expenses:						
General government administration	\$ 1,381,514	\$ 1,556,300	\$ -	\$ -	\$ 1,381,514	\$ 1,556,300
Judicial administration	742,347	744,437	-	-	742,347	744,437
Public safety	2,732,338	2,761,300	-	-	2,732,338	2,761,300
Public works	995,742	1,025,861	422,687	404,703	1,418,429	1,430,564
Health and welfare	2,440,233	2,189,821	-	-	2,440,233	2,189,821
Education	11,787,315	11,932,831	-	-	11,787,315	11,932,831
Parks, recreation, and cultural	571,977	554,813	-	-	571,977	554,813
Community development	484,311	747,514	-	-	484,311	747,514
Interest and other fiscal charges	798,490	833,989	-	-	798,490	833,989
Total expenses	\$ 21,934,267	\$ 22,346,866	\$ 422,687	\$ 404,703	\$ 22,356,954	\$ 22,751,569
Change in net assets	\$ 912,387	\$ (428,600)	\$ (84,505)	\$ (166,913)	\$ 827,882	\$ (595,513)
Beginning of year-as restated	11,438,154	11,866,754	5,826,304	5,993,217	17,264,458	17,859,971
End of year	\$ 12,350,541	\$ 11,438,154	\$ 5,741,799	\$ 5,826,304	\$ 18,092,340	\$ 17,264,458

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County of Surry uses fund accounting to ensure and demonstrate compliance with budgetary related legal requirements. The following is a financial analysis of the County's governmental funds.

Governmental Funds – Revenue Analysis

The County's total revenues from the general fund were \$22.70 million for the fiscal year ended June 30, 2011. General Fund revenue increased by 6.10% from FY2010. General property taxes, the largest source of revenue, were \$17.63 million. It is composed of primarily public service corporation taxes (\$11.35 million), real estate taxes (\$6.18 million) and personal property taxes (\$1.12 million). Over 82% of the County's revenue from governmental activities is derived from property taxes as shown in the table of Revenue Classified by Source. (Exhibit 3)

The other local taxes revenue category, which includes local sales and use taxes, business and automobile licenses, utility consumption and communication taxes and the recordation tax totaled \$692,822 and is the second largest local revenue source. This represented a 7.60% increase over the previous year due primarily to the permanent license fee that replaced the annual vehicle sticker. Revenue from the use of money and property is associated with investments; a significant decrease is partly due to a continued decline in short-term interest rates.

	June 30, 2011		June 30, 2010		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Property Taxes	18,768,963	82.68%	17,376,874	81.25%	1,392,089	8.01%
Other Local Taxes	692,822	3.05%	643,424	3.01%	49,398	7.68%
Permits, fees and regulatory licenses	36,976	0.16%	41,406	0.19%	(4,430)	-10.70%
Fines & Forfeitures	12,182	0.05%	11,922	0.06%	260	2.18%
Revenue from Use of Money & Property	88,728	0.39%	132,083	0.62%	(43,355)	-32.82%
Charges for Services	124,238	0.55%	99,047	0.46%	25,191	25.43%
Miscellaneous & Recovered Cost	36,869	0.16%	57,227	0.27%	(20,358)	-35.57%
Intergovernmental:						
Commonwealth	2,095,270	9.23%	2,089,556	9.77%	5,714	0.27%
Federal	844,787	3.72%	934,376	4.37%	(89,589)	-9.59%
Total Revenues	22,700,835	100%	21,385,915	100%	1,314,920	6.15%

Intergovernmental Revenue consisting of state and federal revenues totaled \$2.94 million during FY2011, a decrease of \$83,875 or 2.8%. Revenue from the commonwealth for non-categorical aid remained constant in FY 2011 with the majority of this source consisting of the personal property tax relief reimbursement of \$677,907. Revenue for shared expenses of the constitutional offices and electoral board/registrar decreased by \$44,886, while other categorical aid consisting of *welfare administration* and *federal & state grants* decreased by \$48,892 and \$61,439 respectively.

Governmental Funds Expenditure Analysis

The following table of Expenditures by Function compares current year to prior year amounts. (Exhibit 4) The accompanying analysis provides additional information on the County's expenditures by function that changed significantly over the prior year.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenditures by Function - Governmental Funds						
	June 30, 2011		June 30, 2010		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Government Administration	1,315,093	6.10%	1,441,060	6.55%	(125,967)	-9.58%
Judicial Administration	398,667	1.85%	402,477	1.83%	(3,810)	-0.96%
Public Safety	2,431,375	11.28%	2,447,061	11.11%	(15,686)	-0.65%
Public Works	953,519	4.42%	906,278	4.12%	47,241	4.95%
Health & Welfare	2,219,441	10.29%	2,191,083	9.95%	28,358	1.28%
Education	11,413,268	52.94%	11,575,408	52.57%	(162,140)	-1.42%
Parks, Recreation & Cultural	532,124	2.47%	534,123	2.43%	(1,999)	-0.38%
Community Development	413,643	1.92%	447,969	2.03%	(34,326)	-8.30%
Debt Service: Principal Retirement	1,069,826	4.96%	1,202,177	5.46%	(132,351)	-12.37%
Debt Service: Interest Payments	813,512	3.77%	869,750	3.95%	(56,238)	-6.91%
Total Expenditures	21,560,468	100%	22,017,386	100%	(456,918)	-2.12%

The County's total general fund expenditures of \$21.56 million for the fiscal year ended June 30, 2011 covered a wide range of services, with 52.94% or \$11.41 million for education (payments to the School System, a component unit), 11.28% or \$2.43 million for public safety, 10.29% or \$2.22 million for health and welfare services, 8.73% or \$1,883,338 for debt service and 6.10% or \$1.32 million related to general government administration. The remaining 6.24% include expenditures for public works, parks & recreation, community development and judicial administration. Expenditures for the fiscal year ended June 30, 2011 (excluding education) decreased by 2.83% or \$294,778 from the previous year. The fiscal year saw the continuation of spending reductions, including but not limited to, a lack of cost-of-living increases and the delay of several programs and/or capital projects. This was result of continued economic instability and additional declines in state aid to localities.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The **General Fund** is the primary operating fund of the County. At the end of the current fiscal year, the unreserved fund balance was \$6,948,111, an increase of \$683,203 from the prior year. Primarily, the County's ending fund balance at June 30th is used to fund financial obligations of the County from July through December 5th of each year, when the County receives its largest payment of revenue. From July 1st, the beginning of its fiscal year, to December 5th, only a small percentage of the County's total revenue for fiscal year is received. This percentage includes portions of federal and state reimbursements, fees for services, permits and fines, and a very small amount of tax payments. Therefore, not all of the \$9.7 million is available for spending at the County's discretion.

Please note the following regarding the General Fund:

- The FY 2012 budget includes a provision for the use of \$191,063 of the fund balance remaining at the conclusion of FY 2011 to finance both the operating and capital project expenditures of the County. The use of unreserved fund balance was a critical resource in light of economic challenges impacting the FY2012 budget.
- As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. The unreserved fund balance of the general fund represents 32.22% of total general fund expenditures, which is well above the County's policy of maintain reserves of at least 25% of general fund expenditures and county funded capital project expenditures.

The **Capital Projects Fund** consists of the non-operating expenditures and reflects the capital needs of the County (i.e. building improvement projects, technology improvements, special projects and studies, highway improvements, etc.). The fund's cash balance of \$1,329,749 reflects the remaining assets available for pay-as-you-go projects at June 30, 2011.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Please note the following regarding the Capital Projects Fund:

- The FY2012 capital budget of \$2.55 million is reserved for major projects financed by bond and loan proceeds:
 - Broadband Project
 - Public Safety/E911 Center Upgrades
 - Facility Stabilization and Restoration
 - Solid Waste Sites and Equipment
 - Property Acquisition for a County Garage/Warehouse
- Total expenditures in the capital fund for FY2011 were \$445,392 comprised of the following:
 - Projects associated with reimbursement-based grants represented 44.84% or \$199,714 of the total capital project expenditures
 - 31.44% or \$140,064 represented the acquisition of public safety equipment
 - 15.03% or \$66,978 represented the renovation of three County buildings
 - The remaining 8.69% or \$38,637 represented smaller capital projects

General Fund Budgetary Highlights

Surry County generally takes a conservative approach to financial management, staying well within budgetary limits for expenditures during the fiscal year. Fiscal year 2011 had general fund operating expenditures of \$1.60 million below the revised budget. The County's budget was amended during FY2011 to reflect grants, carryover of unspent appropriations from FY2010 and other unanticipated revenues. The overall difference between current fiscal year original budget and the final amended budget was \$815,520. The net increase in expenditure allocation is primarily associated with following:

- An appropriation of \$615,000 from the prior year for the schools
- Emergency services increased \$88,542 due to the allocation of various state and federal grants
- Several programs in the Office of Youth increased \$81,094 due to the allocation of various state and federal grants
- An increase of \$30,853 spread throughout various other departments

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2011 amounts to \$21.00 million (net of accumulated depreciation). This represents a net decrease of \$971,989 (net of depreciation) primarily related to construction in progress and related equipment. The investment in capital assets includes land, buildings, systems, and machinery and equipment. Additional information on the County's capital assets can be found in the notes of this report.

Long-Term Debt

At the end of the current fiscal year, the County had total debt outstanding of \$21.63 million (excluding claims payable, compensated absences, OPEB and landfill liability). Of this amount, \$13.95 million comprises debt backed by the full faith and credit of the County via bank loans payables and capital leases. The remainder of the County's debt represents bonds secured solely by specified revenue sources through revenue bonds.

The amount of debt outstanding related to School Board activities is \$2.99 million of the total outstanding general obligation bonds of the governmental activities.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

During the current fiscal year, the County's total debt decreased by \$1,155,278 (excludes compensated absences, OPEB and landfill liability).

Additional information on the County of Surry, Virginia's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budget and Rates

- The average unemployment rate for the County for the fiscal year ending June 30, 2011 was 8.1%, a decrease of 0.7% from the same period last year. Generally, the County's unemployment rate has tracked slightly above the state's average.
- The fiscal year 2012 operating budget for all funds is \$42.90 million, a decrease of 8.80% from the fiscal year 2011 budget.
- Tax rates for future periods are dependent on the effects of fluctuations in the assessed valuations of real property. For 2011, the real estate tax rate remained at \$0.73 per \$100 of assessed value.

Requests for Information

This financial report is designed to provide all those with an interest in the County's finances with a general overview of the finances and to demonstrate the County's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, Post Office Box 65, Surry, Virginia 23883.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

County of Surry, Virginia
Statement of Net Assets
June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Cash and cash equivalents	\$ 11,678,008	\$ 1,574	\$ 11,679,582	\$ 866,526
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,011,644	-	1,011,644	-
Accounts receivable	7,754	7,122	14,876	-
Due from other governmental units	313,757	-	313,757	621,653
Capital assets (net of accumulated depreciation):				
Land and land improvements	685,158	3,636	688,794	158,330
Buildings and system	18,526,429	6,537,393	25,063,822	8,792,704
Equipment	1,784,882	123,760	1,908,642	2,165,897
Total assets	\$ 34,007,632	\$ 6,673,485	\$ 40,681,117	\$ 12,605,110
LIABILITIES				
Accounts payable	\$ 266,197	\$ 26,996	\$ 293,193	\$ 165,479
Accrued liabilities	-	-	-	1,240,693
Reconciled overdraft payable	-	-	-	-
Accrued interest payable	328,373	2,263	330,636	-
Due to other governmental units	326,132	-	326,132	-
Unearned revenue	7,784	-	7,784	-
Long-term liabilities:				
Due within one year	963,635	57,130	1,020,765	9,130
Due in more than one year	19,764,970	845,297	20,610,267	129,422
Total liabilities	\$ 21,657,091	\$ 931,686	\$ 22,588,777	\$ 1,544,724
NET ASSETS				
Invested in capital assets, net of related debt	\$ 2,422,090	\$ 5,762,362	\$ 8,184,452	\$ 11,116,931
Unrestricted (deficit)	9,928,451	(20,563)	9,907,888	(56,545)
Total net assets	\$ 12,350,541	\$ 5,741,799	\$ 18,092,340	\$ 11,060,386
Total liabilities and net assets	\$ 34,007,632	\$ 6,673,485	\$ 40,681,117	\$ 12,605,110

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

County of Surry, Virginia
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating		Primary Government		Component Unit
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,381,514	\$ 8,025	\$ 157,735	\$ -	\$ (1,215,754)	\$ (1,215,754)	
Judicial administration	742,347	40,941	241,650	-	(459,756)	(459,756)	
Public safety	2,732,338	36,976	561,096	-	(2,134,266)	(2,134,266)	
Public works	995,742	49,054	-	-	(946,688)	(946,688)	
Health and welfare	2,440,233	-	1,234,332	-	(1,205,901)	(1,205,901)	
Education	11,787,315	-	-	-	(11,787,315)	(11,787,315)	
Parks, recreation, and cultural	571,977	38,400	3,735	-	(529,842)	(529,842)	
Community development	484,311	-	5,910	186,400	(292,001)	(292,001)	
Interest on long-term debt	798,490	-	-	-	(798,490)	(798,490)	
Total governmental activities	\$ 21,934,267	\$ 173,396	\$ 2,204,458	\$ 186,400	\$ (19,370,013)	\$ (19,370,013)	
Business-type activities:							
Water and sewer	\$ 422,687	\$ 60,662	\$ -	\$ -	\$ (362,025)	\$ (362,025)	
Total business-type activities	\$ 422,687	\$ 60,662	\$ -	\$ -	\$ (362,025)	\$ (362,025)	
Total primary government	\$ 22,356,954	\$ 234,058	\$ 2,204,458	\$ 186,400	\$ (19,732,038)	\$ (19,732,038)	
COMPONENT UNIT:							
School Board	\$ 19,750,358	\$ 257,688	\$ 4,754,826	\$ -		\$ (14,737,844)	
Total component unit	\$ 19,750,358	\$ 257,688	\$ 4,754,826	\$ -		\$ (14,737,844)	
General revenues:							
General property taxes					\$ 18,997,082	\$ -	\$ 18,997,082
Other local taxes:							
Local sales and use taxes					426,177	-	426,177
Other local taxes					266,645	-	266,645
Unrestricted revenues from use of money and property					88,504	-	88,504
Miscellaneous					45,913	-	45,913
Payments from Surry County					-	-	-
Grants and contributions not restricted to specific programs					735,599	-	735,599
Transfers					(277,520)	277,520	-
Total general revenues					\$ 20,282,400	\$ 277,520	\$ 20,559,920
Change in net assets					\$ 912,387	\$ (84,505)	\$ 827,882
Net assets - beginning					11,438,154	5,826,304	17,264,458
Net assets - ending					\$ 12,350,541	\$ 5,741,799	\$ 18,092,340

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

County of Surry, Virginia
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 9,378,410	\$ 1,729,299	\$ 570,299	\$ 11,678,008
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,011,644	-	-	1,011,644
Accounts receivable	7,754	-	-	7,754
Due from other governmental units	313,757	-	-	313,757
Total assets	<u>\$ 10,711,565</u>	<u>\$ 1,729,299</u>	<u>\$ 570,299</u>	<u>\$ 13,011,163</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 157,494	\$ 108,703	\$ -	\$ 266,197
Due to other governmental units	326,132	-	-	326,132
Deferred revenue	963,791	-	-	963,791
Total liabilities	<u>\$ 1,447,417</u>	<u>\$ 108,703</u>	<u>\$ -</u>	<u>\$ 1,556,120</u>
Fund balances:				
Committed	\$ 6,835,193	\$ 1,620,596	\$ 611,234	\$ 9,067,023
Unassigned	2,428,955	-	(40,935)	2,388,020
Total fund balances	<u>\$ 9,264,148</u>	<u>\$ 1,620,596</u>	<u>\$ 570,299</u>	<u>\$ 11,455,043</u>
Total liabilities and fund balances	<u>\$ 10,711,565</u>	<u>\$ 1,729,299</u>	<u>\$ 570,299</u>	<u>\$ 13,011,163</u>

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

County of Surry, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2011

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 11,455,043
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	20,996,469
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	956,007
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

General obligation bonds	\$ (2,987,713)	
Revenue bond payable	(1,636,666)	
Bank loan payable	(13,950,000)	
Compensated absences	(241,056)	
OPEB Liability	(19,181)	
Landfill postclosure care	(1,893,989)	
Accrued interest payable	(328,373)	
	(21,056,978)	

Net assets of governmental activities	\$ 12,350,541
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The notes to the financial statements are an integral part of this statement.

County of Surry, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 18,768,963	\$ -	\$ -	\$ 18,768,963
Other local taxes	692,822	-	-	692,822
Permits, privilege fees, and regulatory licenses	36,976	-	-	36,976
Fines and forfeitures	12,182	-	-	12,182
Revenue from the use of money and property	88,728	(253)	29	88,504
Charges for services	124,238	-	-	124,238
Miscellaneous	33,270	-	12,643	45,913
Recovered costs	3,599	-	-	3,599
Intergovernmental revenues:				
Commonwealth	2,095,270	72,137	-	2,167,407
Federal	844,787	114,263	-	959,050
Total revenues	<u>\$ 22,700,835</u>	<u>\$ 186,147</u>	<u>\$ 12,672</u>	<u>\$ 22,899,654</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,315,093	\$ -	\$ -	\$ 1,315,093
Judicial administration	398,667	-	-	398,667
Public safety	2,431,375	-	-	2,431,375
Public works	953,519	-	-	953,519
Health and welfare	2,219,441	-	-	2,219,441
Education	11,413,268	-	-	11,413,268
Parks, recreation, and cultural	532,124	-	-	532,124
Community development	413,643	-	22,782	436,425
Capital projects	-	445,392	-	445,392
Debt service:				
Principal retirement	1,069,826	-	-	1,069,826
Interest and other fiscal charges	813,512	-	-	813,512
Total expenditures	<u>\$ 21,560,468</u>	<u>\$ 445,392</u>	<u>\$ 22,782</u>	<u>\$ 22,028,642</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,140,367</u>	<u>\$ (259,245)</u>	<u>\$ (10,110)</u>	<u>\$ 871,012</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 48,091	\$ -	\$ -	\$ 48,091
Transfers out	(277,520)	-	(48,091)	(325,611)
Total other financing sources (uses)	<u>\$ (229,429)</u>	<u>\$ -</u>	<u>\$ (48,091)</u>	<u>\$ (277,520)</u>
Net change in fund balances	\$ 910,938	\$ (259,245)	\$ (58,201)	\$ 593,492
Fund balances - beginning	8,353,210	1,879,841	628,500	10,861,551
Fund balances - ending	<u>\$ 9,264,148</u>	<u>\$ 1,620,596</u>	<u>\$ 570,299</u>	<u>\$ 11,455,043</u>

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

County of Surry, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2011

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$	593,492
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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 the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 2,719,384		
Depreciation	(838,970)		
Transfer of joint tenancy assets to Component Unit from Primary Government	(2,863,694)		
School debt financed assets	11,292		(971,988)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		228,119
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The following is a summary of items supporting this adjustment:

Principal retired on school general obligation bonds	\$ 345,000		
Principal retired on revenue bond payable	189,826		
Principal retired on bank loan payable	535,000		
Bond premium amortization	3,484		
Decrease (increase) in landfill postclosure liability	(18,388)		1,054,922

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

Decrease (increase) in accrued leave	\$ 3,851		
Decrease (increase) in OPEB liability	(7,547)		
Decrease (increase) in interest payable	11,538		7,842

Change in net assets of governmental activities	\$	912,387
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The notes to the financial statements are an integral part of this statement.

County of Surry, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Enterprise Fund Water and <u>Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,574
Accounts receivable, net of allowance for uncollectibles	7,122
Total current assets	<u>\$ 8,696</u>
Noncurrent assets:	
Capital assets:	
Utility plant in service	\$ 7,898,176
Land	3,636
Machinery and equipment	177,200
Less accumulated depreciation	(1,414,223)
Total capital assets	<u>\$ 6,664,789</u>
Total noncurrent assets	<u>\$ 6,664,789</u>
Total assets	<u>\$ 6,673,485</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 26,996
Accrued interest payable	2,263
Bonds payable - current portion	57,130
Total current liabilities	<u>\$ 86,389</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 845,297
Total noncurrent liabilities	<u>\$ 845,297</u>
Total liabilities	<u>\$ 931,686</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 5,762,362
Unrestricted (deficit)	<u>(20,563)</u>
Total net assets	<u><u>\$ 5,741,799</u></u>

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

County of Surry, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Enterprise Fund Water and <u>Sewer</u>
OPERATING REVENUES	
Charges for services:	
Water and sewer revenues	\$ 60,662
Total operating revenues	<u>\$ 60,662</u>
OPERATING EXPENSES	
Other supplies and expenses	\$ 178,528
Depreciation	209,175
Total operating expenses	<u>\$ 387,703</u>
Operating income (loss)	<u>\$ (327,041)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest expense	\$ (34,984)
Total nonoperating revenues (expenses)	<u>\$ (34,984)</u>
Income before contributions and transfers	<u>\$ (362,025)</u>
Transfers in	<u>\$ 277,520</u>
Change in net assets	<u>\$ (84,505)</u>
Total net assets - beginning	5,826,304
Total net assets - ending	<u><u>\$ 5,741,799</u></u>

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

County of Surry, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Enterprise Fund Water and <u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 58,089
Payments to suppliers	(174,614)
Net cash provided (used) by operating activities	<u>\$ (116,525)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 277,520
Net cash provided (used) by noncapital financing activities	<u>\$ 277,520</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (103,970)
Interest payments	(35,245)
Net cash provided (used) by capital and related financing activities	<u>\$ (139,215)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 21,780</u>
Cash and cash equivalents - beginning	(20,206)
Cash and cash equivalents - ending	<u><u>\$ 1,574</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (327,041)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	209,175
(Increase) decrease in accounts receivable	(2,573)
Increase (decrease) in accounts payable	3,914
Total adjustments	<u>\$ 210,516</u>
Net cash provided (used) by operating activities	<u><u>\$ (116,525)</u></u>

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

County of Surry, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 42,535
Total assets	<u>\$ 42,535</u>
LIABILITIES	
Amounts held for social services clients	\$ 35,043
Amounts held for others	<u>7,492</u>
Total liabilities	<u>\$ 42,535</u>

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

NOTES TO THE FINANCIAL STATEMENTS

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements As of June 30, 2011

Note 1—Summary of Significant Accounting Policies:

The County of Surry, Virginia (the "County") is governed by an elected five member Board of Supervisors. The County provides a full range of services for its citizens. These services include police and fire protection, sanitation services, recreational activities, cultural events, education, and social services.

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

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Assets - The Statement of Net Assets is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component unit. Governments will report all capital assets in the government-wide Statement of Net Assets and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 1—Summary of Significant Accounting Policies: (Continued)

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including a requirement to report the government's original budget with the comparison of final budget and actual results.

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 Surry (the primary government) and its component units. 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.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2011.

Discretely Presented Component Units. The School Board members are elected by the citizens of Surry County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2011.

C. Other Related Organizations Included in the County's Financial Report

None

Excluded from the County's Annual Financial Report

District 19 Community Services Board

The District 19 Community Services Board is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The governing body of this organization is appointed by the participating jurisdictions which include the Cities of Colonial Heights, Emporia, Hopewell, Petersburg and the Counties of Surry, Greensville, Surry, Prince George and Sussex. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations. Surry County contributed \$56,867 to the District 19 Community Services Board for the fiscal year ended June 30, 2011.

Riverside Regional Jail

The Riverside Regional Jail is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The governing body of this organization is appointed by respective governing bodies of the participating jurisdictions. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the 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 (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

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.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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 deferred 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 expenditure. 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.

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.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The County reports the General and County Capital Project Funds as major governmental funds.

The General Fund is the primary operating fund of the County. This fund is used to account and report all financial transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board.

Capital Projects Fund - The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The County also reports the County Capital Projects Fund as a major fund.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

1. Governmental Funds (Continued)

The County reports the following non-major governmental funds:

Special Revenue Funds - Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special Revenue Funds consist of the following funds: Healthcare Center, Family and Children Grant, Indoor Plumbing, E-911 and Economic Development.

Fiduciary Funds - (Trust and Agency Funds) - Account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

- 2. Proprietary Funds** – accounts for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

Enterprise Funds – Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The County's Enterprise Funds consist of the Water and Sewer Fund, which account for the operations of sewage pumping stations and collection systems, and the water distribution system, as well as, construction.

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

F. 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 and repurchase agreements.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 1—Summary of Significant Accounting Policies: (Continued)

G. 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). All other outstanding balances between funds are reported as "advances to/from other funds."

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 amounted to approximately \$118,222 at June 30, 2011 and is comprised of property taxes of \$108,491 and water and sewer charges of \$9,731.

Real and Personal Property Tax Data:

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

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	December 5	December 5
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Furniture, Vehicles, Office and Computer Equipment	5-20
Buses	10

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 1—Summary of Significant Accounting Policies: (Continued)

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to received sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

J. Retirement Plan

Retirement plan contributions are actuarially determined 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 as it accrues.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. Fund Equity

Beginning with fiscal year 2011, the County implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - 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 action to remove or change the constraint;

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 1—Summary of Significant Accounting Policies: (Continued)

L. Fund Equity (Continued)

- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When fund balance resources are available for a specific purpose in more than one classification, it is the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

In the general fund, the County strives to maintain a committed fund balance to be used for ongoing expenditure obligations of approximately 25% of the actual budgeted operating expenditures.

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

			Major Capital Projects Fund		
			County		
	General Fund		Capital Projects	Other Funds	Total
Fund Balances:					
Committed to:					
Ongoing expenditure obligations	\$ 6,835,193	\$ -	\$ -	\$ -	\$ 6,835,193
Capital Improvements	-	1,620,596	-	-	1,620,596
Health Care Center	-	-	437,837	-	437,837
Family and Children Grant	-	-	14,379	-	14,379
E-911	-	-	43,014	-	43,014
Economic Development	-	-	116,004	-	116,004
Total Committed Fund Balance	\$ 6,835,193	\$ 1,620,596	\$ 611,234	\$ -	\$ 9,067,023
Unassigned Fund Balance	\$ 2,428,955	\$ -	\$ (40,935)	\$ -	\$ 2,388,020
Total Fund Balances	\$ 9,264,148	\$ 1,620,596	\$ 570,299	\$ -	\$ 11,455,043

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 1—Summary of Significant Accounting Policies: (Continued)

M. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

N. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating 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 department or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any funds at June 30, 2011.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 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 and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2011 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

Locality's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	<u>\$ 10,297,493</u>
Total	<u><u>\$ 10,297,493</u></u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 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 and the State Treasurer's Local Government Investment Pool (LGIP).

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Locality's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	<u>\$ 10,297,493</u>
Total	<u><u>\$ 10,297,493</u></u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 3—Deposits and Investments: (Continued)

External Investment Pools

The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As the LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Note 4—Due to/from Other Governments:

At June 30, 2011, the County has receivables due from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Surry	\$ -	\$ 326,132
Commonwealth of Virginia:		
Local sales tax	76,840	-
Rolling stock tax	3	-
State Sales Tax	-	156,009
Constitutional officer reimbursements	66,918	-
Recordation tax	4,729	-
Mobile home titling tax	1,161	-
Communications tax	8,152	-
Welfare	31,436	-
Fire programs	1,952	-
E-911 wireless grant	10,430	-
Victim witness grant	4,796	-
Federal Government:		
Workforce development	44,093	-
School fund grants	-	139,512
Welfare	63,247	-
Total due from other governments	<u>\$ 313,757</u>	<u>\$ 621,653</u>

At June 30, 2011, amounts due to other local governments are as follows:

Other Local Governments:		
Surry County School Board	<u>\$ 326,132</u>	<u>\$ -</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 5—Capital Assets: (Continued)

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<i>Proprietary Fund:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 3,636	\$ -	\$ -	\$ 3,636
Total capital assets not subject to depreciation	\$ 3,636	\$ -	\$ -	\$ 3,636
Capital assets subject to depreciation:				
Utility Plant in Service	\$ 7,898,176	\$ -	\$ -	\$ 7,898,176
Equipment	177,200	-	-	177,200
Total capital assets subject to depreciation	\$ 8,075,376	\$ -	\$ -	\$ 8,075,376
Less: accumulated depreciation for:				
Utility Plant in Service	\$ 1,163,330	\$ 197,453	\$ -	\$ 1,360,783
Equipment	41,718	11,722	-	53,440
Total accumulated depreciation	\$ 1,205,048	\$ 209,175	\$ -	\$ 1,414,223
Total capital assets subject to depreciation, net	\$ 6,870,328	\$ (209,175)	\$ -	\$ 6,661,153
Proprietary fund capital assets, net	\$ 6,873,964	\$ (209,175)	\$ -	\$ 6,664,789
	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 158,330	\$ -	\$ -	\$ 158,330
Construction in progress - jointly owned assets	2,478,356	-	2,478,356	-
Total capital assets not subject to depreciation	\$ 2,636,686	\$ -	\$ 2,478,356	\$ 158,330
Capital assets subject to depreciation:				
Equipment	\$ 4,411,209	\$ 255,583	\$ 96,000	\$ 4,570,792
Building improvement	184,686	-	-	184,686
Jointly owned assets	15,513,046	2,863,694	-	18,376,740
Total capital assets subject to depreciation	\$ 20,108,941	\$ 3,119,277	\$ 96,000	\$ 23,132,218
Less: accumulated depreciation for:				
Equipment	\$ 2,165,444	\$ 335,451	\$ 96,000	\$ 2,404,895
Building improvement	18,681	4,617	-	23,298
Jointly owned assets	9,055,606	496,745	(193,073)	9,745,424
Total accumulated depreciation	\$ 11,239,731	\$ 836,813	\$ (97,073)	\$ 12,173,617
Total capital assets subject to depreciation, net	\$ 8,869,210	\$ 2,282,464	\$ 193,073	\$ 10,958,601
Component unit school board capital assets, net	\$ 11,505,896	\$ 2,282,464	\$ 2,671,429	\$ 11,116,931

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs/funds as follows:

Governmental activities:	
General government administration	\$ 68,021
Judicial administration	330,796
Public safety	342,062
Public works	30,952
Health and welfare	21,027
Education	181,781
Parks, recreation and cultural	17,358
Community development	<u>28,754</u>
Total Governmental activities	<u>\$ 1,020,751</u>
Business-type activities	<u>\$ 209,175</u>
Component Unit School Board	<u>\$ 836,813</u>

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2011 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 48,091	\$ 277,520
Other governmental funds	-	48,091
Water and Sewer Fund	<u>277,520</u>	<u>-</u>
Total	<u>\$ 325,611</u>	<u>\$ 325,611</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorizations.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 7—Long Term Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2011:

Primary Government:

	Amounts Payable at July 1, 2010	Increases	Decreases	Amounts Payable at June 30, 2011	Amounts Due Within One Year
Governmental Obligations:					
Incurred by County:					
Claims, judgments and compensated absences payable	\$ 244,908	\$ 20,639	\$ 24,491	\$ 241,056	\$ 24,106
Bank loans payable	14,485,000	-	535,000	13,950,000	560,000
Revenue bond payable	1,826,492	-	189,826	1,636,666	196,045
OPEB Liability	11,634	8,147	600	19,181	-
Landfill postclosure care	1,875,601	18,388	-	1,893,989	-
Total incurred by County	<u>\$ 18,443,635</u>	<u>\$ 47,174</u>	<u>\$ 749,917</u>	<u>\$ 17,740,892</u>	<u>\$ 780,151</u>
Incurred by School Board:					
General obligation bonds	\$ 3,270,000	\$ -	\$ 345,000	\$ 2,925,000	\$ 180,000
Bond premium	66,197	-	3,484	62,713	3,484
Total incurred by School Board	<u>\$ 3,336,197</u>	<u>\$ -</u>	<u>\$ 348,484</u>	<u>\$ 2,987,713</u>	<u>\$ 183,484</u>
Total General Fund Obligations	<u>\$ 21,779,832</u>	<u>\$ 47,174</u>	<u>\$ 1,098,401</u>	<u>\$ 20,728,605</u>	<u>\$ 963,635</u>
Incurred by Enterprise Fund:					
Revenue bond payable	\$ 1,006,397	\$ -	\$ 103,970	\$ 902,427	\$ 57,130
Total incurred by Enterprise Fund	<u>\$ 1,006,397</u>	<u>\$ -</u>	<u>\$ 103,970</u>	<u>\$ 902,427</u>	<u>\$ 57,130</u>
Total Primary Government Obligations	<u>\$ 22,786,229</u>	<u>\$ 47,174</u>	<u>\$ 1,202,371</u>	<u>\$ 21,631,032</u>	<u>\$ 1,020,765</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 7—Long Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	Enterprise Fund Obligations		County Obligations			
	Revenue Bonds Payable		Bank Loan		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 57,130	\$ 32,085	\$ 560,000	\$ 566,313	\$ 196,045	\$ 55,582
2013	58,972	30,243	585,000	543,045	202,469	48,664
2014	60,875	28,340	605,000	518,855	209,102	41,520
2015	62,840	26,375	625,000	496,845	215,953	34,142
2016	64,871	24,344	660,000	467,913	223,029	26,523
2017	66,969	22,247	685,000	440,545	230,336	18,643
2018	69,136	20,080	710,000	412,255	237,883	10,526
2019	71,375	17,841	740,000	382,837	121,849	2,132
2020	73,689	15,527	775,000	352,088	-	-
2021	11,825	13,615	810,000	320,005	-	-
2022	12,353	13,087	840,000	286,488	-	-
2023	12,905	12,535	875,000	251,637	-	-
2024	13,481	11,959	910,000	215,455	-	-
2025	14,082	11,358	940,000	177,837	-	-
2026	14,711	10,729	990,000	138,785	-	-
2027	15,368	10,072	1,025,000	97,785	-	-
2028	16,054	9,386	1,065,000	55,453	-	-
2029	16,770	8,670	550,000	11,275	-	-
2030	17,519	7,921	-	-	-	-
2031	18,301	7,139	-	-	-	-
2032	19,118	6,322	-	-	-	-
2033	19,971	5,469	-	-	-	-
2034	20,863	4,577	-	-	-	-
2035	21,794	3,646	-	-	-	-
2036	22,767	2,673	-	-	-	-
2037	23,783	1,657	-	-	-	-
2038	24,906	595	-	-	-	-
Total	<u>\$ 902,428</u>	<u>\$ 358,492</u>	<u>\$ 13,950,000</u>	<u>\$ 5,735,416</u>	<u>\$ 1,636,666</u>	<u>\$ 237,732</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	School Obligations	
	General Obligation Bonds	
	Principal	Interest
2012	\$ 180,000	\$ 142,530
2013	135,000	105,340
2014	145,000	129,570
2015	110,000	124,185
2016	115,000	119,572
2017	125,000	114,028
2018	130,000	107,525
2019	135,000	100,768
2020	145,000	93,446
2021	150,000	85,555
2022	160,000	77,262
2023	170,000	68,435
2024	180,000	59,072
2025	185,000	49,309
2026	200,000	39,010
2027	210,000	28,305
2028	220,000	17,340
2029	230,000	5,865
Total	<u>\$ 2,925,000</u>	<u>\$ 1,467,117</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-term obligations at June 30, 2011 are as follows:

	<u>Total Amount</u>
<u>Incurring by County:</u>	
<u>Bank Loans Payable:</u>	
\$9,000,000 IDA Bank Loan Series 2006 B issued December 14, 2006, payable in various annual installments through August 1, 2028, interest payable semi-annually at 4.10%	\$ 8,370,000
\$6,000,000 IDA Bank Loan Series 2007 issued January 23, 2007, payable in various annual installments through August 1, 2028, interest payable semi-annually at 4.10%	5,580,000
Total Bank Loans Payable	<u>\$ 13,950,000</u>
\$2,100,000 lease revenue bond issued August 12, 2008, payable in various annual installments through August 15, 2018, interest payable semi-annually at 3.25%.	\$ 1,636,666
Landfill postclosure care liability (Note 14)	\$ 1,893,989
OPEB Liability (Note 15)	\$ 19,181
Compensated absences (payable by General Fund)	\$ 241,056
Total incurred by County	<u>\$ 17,740,892</u>
	<u>Total Amount</u>
<u>Incurring by School Board:</u>	
<u>General Obligation Bonds:</u>	
\$6,445,000 School Bonds issued November 18, 1993, payable in various annual installments through December 15, 2014, interest payable semi-annually at 4.73%	\$ 145,000
\$2,950,000 School Bond issued December 11, 2008 payable in various annual installments through January 15, 2029, interest payable semi-annually ranging from 4.10% to 5.35%.	2,780,000
Total General Obligation Bonds	<u>\$ 2,925,000</u>
Bond issuance premium	\$ 62,713
Total incurred by School Board	<u>\$ 2,987,713</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

	<u>Total Amount</u>
<i>Enterprise Fund:</i>	
<u>Revenue Bonds Payable:</u>	
\$937,575 Revenue Bond issued through the Virginia Resources Authority, payable in semi-annual installments of \$31,888 (principal and interest), interest payable semi-annually at 3.00%	\$ 499,761
\$470,000 Sewer System Revenue Bond issued through the U.S. Department of Agriculture, payable in monthly installments of \$2,158 (principal and interest) through March 1, 2046, interest payable at 4.500%	402,666
	<u> </u>
Total Revenue Bonds Payable	\$ 902,427
	<u> </u>
Total Long-Term Obligations, Enterprise Fund	\$ 902,427
	<u> </u>
Total Long-Term Obligations, Primary Government	<u>\$ 21,630,951</u>

Component Unit - School Board:

The following is a summary of long-term debt transactions for the year ended June 30, 2011:

	<u>Amounts Payable at July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2011</u>	<u>Amounts Due Within One Year</u>
Component Unit-School Board:					
Compensated absences	\$ 95,716	\$ 5,152	\$ 9,572	\$ 91,296	\$ 9,130
OPEB Liability	21,169	28,987	2,900	47,256	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Component Unit-School Board	<u>\$ 116,885</u>	<u>\$ 34,139</u>	<u>\$ 12,472</u>	<u>\$ 138,552</u>	<u>\$ 9,130</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 8—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$963,791 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$956,007 at June 30, 2011.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2011 but paid in advance by the taxpayers totaled \$7,784 at June 30, 2011.

Note 9— Commitments and Contingent Liabilities:

Federal programs in which the County and its discretely presented component unit participate were audited in accordance with the provisions of the 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 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.

Note 10—Litigation:

At June 30, 2011, there were no matters of litigation involving the County that would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 11 —Risk Management:

The County and the Component Unit School Board are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance.

The County and the School Board are members of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County and School Board pay Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 11 –Risk Management: (Continued)

The County and School Board also participates with other localities in a public entity risk pool for their coverage of general liability and auto insurance with Virginia Municipal League and public officials liability with the Virginia Association of Counties Group Self Insurance Risk Pool. The County and School Board pay an annual premium to the pools for general insurance through member premiums. The County and School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12 –Defined Benefit Pension Plan:

Primary Government and Discretely Presented Component Unit-School Board:

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 12 –Defined Benefit Pension Plan: (Continued)

Primary Government and Discretely Presented Component Unit-School Board: (Continued)

A. Plan Description (Continued)

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

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

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1, of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950) as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Website at: <http://varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 12 –Defined Benefit Pension Plan: (Continued)

Primary Government and Discretely Presented Component Unit-School Board: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's non-professional contribution rates for the fiscal year ended 2011 was 7.80% and 7.09% of annual covered payroll, respectively.

The Surry County School Board professional employees current rate is 3.93% of annual covered payroll. The contribution requirements of plan members and Surry County School Board are established and may be amended by the VRS Board of Trustees. The School Board's contributions to VRS for the years ending June 30, 2011, 2010, and 2009 were \$313,302, \$706,462, and \$701,587, respectively, and equal to the required contributions for each year.

C. Annual Pension Cost

For fiscal year 2011, the County's annual pension cost of \$414,995 (which includes the portion of the employee share assumed by the employer which was \$162,108) was equal to the County's required and actual contributions.

For the fiscal year 2011, the County School Board's annual pension cost for the Board's non-professional employees was \$113,587 (which includes the portion of the employees share assumed by the County which was \$46,976) which was equal to the Board's required and actual contributions.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2011	\$ 252,887	100%	\$ -
June 30, 2010	241,146	100%	-
June 30, 2009	229,118	100%	-
School Board:			
Non-Professional:			
June 30, 2011	\$ 66,611	100%	\$ -
June 30, 2010	69,628	100%	-
June 30, 2009	71,460	100%	-

(1) Employer portion only

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 12 –Defined Benefit Pension Plan: (Continued)

Primary Government and Discretely Presented Component Unit-School Board: (Continued)

C. Annual Pension Cost (Continued)

The fiscal year 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress:

As of June 30, 2010, the most recent actuarial valuation date, the plan was 79.36% funded. The actuarial accrued liability for benefits was \$15,047,109, and the actuarial value of assets was \$11,941,182, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,105,927. The covered payroll (annual payroll of active employees covered by the plan) was \$3,196,043, and ratio of the UAAL to the covered payroll was 97.18%.

As of June 30, 2010, the most recent actuarial valuation date, the School Board's Non-Professionals plan was 83.41% funded. The actuarial accrued liability for benefits was \$5,310,214 and the actuarial value of assets was \$4,429,141, resulting in an unfunded actuarial accrued liability (UAAL) of \$881,073. The covered payroll (annual payroll of active employees covered by the plan) was \$972,755 and ratio of the UAAL to the covered payroll was 90.58%.

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 13 –Surety Bonds:

	<u>Amount</u>
Division of Risk Management Surety Bond:	
Commonwealth Funds	
Gail P. Clayton, Clerk of the Circuit Court	\$ 380,000
Mary Shaw, Treasurer	300,000
Deborah J. Nee, Commissioner of the Revenue	3,000
Alvin Clayton, Sheriff	30,000
The Continental Insurance Company-Surety:	
All Social Services Employees-blanket bond	100,000

Note 14 –Landfill Closure and Postclosure Care Cost:

The \$1,893,989 reported as landfill postclosure liability at June 30, 2011, represents the estimated liability for postclosure monitoring. This amount is based on what it would cost to perform all postclosure care in 2011 over a remaining period of 24 years. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

The County has demonstrated financial assurance requirements for closure, postclosure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 15 –Postemployment Benefits Other Than Pensions:

Plan Description

The County allows retirees that retire at the age of 50 with at least 30 years of service to remain on their health insurance plan. Health benefits include medical, dental and vision. The retiree is responsible for 100% of the premium. Benefits are for the life of the retiree and spouse. The spouse can continue coverage after the death of the retiree. At age 65 the retiree can only enroll in the Key Advantage 65 medical option.

The Surry County Public Schools allows retirees that retire with a combined age and years of service that total at least 85 to remain on the health insurance plan. Health benefits include medical, dental and vision. The retiree is responsible for 100% of the premium. Benefits are for the life of the retiree and spouse as long as its continuous coverage. The spouse can continue coverage after the death of the retiree.

Funding Policy

The County and School Board's retirees pay 100% of the premiums directly to Anthem BCBS. The Schools and County currently have no retirees on their plan.

Annual OPEB Cost and Net OPEB Obligation

The County and School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The County and School Board have elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in accordance with GASB 45 parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the County and School Board. The following table shows the components of the County and School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County and School Board's net OPEB obligation to the Retiree Health Plan:

		COUNTY		SCHOOLS
Annual required contribution	\$	8,100	\$	28,900
Interest on net OPEB obligation		465		847
Adjustment to annual required contribution		(418)		(760)
Annual OPEB cost (expense)	\$	8,147	\$	28,987
Estimated Contributions made		(600)		(2,900)
Increase in net OPEB obligation		7,547		26,087
Net OPEB obligation-beginning of year		11,634		21,169
Net OPEB obligation-end of year	\$	19,181	\$	47,256

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 15 –Postemployment Benefits Other Than Pensions: (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2009, 2010 and 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
6/30/2011	\$ 8,147	7.36%	\$ 19,181
6/30/2010	10,434	47.92%	11,634
6/30/2009	10,000	38.00%	6,200
Schools:			
6/30/2011	\$ 28,987	10.00%	\$ 47,256
6/30/2010	30,369	71.78%	21,169
6/30/2009	29,200	56.85%	12,600

Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the County's actuarial accrued liability for benefits was \$81,800, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,927,300, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.79 percent.

As of January 1, 2011, the most recent actuarial valuation date, the School Board's actuarial accrued liability for benefits was \$280,700, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$8,886,400, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.16 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 15 –Postemployment Benefits Other Than Pensions: (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees-Retirement age was estimated based on tables used for the VRS pension valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.

Mortality-Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2011 using Scale AA.

Coverage elections -The actuary assumed that 20% of eligible retirees will elect coverage and that 20% of retirees who elect coverage will cover a spouse.

Based on the historical and expected returns of the County and School Board's short-term investment portfolio, a discount of 4.0% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 was thirty years.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION:

*Presented budgets were prepared in accordance
with accounting principles generally accepted in the
United States of America.*

County of Surry, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
General property taxes	\$ 18,411,588	\$ 18,411,588	\$ 18,768,963	\$ 357,375
Other local taxes	622,107	622,107	692,822	70,715
Permits, privilege fees, and regulatory licenses	47,000	47,000	36,976	(10,024)
Fines and forfeitures	20,000	20,000	12,182	(7,818)
Revenue from the use of money and property	127,210	127,210	88,728	(38,482)
Charges for services	98,849	115,385	124,238	8,853
Miscellaneous	5,000	16,853	33,270	16,417
Recovered costs	5,300	5,829	3,599	(2,230)
Intergovernmental revenues:				
Commonwealth	2,245,078	2,336,365	2,095,270	(241,095)
Federal	979,832	1,056,133	844,787	(211,346)
Total revenues	<u>\$ 22,561,964</u>	<u>\$ 22,758,470</u>	<u>\$ 22,700,835</u>	<u>\$ (57,635)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,594,586	\$ 1,517,453	\$ 1,315,093	\$ 202,360
Judicial administration	402,303	410,951	398,667	12,284
Public safety	2,533,086	2,688,190	2,431,375	256,815
Public works	1,054,795	1,063,643	953,519	110,124
Health and welfare	2,817,220	2,898,304	2,219,441	678,863
Education	10,979,751	11,595,117	11,413,268	181,849
Parks, recreation, and cultural	535,363	553,099	532,124	20,975
Community development	454,081	454,081	413,643	40,438
Debt service:				
Principal retirement	1,177,797	1,177,797	1,069,826	107,971
Interest and other fiscal charges	798,112	803,979	813,512	(9,533)
Total expenditures	<u>\$ 22,347,094</u>	<u>\$ 23,162,614</u>	<u>\$ 21,560,468</u>	<u>\$ 1,602,146</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 214,870</u>	<u>\$ (404,144)</u>	<u>\$ 1,140,367</u>	<u>\$ 1,544,511</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 48,091	\$ 48,091
Transfers out	(214,870)	(247,370)	(277,520)	(30,150)
Total other financing sources and uses	<u>\$ (214,870)</u>	<u>\$ (247,370)</u>	<u>\$ (229,429)</u>	<u>\$ 17,941</u>
Net change in fund balances	\$ -	\$ (651,514)	\$ 910,938	\$ 1,562,452
Fund balances - beginning	-	651,514	8,353,210	7,701,696
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,264,148</u>	<u>\$ 9,264,148</u>

County of Surry, Virginia
Schedule of Pension Funding Progress
Last Ten Fiscal Years

Primary Government:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 11,941,182	\$ 15,047,109	\$ 3,105,927	79.36%	\$ 3,196,043	97.18%
6/30/2009	11,962,239	13,506,372	1,544,133	88.57%	3,336,404	46.28%
6/30/2008	11,791,428	12,921,580	1,130,152	91.25%	2,998,520	37.69%
6/30/2007	10,848,217	11,697,908	849,691	92.74%	2,877,082	29.53%
6/30/2006	9,603,245	10,523,636	920,391	91.25%	2,776,862	33.15%
6/30/2005	9,020,559	10,220,218	1,199,659	88.26%	2,879,240	41.67%
6/30/2004	8,700,433	8,523,224	(177,209)	102.08%	2,638,908	-6.72%
6/30/2003	8,570,934	7,909,687	(661,247)	108.36%	2,299,979	-28.75%
6/30/2002	8,480,532	7,283,232	(1,197,300)	116.44%	2,430,236	-49.27%
6/30/2001	8,253,145	6,645,362	(1,607,783)	124.19%	2,258,278	-71.20%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 4,429,141	\$ 5,310,214	\$ 881,073	83.41%	\$ 972,755	90.58%
6/30/2009	4,499,615	5,007,073	507,458	89.87%	1,032,553	49.15%
6/30/2008	4,540,241	4,803,356	263,115	94.52%	940,194	27.99%
6/30/2007	4,202,162	4,459,257	257,095	94.23%	1,017,784	25.26%
6/30/2006	3,818,648	3,917,932	99,284	97.47%	901,490	11.01%
6/30/2005	3,677,448	3,715,367	37,919	98.98%	955,447	3.97%
6/30/2004	3,635,421	3,603,172	(32,249)	100.90%	996,227	-3.24%
6/30/2003	3,590,492	3,016,020	(574,472)	119.05%	945,295	-60.77%
6/30/2002	3,579,055	3,082,517	(496,538)	116.11%	925,275	-53.66%
6/30/2001	3,457,433	2,823,091	(634,342)	122.47%	960,663	-66.03%

County of Surry, Virginia
Schedule of Funding Progress - Retiree Healthcare Plan
For the Year Ended June 30, 2011

Actuarial Valuation Date		Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Payroll ((b-a)/c)
County							
1/1/2009	\$	-	\$ 113,300	\$ 113,300	0.00%	\$ 3,081,100	3.68%
1/1/2011		-	81,800	81,800	0.00%	2,927,300	2.79%
School Board:							
1/1/2009	\$	-	\$ 341,700	\$ 341,700	0.00%	\$ 8,304,100	4.11%
1/1/2011		-	280,700	280,700	0.00%	8,886,400	3.16%

OTHER SUPPLEMENTARY INFORMATION

*COMBINING AND INDIVIDUAL FUNDS STATEMENTS
AND SCHEDULES*

County of Surry, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
County Capital Projects Fund
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ (253)	\$ (253)
Intergovernmental revenues:				
Commonwealth	850,000	850,000	72,137	(777,863)
Federal	600,000	600,000	114,263	(485,737)
Total revenues	<u>\$ 1,450,000</u>	<u>\$ 1,450,000</u>	<u>\$ 186,147</u>	<u>\$ (1,263,853)</u>
EXPENDITURES				
Capital projects	\$ 2,595,000	\$ 3,073,873	\$ 445,392	\$ 2,628,481
Total expenditures	<u>\$ 2,595,000</u>	<u>\$ 3,073,873</u>	<u>\$ 445,392</u>	<u>\$ 2,628,481</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,145,000)</u>	<u>\$ (1,623,873)</u>	<u>\$ (259,245)</u>	<u>\$ 1,364,628</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 25,000	\$ -	\$ (25,000)
Total other financing sources and uses	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ (25,000)</u>
Net change in fund balances	<u>\$ (1,145,000)</u>	<u>\$ (1,598,873)</u>	<u>\$ (259,245)</u>	<u>\$ 1,339,628</u>
Fund balances - beginning	1,145,000	1,598,873	1,879,841	280,968
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,620,596</u></u>	<u><u>\$ 1,620,596</u></u>

County of Surry, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Fund
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 29	\$ 29
Miscellaneous	60,000	60,000	12,643	(47,357)
Intergovernmental revenues:				
Commonwealth	-	-	-	-
Total revenues	\$ 60,000	\$ 60,000	\$ 12,672	\$ (47,328)
EXPENDITURES				
Current:				
Community development	\$ 139,160	\$ 139,160	\$ 22,782	\$ 116,378
Total expenditures	\$ 139,160	\$ 139,160	\$ 22,782	\$ 116,378
Excess (deficiency) of revenues over (under) expenditures	\$ (79,160)	\$ (79,160)	\$ (10,110)	\$ 69,050
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 79,160	\$ 79,160	\$ -	\$ (79,160)
Transfers out	-	-	(48,091)	(48,091)
Total other financing sources and uses	\$ 79,160	\$ 79,160	\$ (48,091)	\$ (127,251)
Net change in fund balances	\$ -	\$ -	\$ (58,201)	\$ (58,201)
Fund balances - beginning	-	-	628,500	628,500
Fund balances - ending	\$ -	\$ -	\$ 570,299	\$ 570,299

County of Surry, Virginia
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Agency Funds			
	<u>Special Welfare</u>	<u>Crater AAA</u>	<u>Emergency Food and Shelter</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 35,043	\$ 7,357	\$ 135	\$ 42,535
Total assets	<u>\$ 35,043</u>	<u>\$ 7,357</u>	<u>\$ 135</u>	<u>\$ 42,535</u>
LIABILITIES				
Amounts held for others	\$ -	\$ 7,357	\$ 135	\$ 7,492
Amounts held for social services clients	35,043	-	-	35,043
Total liabilities	<u>\$ 35,043</u>	<u>\$ 7,357</u>	<u>\$ 135</u>	<u>\$ 42,535</u>

County of Surry, Virginia

Fiduciary Funds
Statement of Changes in Fiduciary Net Assets - Agency Funds
For the Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 34,393	\$ 2,985	\$ 2,335	\$ 35,043
Liabilities:				
Amounts held for social services clients	\$ 34,393	\$ 2,985	\$ 2,335	\$ 35,043
Crater AAA Fund:				
Assets:				
Cash and cash equivalents	\$ 321	\$ 48,881	\$ 41,845	\$ 7,357
Liabilities:				
Amounts held for others	\$ 321	\$ 48,881	\$ 41,845	\$ 7,357
Emergency Food and Shelter Fund:				
Assets:				
Cash and cash equivalents	\$ 3,217	\$ 6,246	\$ 9,328	\$ 135
Liabilities:				
Amounts held for others	\$ 3,217	\$ 6,246	\$ 9,328	\$ 135
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 37,931	\$ 58,112	\$ 53,508	\$ 42,535
Total assets	\$ 37,931	\$ 58,112	\$ 53,508	\$ 42,535
Liabilities:				
Amounts held for others	\$ 3,538	\$ 55,127	\$ 51,173	\$ 7,492
Amounts held for social services clients	34,393	2,985	2,335	35,043
Total liabilities	\$ 37,931	\$ 58,112	\$ 53,508	\$ 42,535

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

County of Surry, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2011

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 746,727	\$ 119,799	\$ 866,526
Due from other governmental units	621,653	-	621,653
Total assets	<u>\$ 1,368,380</u>	<u>\$ 119,799</u>	<u>\$ 1,488,179</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 165,126	\$ 353	\$ 165,479
Accrued liabilities	1,203,254	37,439	1,240,693
Total liabilities	<u>\$ 1,368,380</u>	<u>\$ 37,792</u>	<u>\$ 1,406,172</u>
Fund balances:			
Committed	\$ -	\$ 82,007	\$ 82,007
Total fund balances	<u>\$ -</u>	<u>\$ 82,007</u>	<u>\$ 82,007</u>
Total liabilities and fund balances	<u>\$ 1,368,380</u>	<u>\$ 119,799</u>	<u>\$ 1,488,179</u>

Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 1) are different because:

Total fund balances per above	\$ 82,007
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,116,931
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(138,552)
Net assets of governmental activities	<u>\$ 11,060,386</u>

County of Surry, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2011

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 334	\$ 264	\$ 598
Charges for services	-	257,688	257,688
Miscellaneous	81,207	747	81,954
Intergovernmental revenues:			
Local government	11,411,912	-	11,411,912
Commonwealth	3,130,810	9,473	3,140,283
Federal	1,233,572	380,971	1,614,543
Total revenues	<u>\$ 15,857,835</u>	<u>\$ 649,143</u>	<u>\$ 16,506,978</u>
EXPENDITURES			
Current:			
Education	\$ 15,857,835	\$ 629,489	\$ 16,487,324
Total expenditures	<u>\$ 15,857,835</u>	<u>\$ 629,489</u>	<u>\$ 16,487,324</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 19,654</u>	<u>\$ 19,654</u>
Net change in fund balances	\$ -	\$ 19,654	\$ 19,654
Fund balances - beginning	-	62,353	62,353
Fund balances - ending	<u>\$ -</u>	<u>\$ 82,007</u>	<u>\$ 82,007</u>

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ 19,654

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 the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ (2,222,773)	
Depreciation expense	(1,029,886)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>2,863,694</u>	(388,965)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

(Increase) decrease in OPEB liability	\$ (26,087)	
(Increase) decrease in compensated absences	<u>4,420</u>	(21,667)

Change in net assets of governmental activities \$ (390,978)

County of Surry, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2011

	School Operating Fund			School Cafeteria Fund		
	Budgeted Amounts		Variance with Final Budget Positive (Negative)	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	Actual	Original	Final	Actual
REVENUES						
Revenue from the use of money and property	\$ -	\$ -	\$ 334	\$ -	\$ -	\$ 264
Charges for services	-	-	-	275,000	275,000	257,688
Miscellaneous	75,000	100,198	81,207	-	-	747
Intergovernmental revenues:						
Local government	10,954,052	11,605,716	11,411,912	24,709	(11,955)	-
Commonwealth	3,332,827	3,195,676	3,130,810	10,953	9,617	9,473
Federal	623,821	987,367	1,233,572	275,000	364,166	380,971
Total revenues	\$ 14,985,700	\$ 15,888,957	\$ 15,857,835	\$ 585,662	\$ 636,828	\$ 649,143
						\$ 12,315
EXPENDITURES						
Current:						
Education	\$ 14,985,700	\$ 15,888,957	\$ 15,857,835	\$ 31,122	\$ 31,122	\$ 629,489
Total expenditures	\$ 14,985,700	\$ 15,888,957	\$ 15,857,835	\$ 31,122	\$ 31,122	\$ 629,489
						\$ 7,339
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,654
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-	-
Total other financing sources and uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,654
Fund balances - beginning	-	-	-	-	-	62,353
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,007

SUPPORTING SCHEDULES

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

Schedule 1
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,369,909	\$ 6,369,909	\$ 6,176,332	\$ (193,577)
Real and personal public service corporation taxes	10,790,703	10,790,703	11,348,785	558,082
Personal property taxes	1,140,598	1,140,598	1,117,294	(23,304)
Penalties	45,506	45,506	46,490	984
Interest	64,872	64,872	80,062	15,190
Total general property taxes	\$ 18,411,588	\$ 18,411,588	\$ 18,768,963	\$ 357,375
Other local taxes:				
Local sales and use taxes	\$ 375,000	\$ 375,000	\$ 426,177	\$ 51,177
Consumption tax	20,000	20,000	20,979	979
Business license taxes	52,107	52,107	88,591	36,484
Motor vehicle licenses	130,000	130,000	120,874	(9,126)
Taxes on recordation and wills	45,000	45,000	36,201	(8,799)
Total other local taxes	\$ 622,107	\$ 622,107	\$ 692,822	\$ 70,715
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 5,000	\$ 5,000	\$ 4,895	\$ (105)
Building permits	28,000	28,000	19,239	(8,761)
Permits and other licenses	14,000	14,000	12,842	(1,158)
Total permits, privilege fees, and regulatory licenses	\$ 47,000	\$ 47,000	\$ 36,976	\$ (10,024)
Fines and forfeitures:				
Court fines and forfeitures	\$ 20,000	\$ 20,000	\$ 12,182	\$ (7,818)
Revenue from use of money and property:				
Revenue from use of money	\$ 30,000	\$ 30,000	\$ 21,726	\$ (8,274)
Revenue from use of property	97,210	97,210	67,002	(30,208)
Total revenue from use of money and property	\$ 127,210	\$ 127,210	\$ 88,728	\$ (38,482)
Charges for services:				
Sheriff fees	\$ 299	\$ 299	\$ -	\$ (299)
Charges for Commonwealth's Attorney	100	100	286	186
Charges for Treasurer	5,000	5,000	8,025	3,025
Courthouse maintenance fees	3,200	3,200	2,942	(258)
Charges for other court services	18,250	18,250	25,531	7,281
Charges for sanitation and waste removal	52,000	52,000	49,054	(2,946)
Charges for parks and recreation	20,000	36,536	38,400	1,864
Total charges for services	\$ 98,849	\$ 115,385	\$ 124,238	\$ 8,853
Miscellaneous revenue:				
Miscellaneous	\$ 5,000	\$ 16,853	\$ 33,270	\$ 16,417

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

Schedule 1
Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Regional jail	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
VPI extension phone reimbursement	300	300	129	(171)
Local health department	-	-	2,846	2,846
Care of animals	-	-	624	624
Other recovered costs	-	529	-	(529)
Total recovered costs	\$ 5,300	\$ 5,829	\$ 3,599	\$ (2,230)
 Total revenue from local sources	 \$ 19,337,054	 \$ 19,365,972	 \$ 19,760,778	 \$ 394,806
 Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ -	\$ -	\$ 3	\$ 3
Mobile home titling tax	15,000	15,000	15,692	692
Taxes on deeds	-	-	15,931	15,931
Communications tax	55,000	55,000	53,533	(1,467)
State recordation tax	18,000	18,000	9,163	(8,837)
Personal property tax relief funds	677,907	677,907	677,907	-
Reduction in state aid to local governments	(30,000)	(30,000)	(37,257)	(7,257)
Total noncategorical aid	\$ 735,907	\$ 735,907	\$ 734,972	\$ (935)
 Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 67,163	\$ 67,163	\$ 70,336	\$ 3,173
Sheriff	435,000	435,000	413,679	(21,321)
Commissioner of revenue	61,773	61,773	62,404	631
Treasurer	64,261	64,261	65,889	1,628
Registrar/electoral board	33,000	33,000	29,244	(3,756)
Clerk of the circuit court	141,920	149,667	152,129	2,462
Total shared expenses	\$ 803,117	\$ 810,864	\$ 793,681	\$ (17,183)
 Other categorical aid:				
Public assistance and welfare administration	\$ 529,163	\$ 529,163	\$ 339,231	\$ (189,932)
Fire programs fund	-	19,135	19,135	-
Emergency services grant	-	50,000	50,000	-
Comprehensive services act	99,347	99,347	54,676	(44,671)
Wireless funds	51,000	51,000	60,587	9,587
Emergency medical services	-	8,495	8,294	(201)
Victim-witness grant	20,000	20,000	19,185	(815)
Animal friendly plates	-	-	198	198

County of Surry, Virginia
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Disaster recovery	\$ -	\$ -	\$ 195	\$ 195
Juvenile confinement	6,544	6,544	6,544	-
Local law enforcement block grant	-	-	2,662	2,662
Litter control	-	5,910	5,910	-
Total other categorical aid	<u>\$ 706,054</u>	<u>\$ 789,594</u>	<u>\$ 566,617</u>	<u>\$ (222,977)</u>
Total categorical aid	<u>\$ 1,509,171</u>	<u>\$ 1,600,458</u>	<u>\$ 1,360,298</u>	<u>\$ (240,160)</u>
Total revenue from the Commonwealth	<u>\$ 2,245,078</u>	<u>\$ 2,336,365</u>	<u>\$ 2,095,270</u>	<u>\$ (241,095)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ -	\$ -	\$ 627	\$ 627
Categorical aid:				
Public assistance and welfare administration	\$ 973,332	\$ 973,332	\$ 766,191	\$ (207,141)
Workforce development	-	76,301	68,421	(7,880)
Workforce development - ARRA	-	-	5,813	5,813
Summer feeding program	6,500	6,500	3,735	(2,765)
Total categorical aid	<u>\$ 979,832</u>	<u>\$ 1,056,133</u>	<u>\$ 844,160</u>	<u>\$ (211,973)</u>
Total revenue from the federal government	<u>\$ 979,832</u>	<u>\$ 1,056,133</u>	<u>\$ 844,787</u>	<u>\$ (211,346)</u>
Total General Fund	<u>\$ 22,561,964</u>	<u>\$ 22,758,470</u>	<u>\$ 22,700,835</u>	<u>\$ (57,635)</u>
County Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 29	\$ 29
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29</u>	<u>\$ 29</u>
Miscellaneous revenue:				
Miscellaneous	\$ 60,000	\$ 60,000	\$ 12,643	\$ (47,357)
Total miscellaneous revenue	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 12,643</u>	<u>\$ (47,357)</u>
Total revenue from local sources	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 12,672</u>	<u>\$ (47,328)</u>
Total County Special Revenue Fund	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 12,672</u>	<u>\$ (47,328)</u>

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ (253)	\$ (253)
Total revenue from local sources	\$ -	\$ -	\$ (253)	\$ (253)
Revenue from the Commonwealth:				
Categorical aid:				
Indoor plumbing grant	\$ 150,000	\$ 150,000	\$ 72,137	\$ (77,863)
CDBG broadband funds	700,000	700,000	-	(700,000)
Total categorical aid	\$ 850,000	\$ 850,000	\$ 72,137	\$ (777,863)
Total revenue from the Commonwealth	\$ 850,000	\$ 850,000	\$ 72,137	\$ (777,863)
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ 600,000	\$ 600,000	\$ 114,263	\$ (485,737)
Total categorical aid	\$ 600,000	\$ 600,000	\$ 114,263	\$ (485,737)
Total revenue from the federal government	\$ 600,000	\$ 600,000	\$ 114,263	\$ (485,737)
Total County Capital Projects Fund	\$ 1,450,000	\$ 1,450,000	\$ 186,147	\$ (1,263,853)
Total Primary Government	\$ 24,071,964	\$ 24,268,470	\$ 22,899,654	\$ (1,368,816)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 334	\$ 334
Total revenue from use of money and property	\$ -	\$ -	\$ 334	\$ 334
Miscellaneous revenue:				
Miscellaneous	\$ 75,000	\$ 100,198	\$ 81,207	\$ (18,991)
Total revenue from local sources	\$ 75,000	\$ 100,198	\$ 81,541	\$ (18,657)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Surry	\$ 10,954,052	\$ 11,605,716	\$ 11,411,912	\$ (193,804)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 877,559	\$ 913,596	\$ 913,433	\$ (163)
Basic school aid	1,315,293	1,256,635	1,194,764	(61,871)
Remedial summer education	17,712	12,133	12,133	-
Discretely Presented Component Unit - School Board: (Continued)				

County of Surry, Virginia
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Regular foster care	\$ 63,067	\$ -	\$ -	\$ -
GED funding	7,859	7,859	7,859	-
Gifted and talented	12,687	12,305	12,305	-
Adult education	2,280	2,280	-	(2,280)
Special education	160,657	156,291	156,291	-
Textbook payment	14,813	14,366	14,367	1
Remedial education	43,136	41,836	41,836	-
Vocational education	107,047	104,383	104,195	(188)
Early reading intervention	5,551	2,776	2,776	-
School fringes	136,457	132,346	132,346	-
English as a second language	-	-	329	329
Technology	128,000	128,000	128,000	-
State lottery payments	214,805	191,112	191,112	-
Mentor teacher program	1,077	1,077	712	(365)
At risk payments	49,674	48,105	48,105	-
Primary class size	52,135	47,558	47,558	-
SOL algebra readiness	6,018	6,018	5,689	(329)
At risk four-year olds	117,000	117,000	117,000	-
Total categorical aid	\$ 3,332,827	\$ 3,195,676	\$ 3,130,810	\$ (64,866)
Total revenue from the Commonwealth	\$ 3,332,827	\$ 3,195,676	\$ 3,130,810	\$ (64,866)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 230,000	\$ 182,836	\$ 209,088	\$ 26,252
Title I - ARRA	-	-	91,693	91,693
Title VI-B, special education flow-through	239,352	238,932	197,382	(41,550)
Title VI-B, special education flow-through - ARRA	-	-	98,987	98,987
Vocational education	20,021	18,173	2,799	(15,374)
Title VI-B, special education pre-school	8,200	4,473	1,267	(3,206)
Title VI-B, special education pre-school - ARRA	-	-	2,327	2,327
Drug free schools	3,400	-	3,078	3,078
Education Jobs funds	-	152,227	144,369	(7,858)
State fiscal stabilization funds - ARRA	-	61,871	172,155	110,284
JROTC	57,348	63,893	63,893	-
Twenty-first Century Grant	-	199,999	190,145	(9,854)
Title II, Part A	60,000	63,333	54,085	(9,248)
Title II, Part D	-	-	2,304	2,304
Other federal funds	5,500	1,630	-	(1,630)
Total categorical aid	\$ 623,821	\$ 987,367	\$ 1,233,572	\$ 246,205
Total revenue from the federal government	\$ 623,821	\$ 987,367	\$ 1,233,572	\$ 246,205
Total School Operating Fund	\$ 14,985,700	\$ 15,888,957	\$ 15,857,835	\$ (31,122)

Discretely Presented Component Unit - School Board: (Continued)

School Special Revenue Fund:

County of Surry, Virginia
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 264	\$ 264
Total revenue from use of money and property	\$ -	\$ -	\$ 264	\$ 264
Charges for services:				
Cafeteria sales	\$ 275,000	\$ 275,000	\$ 257,688	\$ (17,312)
Total charges for services	\$ 275,000	\$ 275,000	\$ 257,688	\$ (17,312)
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 747	\$ 747
Total miscellaneous revenue	\$ -	\$ -	\$ 747	\$ 747
Total revenue from local sources	\$ 275,000	\$ 275,000	\$ 258,699	\$ (16,301)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Surry, Virginia	\$ 24,709	\$ (11,955)	\$ -	\$ 11,955
Total revenues from local governments	\$ 24,709	\$ (11,955)	\$ -	\$ 11,955
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 10,953	\$ 9,617	\$ 9,473	\$ (144)
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 275,000	\$ 325,000	\$ 325,330	\$ 330
Summer feeding	-	-	13,782	13,782
Commodities	-	39,166	41,859	2,693
Total categorical aid	\$ 275,000	\$ 364,166	\$ 380,971	\$ 16,805
Total revenue from the federal government	\$ 275,000	\$ 364,166	\$ 380,971	\$ 16,805
Total School Special Revenue Fund	\$ 585,662	\$ 636,828	\$ 649,143	\$ 12,315
Total Discretely Presented Component Unit - School Board	\$ 15,571,362	\$ 16,525,785	\$ 16,506,978	\$ (18,807)

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 308,341	\$ 234,035	\$ 99,598	\$ 134,437
General and financial administration:				
County administrator	\$ 355,183	\$ 355,183	\$ 324,568	\$ 30,615
Legal services	70,720	70,720	70,404	316
Commissioner of revenue	175,667	175,667	170,125	5,542
Treasurer	244,510	244,510	239,337	5,173
Board of equalization	-	3,040	3,309	(269)
Finance department	150,305	150,305	148,560	1,745
Information technology	155,022	149,155	135,044	14,111
Other general and financial administration	40,000	40,000	38,277	1,723
Total general and financial administration	\$ 1,191,407	\$ 1,188,580	\$ 1,129,624	\$ 58,956
Board of elections:				
Electoral board and officials	\$ 94,838	\$ 94,838	\$ 85,871	\$ 8,967
Total general government administration	\$ 1,594,586	\$ 1,517,453	\$ 1,315,093	\$ 202,360
Judicial administration:				
Courts:				
Circuit court	\$ 15,875	\$ 15,875	\$ 12,002	\$ 3,873
General district court	10,746	10,746	8,122	2,624
Special magistrates	775	776	624	152
Southside legal aid	6,535	6,535	6,535	-
Victim Witness	20,000	20,000	19,311	689
Clerk of the circuit court	226,696	234,443	230,028	4,415
Total courts	\$ 280,627	\$ 288,375	\$ 276,622	\$ 11,753
Commonwealth's attorney:				
Commonwealth's attorney	\$ 121,676	\$ 122,576	\$ 122,045	\$ 531
Total judicial administration	\$ 402,303	\$ 410,951	\$ 398,667	\$ 12,284
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,282,920	\$ 1,286,372	\$ 1,166,210	\$ 120,162
Virginia juvenile crime control act	15,425	15,425	13,230	2,195
Riverside Criminal justice	11,541	11,541	11,541	-
Total law enforcement and traffic control	\$ 1,309,886	\$ 1,313,338	\$ 1,190,981	\$ 122,357
Fire and rescue services:				
Fire department/rescue services	\$ 550,776	\$ 576,385	\$ 576,154	\$ 231
Correction and detention:				
Confinement and care of prisoners	\$ 192,950	\$ 227,950	\$ 217,662	\$ 10,288

County of Surry, Virginia
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 122,862	\$ 122,862	\$ 102,279	\$ 20,583
Other protection:				
Animal control	\$ 104,322	\$ 106,822	\$ 106,403	\$ 419
Emergency services	203,590	292,133	200,554	91,579
E-911 communications	48,700	48,700	37,342	11,358
Total other protection	<u>\$ 356,612</u>	<u>\$ 447,655</u>	<u>\$ 344,299</u>	<u>\$ 103,356</u>
Total public safety	<u>\$ 2,533,086</u>	<u>\$ 2,688,190</u>	<u>\$ 2,431,375</u>	<u>\$ 256,815</u>
Public works:				
Sanitation and waste removal:				
Sanitation	\$ 491,776	\$ 491,776	\$ 445,335	\$ 46,441
Litter control	-	5,910	5,910	-
Total sanitation and waste removal	<u>\$ 491,776</u>	<u>\$ 497,686</u>	<u>\$ 451,245</u>	<u>\$ 46,441</u>
Maintenance of general buildings and grounds:				
General properties	\$ 563,019	\$ 565,957	\$ 502,274	\$ 63,683
Total public works	<u>\$ 1,054,795</u>	<u>\$ 1,063,643</u>	<u>\$ 953,519</u>	<u>\$ 110,124</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 206,281	\$ 206,281	\$ 206,281	\$ -
Mental health and mental retardation:				
Community services board	\$ 56,867	\$ 56,867	\$ 56,867	\$ -
Welfare:				
Public assistance and welfare administration	\$ 2,186,064	\$ 2,186,054	\$ 1,593,231	\$ 592,823
Area agency on aging	1,033	1,033	-	1,033
Comprehensive services act	160,000	160,000	79,067	80,933
SSG improvement association	29,604	29,604	29,604	-
Workforce development	-	76,301	74,315	1,986
Office on youth	166,871	171,664	169,576	2,088
Geneive shelter	3,150	3,150	3,150	-
Surry free clinic	6,000	6,000	6,000	-
Other welfare contributions	1,350	1,350	1,350	-
Total welfare	<u>\$ 2,554,072</u>	<u>\$ 2,635,156</u>	<u>\$ 1,956,293</u>	<u>\$ 678,863</u>
Total health and welfare	<u>\$ 2,817,220</u>	<u>\$ 2,898,304</u>	<u>\$ 2,219,441</u>	<u>\$ 678,863</u>

General Fund: (Continued)

Education:

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Other instructional costs:				
Contributions to Community Colleges	\$ 990	\$ 1,356	\$ 1,356	\$ -
Contribution to County School Board	10,978,761	11,593,761	11,411,912	181,849
Total education	\$ 10,979,751	\$ 11,595,117	\$ 11,413,268	\$ 181,849
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation center	\$ 394,275	\$ 412,011	\$ 394,801	\$ 17,210
Williamsburg area transit	25,000	25,000	25,000	-
Summer food and nutrition program	7,500	7,500	3,735	3,765
Total parks and recreation	\$ 426,775	\$ 444,511	\$ 423,536	\$ 20,975
Library:				
Contribution to regional library	\$ 108,588	\$ 108,588	\$ 108,588	\$ -
Total parks, recreation, and cultural	\$ 535,363	\$ 553,099	\$ 532,124	\$ 20,975
Community development:				
Planning and community development:				
Planning and zoning	\$ 301,639	\$ 301,639	\$ 293,803	\$ 7,836
Zoning board	3,200	3,200	3,497	(297)
Highway transportation safety commission	1,500	1,500	1,050	450
Planning district commission	9,750	9,750	4,073	5,677
Economic development	59,939	59,939	36,574	23,365
Other planning and community development	1,003	1,003	322	681
Total planning and community development	\$ 377,031	\$ 377,031	\$ 339,319	\$ 37,712
Environmental management:				
Contribution to soil and water conservation district	\$ 8,100	\$ 8,100	\$ 8,100	\$ -
Cooperative extension program:				
Extension office	\$ 68,950	\$ 68,950	\$ 66,224	\$ 2,726
Total community development	\$ 454,081	\$ 454,081	\$ 413,643	\$ 40,438
Debt service:				
Principal retirement	\$ 1,177,797	\$ 1,177,797	\$ 1,069,826	\$ 107,971
Interest and other fiscal charges	798,112	803,979	813,512	(9,533)
Total debt service	\$ 1,975,909	\$ 1,981,776	\$ 1,883,338	\$ 98,438
Total General Fund	\$ 22,347,094	\$ 23,162,614	\$ 21,560,468	\$ 1,602,146

County of Surry, Virginia
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
County Special Revenue Fund:				
Community development				
Indoor plumbing program	\$ 60,000	\$ 60,000	\$ 22,782	\$ 37,218
Economic development	79,160	79,160	-	79,160
Total community development	<u>\$ 139,160</u>	<u>\$ 139,160</u>	<u>\$ 22,782</u>	<u>\$ 116,378</u>
Total community development	<u>\$ 139,160</u>	<u>\$ 139,160</u>	<u>\$ 22,782</u>	<u>\$ 116,378</u>
Total County Special Revenue Fund	<u>\$ 139,160</u>	<u>\$ 139,160</u>	<u>\$ 22,782</u>	<u>\$ 116,378</u>
County Capital Projects Fund:				
Capital projects expenditures:				
Waste management collection centers	\$ 255,000	\$ 255,000	\$ 9,590	\$ 245,410
Employment center upgrades	-	22,000	21,207	793
Broadband technology initiative	900,000	900,000	3,809	896,191
Circuit courthouse renovations	-	-	12,752	(12,752)
Highway revenue sharing	50,000	50,000	-	50,000
Refuse truck replacement	150,000	150,000	-	150,000
Parks and recreation facility upgrades	-	53,000	33,019	19,981
Public safety equipment acquisition	-	148,564	140,064	8,500
Elberon Heights project	-	-	195,904	(195,904)
E911 dispatch center upgrade	640,000	640,000	-	640,000
Storm water management	600,000	600,000	-	600,000
School capital projects	-	255,309	29,047	226,262
Total capital projects	<u>\$ 2,595,000</u>	<u>\$ 3,073,873</u>	<u>\$ 445,392</u>	<u>\$ 2,628,481</u>
Total County Capital Projects Fund	<u>\$ 2,595,000</u>	<u>\$ 3,073,873</u>	<u>\$ 445,392</u>	<u>\$ 2,628,481</u>
Total Primary Government	<u>\$ 25,081,254</u>	<u>\$ 26,375,647</u>	<u>\$ 22,028,642</u>	<u>\$ 4,347,005</u>

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 828,621	\$ 828,621	\$ 835,533	\$ (6,912)
Instruction costs	11,332,765	11,573,022	11,532,625	40,397
Pupil transportation	1,044,508	1,164,508	1,154,556	9,952
Operation and maintenance of school plant	1,779,806	2,322,806	2,335,121	(12,315)
Total operating costs	<u>\$ 14,985,700</u>	<u>\$ 15,888,957</u>	<u>\$ 15,857,835</u>	<u>\$ 31,122</u>
Total education	<u>\$ 14,985,700</u>	<u>\$ 15,888,957</u>	<u>\$ 15,857,835</u>	<u>\$ 31,122</u>
Total School Operating Fund	<u>\$ 14,985,700</u>	<u>\$ 15,888,957</u>	<u>\$ 15,857,835</u>	<u>\$ 31,122</u>
School Special Revenue Fund:				
Education:				
School food services:				
School food services	\$ 585,662	\$ 597,662	\$ 589,306	\$ 8,356
Commodities		39,166	40,183	(1,017)
Total School Special Revenue Fund	<u>\$ 585,662</u>	<u>\$ 636,828</u>	<u>\$ 629,489</u>	<u>\$ 7,339</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 15,571,362</u>	<u>\$ 16,525,785</u>	<u>\$ 16,487,324</u>	<u>\$ 38,461</u>

OTHER STATISTICAL SECTION

Table 1

County of Surry, Virginia
Government-Wide Expenses by Function
Last Nine Fiscal Years (1)

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Water and Sewer	Total
2002-03	\$ 1,083,987	\$ 253,302	\$ 1,472,136	\$ 840,257	\$ 2,019,805	\$ 10,477,678	\$ 410,902	\$ 394,405	\$ 225,518	\$ -	\$ 17,177,990
2003-04	979,192	250,210	3,779,073	997,920	2,086,662	10,339,257	439,939	343,459	179,045	-	19,394,757
2004-05	1,584,888	275,953	1,866,039	1,059,305	2,177,704	9,095,340	452,777	634,133	167,521	181,339	17,494,999
2005-06	1,278,906	337,970	1,948,872	1,889,656	2,185,792	11,065,790	481,350	387,025	133,447	202,840	19,911,648
2006-07	1,298,600	357,205	2,001,162	1,135,848	3,378,174	10,405,848	589,996	496,724	475,740	248,942	20,388,239
2007-08	1,375,071	806,049	2,469,893	2,101,649	2,263,034	12,736,313	507,811	494,492	690,748	383,052	23,828,112
2008-09	1,864,806	358,576	2,907,399	1,237,489	2,368,475	11,734,160	567,971	923,784	836,260	383,367	23,182,287
2009-10	1,556,300	744,437	2,761,300	1,025,861	2,189,821	11,932,831	554,813	747,514	833,989	404,703	22,751,569
2010-11	1,381,514	742,347	2,732,338	995,742	2,440,233	11,787,315	571,977	484,311	798,490	422,687	22,356,954

(1) Information has only been available for nine years.

Table 2

County of Surry, Virginia
Government-Wide Revenues
Last Nine Fiscal Years (1)

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES								
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes		Other Local Taxes		Unrestricted Investment Earnings		Grants and Contributions Not Restricted to Specific Programs		Total
2002-03	\$ 76,683	\$ 2,107,511	\$ -	\$ 14,057,285	\$ 366,140	\$ 210,623	\$ 13,369	\$ 716,614	\$ 17,548,225			
2003-04	83,199	3,331,422	-	14,265,479	393,523	186,331	41,432	1,234,338	19,535,724			
2004-05	97,711	2,254,687	-	14,793,585	679,224	299,040	21,957	653,792	18,799,996			
2005-06	111,124	3,777,818	29,000	15,516,251	597,105	512,313	110,694	914,354	21,568,659			
2006-07	150,942	2,177,196	2,915,649	15,120,129	587,852	955,234	68,379	762,952	22,738,333			
2007-08	195,502	2,281,233	694,342	17,644,857	664,638	872,613	581	730,465	23,084,231			
2008-09	189,339	2,545,547	76,580	17,728,739	754,536	299,565	24,255	697,935	22,316,496			
2009-10	197,957	2,315,618	669,792	17,428,339	643,424	139,858	52,754	708,314	22,156,056			
2010-11	173,396	2,204,458	186,400	18,997,082	692,822	88,504	45,913	735,599	23,124,174			

(1) Information has only been available for nine years.

Table 3

County of Surry, Virginia
General Governmental Expenditures by Function (1, 3)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2002	\$ 856,646	\$ 264,400	\$ 1,572,351	\$ 863,224	\$ 2,032,152	\$ 12,313,136	\$ 399,928	\$ 305,710	\$ 1,191,616	\$ 19,799,163
2003	877,618	262,536	1,511,527	805,372	2,005,392	13,071,071	394,307	318,987	1,048,791	20,295,601
2004	903,505	250,720	3,760,426	942,838	2,100,150	12,954,598	426,705	316,018	837,986	22,492,946
2005	1,281,332	275,953	1,878,610	868,843	2,156,434	12,761,349	438,274	392,656	901,813	20,955,264
2006	1,170,523	339,890	1,909,200	850,183	2,167,120	14,041,739	467,439	370,733	859,092	22,175,919
2007	1,060,320	356,302	1,978,914	927,802	2,435,713	14,368,809	549,193	506,418	913,362	23,096,833
2008	1,279,711	346,306	2,309,462	990,575	2,293,730	16,271,736	506,431	464,046	751,890	25,213,887
2009	1,554,499	396,862	2,536,356	1,022,167	2,361,067	16,488,486	540,575	438,558	1,465,949	26,804,519
2010	1,441,060	402,477	2,447,061	906,278	2,191,083	16,766,001	534,123	507,589	2,071,927	27,267,599
2011	1,315,093	398,667	2,431,375	953,519	2,219,441	16,488,680	532,124	436,425	1,883,338	26,658,662

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

(3) Excludes Capital Projects funds.

Table 4

County of Surry, Virginia
General Governmental Revenues by Source (1,3)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2002	\$ 15,002,921	\$ 375,330	\$ 15,935	\$ 23,586	\$ 417,461	\$ 287,384	\$ 338,406	\$ 85,799	\$ 5,787,045	\$ 22,333,867
2003	14,055,810	366,140	29,337	5,949	211,711	237,813	122,035	55,447	5,885,077	20,969,319
2004	14,831,392	393,523	23,299	23,316	189,046	285,250	83,657	52,742	7,497,570	23,379,795
2005	14,544,879	679,224	33,924	24,690	302,930	294,304	94,490	37,761	6,479,297	22,491,499
2006	15,832,563	597,105	39,985	26,313	573,325	329,266	189,276	35,170	7,238,316	24,861,319
2007	15,139,181	587,852	61,447	27,554	958,847	322,277	117,280	84,103	7,147,686	24,454,282
2008	17,442,571	664,638	61,447	15,245	471,192	364,935	66,419	54,784	6,717,814	25,859,045
2009	17,637,845	754,536	48,036	24,902	251,016	361,491	99,576	17,710	8,465,256	27,660,368
2010	17,376,874	643,424	41,406	11,922	134,123	363,617	111,826	10,705	7,997,407	26,691,304
2011	18,768,963	692,822	36,976	12,182	89,355	381,926	127,867	3,599	7,694,883	27,808,573

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

(3) Excludes Capital Projects funds.

Table 5

County of Surry, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2002	\$ 15,568,140	\$ 15,255,053	97.99%	\$ 60,345	\$ 15,315,398	98.38%	\$ 1,076,724	6.92%
2003	14,669,674	14,447,527	98.49%	149,450	14,596,977	99.50%	518,554	3.53%
2004 (3)	15,358,307	15,377,233	100.12%	481,957	15,859,190	103.26%	550,792	3.59%
2005	15,133,422	14,880,556	98.33%	150,309	15,030,865	99.32%	628,325	4.15%
2006	16,457,411	16,572,928	100.70%	5,684	16,578,612	100.74%	465,614	2.83%
2007	15,600,794	15,304,788	98.10%	364,978	15,669,766	100.44%	558,611	3.58%
2008	17,440,097	17,301,159	99.20%	6,399	17,307,558	99.24%	627,234	3.60%
2009	17,597,560	17,480,039	99.33%	16,483	17,496,522	99.43%	645,177	3.67%
2010	17,397,366	16,858,370	96.90%	389,786	17,248,156	99.14%	722,574	4.15%
2011	18,793,552	18,272,180	97.23%	370,230	18,642,410	99.20%	848,722	4.52%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

(3) Includes tax year 2002 and 2003 PPTRA collections.

Table 6

County of Surry, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal		Machinery and Tools	Public Service(2)			Total
		Property and Mobile Homes			Real Estate	Property		
2002	\$ 433,814,351	\$ 38,454,170	\$ 215,400	\$ 1,477,770,849	\$ -	\$ 1,950,254,770		
2003	435,431,747	39,423,638	201,660	1,351,947,273	-	1,827,004,318		
2004	454,168,629	39,897,173	246,469	1,423,102,752	-	1,917,415,023		
2005	461,603,600	38,700,295	275,325	1,273,917,022	-	1,774,496,242		
2006	546,241,500	42,569,947	2,142,878	1,405,266,656	-	1,996,220,981		
2007	561,776,967	46,296,254	3,069,697	1,109,668,896	-	1,720,811,814		
2008	820,331,000	48,530,068	3,822,458	1,533,628,525	-	2,406,312,051		
2009	846,070,980	53,237,443	3,058,587	1,510,896,740	-	2,413,263,750		
2010	862,651,543	45,099,299	2,343,330	1,478,178,593	-	2,388,272,765		
2011	867,287,605	48,638,297	2,023,995	1,554,628,083	-	2,472,577,980		

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

Table 7

County of Surry, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools
2002	\$ 0.75	\$ 3.50	\$ 1.00
2003	0.75	3.50	1.00
2004	0.75	3.50	1.00
2005	0.80	3.50	1.00
2006	0.77	3.50	1.00
2007	0.84	3.50	1.00
2008	0.70	3.50	1.00
2009	0.70	3.50	1.00
2010	0.70	3.50	1.00
2011	0.73	4.00	1.00

(1) Per \$100 of assessed value.

Table 8

County of Surry, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Assumed by Other Localities (4)		
2002	6,829	\$ 1,950,254,770	\$ 4,180,000	- \$	- \$	0.21%	\$ 612
2003	6,829	1,827,004,318	3,455,000	-	-	0.19%	506
2004	6,829	1,917,415,023	2,865,000	-	-	0.15%	420
2005	6,829	1,774,496,242	2,305,000	-	-	0.13%	338
2006	6,829	1,996,220,981	1,860,000	-	-	0.09%	272
2007	6,829	1,720,811,814	16,445,000	-	-	0.96%	2,408
2008	6,829	2,406,312,051	16,055,000	-	-	0.67%	2,351
2009	6,829	2,413,263,750	18,650,000	-	-	0.77%	2,731
2010	6,829	2,388,272,765	17,755,000	-	-	0.74%	2,600
2011	6,829	2,472,577,980	16,875,000	-	-	0.68%	2,471

(1) Tayloe Institute at the University of Virginia for 1990 Census and Weldon Cooper Center for Public Service for 2000 Census.

(2) From Table 6

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.

Excludes revenue bonds, landfill closure/postclosure care liability, capital leases, and compensated absences.

(4) In accordance with the provisions of annexation settlements.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS
COUNTY OF SURRY
SURRY, VIRGINIA

We have audited 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 the County of Surry, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County of Surry, Virginia's basic financial statements and have issued our report thereon dated December 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

A handwritten signature in dark ink, appearing to read "D. F. Clark", followed by a long horizontal line.

Richmond, Virginia
December 22, 2011

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 Independent Auditors' Report

TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS
COUNTY OF SURRY
SURRY, VIRGINIA

Compliance

We have audited County of Surry, 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 Surry, Virginia's major federal programs for the year ended June 30, 2011. The County of Surry, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Surry, Virginia's management. Our responsibility is to express an opinion on the County of Surry, Virginia's compliance based on our audit.

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

In our opinion, the County of Surry, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Internal Control Over Compliance (Continued)

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 control deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

A handwritten signature in black ink, appearing to read "D. F. Cox", followed by a horizontal line.

Richmond, Virginia
December 22, 2011

County of Surry, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Page 1 of 2

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting safe and stable families	93.556	0950109/90249	\$ 10,219
Temporary assistance for needy families	93.558	0400109/90109	169,325
Refugee and entrant assistance - state administered programs	93.566	0500109/90113	263
Low-income home energy assistance	93.568	0600409/90114	11,193
<i>Child Care and Development Cluster:</i>			
Child care and development block grant	93.575	0770109/90544	50,415
Child care mandatory and matching funds of the child care and development fund	93.596	0760109/90116	46,118
ARRA - Child care and development block grant	93.713	0740109/90540	5,849
Stephanie Tubbs Jones child welfare services program	93.645	0900109/90251	691
Foster care - Title IV-E	93.658	1100109/90105	60,353
Adoption assistance	93.659	1120109/90228	\$ 9,168
ARRA - Adoption assistance	93.659	1120109/90606	232
			9,400
Social services block grant	93.667	1000109/90313	153,581
Chafee foster care independence program	93.674	9150109/90254	1,144
Children's health insurance program	93.767	0540109/90102	4,014
Medical assistance program	93.778	1200109/90101	88,887
Total Department of Health and Human Services			\$ 611,452
Department of the Defense:			
Direct Payments:			
Junior ROTC	12.xxx		\$ 63,893
Department of Agriculture:			
Direct Payments:			
Food distribution (Child nutrition cluster)	10.555		\$ 40,843
Pass Through Payments:			
<i>Department of Education:</i>			
National school lunch program (Child nutrition cluster)	10.555		230,820
			\$ 271,663
Direct Payments:			
Food distribution (Child nutrition cluster)	10.559		\$ 1,017
Summer food service program for children (Child nutrition cluster)	10.559		17,517
			18,534
Pass Through Payments:			
<i>Department of Education:</i>			
School breakfast program (Child nutrition cluster)	10.553	17901- 40591	\$ 94,509
<i>Department of Social Services:</i>			
State administrative matching grants for the supplemental nutrition assistance program	10.561	0010109/ 90103	\$ 150,861
ARRA - State administrative matching grants for the supplemental nutrition assistance program	10.561	0040109/ 90104	3,878
			154,739
Total Department of Agriculture			\$ 539,445

County of Surry, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Page 2 of 2

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Labor:			
Pass Through Payments:			
<i>Crater Workforce Investment Board:</i>			
ARRA - WIA youth activities	17.259	unavailable	\$ 5,813
WIA youth activities	17.259	unavailable	68,421
			<u>74,234</u>
Total Department of Labor			<u>\$ 74,234</u>
Department of Housing and Community Development:			
Pass Through Payments:			
<i>Department of Housing and Community Development:</i>			
Community development block grants/state's program and non-entitlement grants to Hawaii	14.228	53505- 50797	\$ 114,263
			<u>114,263</u>
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
<i>Title I Part A Cluster:</i>			
Title I grants to local educational agencies	84.010	17901- 42901	\$ 209,088
ARRA -Title I grants to local educational agencies	84.389	17901-42913	91,693
<i>Special Education Cluster:</i>			
Special education - grants to states	84.027	17901- 43071	197,382
ARRA - Special education - grants to states	84.391	17901- 61245	98,987
Special Education - preschool grants	84.173	17901- 62521	1,267
ARRA - Special Education - preschool grants	84.392	17901-61247	2,327
Career and technical education - basic grants to states	84.048	17901- 61095	2,799
Safe and drug free schools and communities - state grants	84.186	17901- 60511	3,078
Twenty-First Century Community Learning Centers	84.287	17901- 60565	190,145
Education technology state grants	84.318	17901- 61600	2,304
Improving teacher quality state grants	84.367	17901- 61480	54,085
ARRA - Education Jobs Fund	84.410	17901-62700	144,369
ARRA - State fiscal stabilization fund - education state grants	84.394	17901- 62532	172,155
			<u>1,169,679</u>
Total Department of Education			<u>\$ 1,169,679</u>
Department of the Interior:			
Direct Payments:			
Bureau of Land Management:			
Payments in lieu of taxes - public law 95-561	12.112		\$ 627
			<u>627</u>
Total Expenditures of Federal Awards			<u>\$ 2,573,593</u>

See accompanying notes to schedule of expenditures of federal awards.

County of Surry, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Surry, Virginia under programs of the federal government for the year ended June 30, 2011. 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*. Because the Schedule presents only a selected portion of the operations of the County of Surry, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Surry, Virginia.

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note C - 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	\$ 844,787
County Capital Projects Fund	114,263
Total primary government	<u>\$ 959,050</u>

Component Unit Public Schools:

School Operating Fund	\$ 1,233,572
School Cafeteria Fund	380,971
Total component unit public schools	<u>\$ 1,614,543</u>

Total federal expenditures per basic financial statements	<u>\$ 2,573,593</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 2,573,593</u></u>
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County of Surry, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I—Summary of Auditors' Results**Financial Statements**

Type of auditor's report issued:

unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes ✓ no

Significant deficiency(ies) identified?

_____ yes ✓ none reported

Noncompliance material to financial statements noted?

_____ yes ✓ no**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

_____ yes ✓ no

Significant deficiency(ies) identified?

_____ yes ✓ none reportedType of auditor's report issued on compliance
for major programs:unqualifiedAny findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133?_____ yes ✓ no

Identification of major programs:

CFDA Number(s)

84.010/84.389

84.027/84.391/84.173/84.392

84.410

Name of Federal Program or Cluster

Title I Part A Cluster

Special Education Cluster

Education Jobs Fund

Dollar threshold used to distinguish between type A
and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

✓ yes _____ no

County of Surry, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Surry, Virginia
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2011

There were no prior year audit findings.