

COUNTY OF SURRY,  
VIRGINIA



ANNUAL FINANCIAL REPORT  
FOR FISCAL YEAR ENDED JUNE 30, 2007

## ***INTRODUCTORY SECTION***

**COUNTY OF SURRY, VIRGINIA**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2007**

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COUNTY OF SURRY, VIRGINIA  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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# COUNTY OF SURRY, VIRGINIA

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## Board of Supervisors

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John M. Seward, Chairperson

Timothy Jones  
Judy S. Lyttle

Reginald O. Harrison  
Sherlock Holmes

## Social Services Board

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Carolyn Dickens, Chairperson

Earlene Sprouse  
Rev. Howard Daniels  
Judy S. Lyttle

Janet Moore  
Dr. Stanley Brantley, Jr.  
Troilen Seward

## County School Board

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Harold Jones, Chairperson

Gladys Harris  
Helen Eggleston

Laura Sheffield  
Elsie Dennis

## Other Officials

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Judge of the Circuit Court  
Clerk of the Circuit Court  
Commonwealth's Attorney  
Acting 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  
Harold D. Brown  
Lloyd Hamlin  
Linda E. Lewis  
Tyrone W. Franklin  
Jacqueline Waymack  
J. Larry Palmer  
William Hefty



"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@co.surry.state.va.us

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

Members of the Board:

I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Surry County (the "County") for the fiscal year ended June 30, 2007. Management assumes responsibility for the completeness and reliability of the information contained in this report based upon the framework of internal controls that have been established for this purpose. 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). 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. Robinson, Farmer Cox Associates (RFCA) were engaged to perform this service and have issued an unqualified "clean" opinion on the County's financial statements for the year ended June 30, 2007. The report of the independent auditor is located at the front of the financial section of this report.

**Sections of the Report**

The comprehensive 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.

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Surry County Transmittal Letter – FY 07  
The Honorable Members of the Surry County Board of Supervisors

*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.*

The County of Surry’s Management Discussion & Analysis (MD&A) can be found immediately following the report of the independent auditors and provides a narrative introduction, overview and analysis to accompany the basic financial statements. The MD & A complements this letter of transmittal and should be read in conjunction with it.

**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 7,119 persons (2006 U. S Census Bureau estimate). 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 employs the traditional five-member Board of Supervisors form of government elected by election districts. The Board has overall administrative and legislative responsibilities including levying County taxes, appropriating funds, approving and enforcing the County’s Comprehensive Plan, making and enforcing ordinances and establishing policies and procedures. The County Administrator is appointed to carryout 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 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 services to include education, public safety (sheriff, animal control, building inspections, E911 and emergency services, volunteer fire protection and paid/volunteer rescue services), parks, recreation & culture services and activities, public works, health and welfare administration, planning & community development and general administrative services. We have also included the Water & Sewer Fund as an enterprise fund.

**Major Initiatives in Fiscal Year 2007**

Two major capital projects were initiated and/or completed in FY 07. A brief description of these projects is as follows:

**Dendron Sewerline Project.** In FY 06, the County signed a \$3.6 mil construction contract to begin work relative to installation of pump stations, force mains and gravity sewerlines in the Town of Dendron. In addition, lateral connections to the County’s sewage system were installed to approximately 176 residential units. Upon completion of the project, the quality of life

relative to sewer improvements for these residents will be greatly improved. The project was financed primarily through federal/state grants and loans.

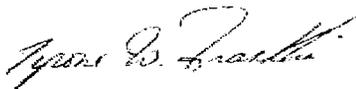
Renovation of the Government Center and Circuit Courthouse. Significant construction work began on the largest capital project initiative in the County. Expenditures for the roughly \$12 mil project totaled \$2.1 mil at the conclusion of FY 07. The scope of the project includes expansion of the Government Center and renovation of the Circuit Courthouse to provide improved and secure facilities for all court related services, the Sheriff's Department and the E911 Dispatch Center. The project is being financed by a \$15.0 mil qualified bank loan.

### **Long-Term Financial Planning**

The County employs the services of a financial advisor 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 plan for investing in facilities, equipment and other significant improvements. Financial policies relative to debt as a percentage of assessed value and general fund expenditures help guide the Board's policy making decisions on financing capital projects.

### **Acknowledgements**

The preparation of this report could not be accomplished without the dedicated services of the Finance and Treasurer's 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.



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Tyrone W. Franklin  
County Administrator



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Melissa D. Rollins  
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, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Surry, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 opinion.

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, 2007, and the respective changes in financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2008, 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 important for assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information, and the Schedule of Pension Funding Progress as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Surry, Virginia's, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other statistical information as listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Surry, Virginia's . The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and other statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, appearing to read "Paul F. H.", followed by a horizontal line extending to the right.

Richmond, Virginia  
March 26, 2008

**Surry County, Virginia**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The following is a narrative overview and analysis of the financial activities of Surry County, Virginia (the County) for the fiscal year ended June 30, 2007. This discussion and analysis is intended to serve as an introduction to the County's basic financial statements, which have the following components: (1) management's discussion and analysis (MD & A), (2) government-wide financial statements, (3) fund financial statements, and (4) notes to the financial statements. 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.

**Financial Highlights**

In December 2006 and January 2007, the county entered into a lease financing agreement with SunTrust Bank in the amounts of \$9,000,000 and \$6,000,000 respectively to secure funding for the following capital projects: Renovation/Expansion of the Circuit Courthouse and Government Center, Construction of Solid Waste Transfer Station, and Renovations and Improvements to the High School. FY 2007 financial statements to include the Statement of Net Assets (Exhibit 1), Balance Sheet (Exhibit 3) and statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 5) will reflect significant variances from FY 2006 financial statements due to the receipt of these loan proceeds and the subsequent related financial transactions.

**Government-Wide Financial Statements (Full Accrual)**

- The County's total bonded debt increased by approximately \$14.8 million during the current fiscal year due to the issuance of \$15.521 mil in new loan proceeds and scheduled repayment of principal in the amount of \$731,257.
- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$20,415,391 (net assets). Of this amount, \$7,795,886 represents unrestricted net assets of the governmental activities which are primarily used to meet the County's ongoing financial obligations.

**Fund Financial Statements**

- The Governmental Funds, on a current financial resource basis, reported expenditures in excess of revenues of \$2,377,340 (Exhibit 5) after making contributions totaling \$10,117,843 to the School Board. When factoring in other financing sources (loan proceeds and transfers in) and other financing uses (transfers out) of \$14,878,879 combined, revenues are shown in excess of expenditures. The County's expenditures were in line with the budget.
- As of the close of the current fiscal year, the County's funds reported ending fund balances of \$22,030,805, of which \$21.38 is associated with the General Fund. This represents an increase of \$12.45 mil in comparison with the prior year. Of this amount, 60% or \$12.8 mil is reserved for construction projects. *(Absent of the revenue and expense related transactions associated with \$15.0 mil borrowing, general fund balance would have declined by nearly \$365,000).*
- The FY 07-08 budget includes a provision for use of \$625,000 of the fund balance remaining at the conclusion of FY 06-07 to finance capital project expenses of the County. Primarily, the County's ending fund balance at June 30<sup>th</sup> is used to fund financial obligations of the County

Surry County, Virginia  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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from July through December 5<sup>th</sup> of each year at which time the County receives its largest payment of revenue. From July 1<sup>st</sup>, the beginning of its fiscal year, to December 5<sup>th</sup>, 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.

- At the end of the current fiscal year, unreserved fund balance for the general fund was \$8,573,203 or 39% of total general fund expenditures and other uses.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

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

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

Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business annual report. Government-wide financial reporting consists of two statements: the *Statement of Net Assets* and the *Statement of Activities*.

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 underlying 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).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, courts, police protection, sanitation, social services, education, cultural events, recreation, economic, and community development.

**Surry County, Virginia**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

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The Government-wide financial statements include not only the County of Surry, Virginia (known as the primary government), but also a legally separate school district for which the County of Surry, Virginia is financially accountable. Financial information for the Surry County School Division, a component unit, is reported separately from the financial information presented for the primary government unit.

**Fund financial statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Surry, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary 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 a 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 has one major governmental fund - the General 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 Water and Sewer Fund provides a centralized source for water/sewer services to County residents.

**Fiduciary funds** - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

**Notes to the financial statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information** - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for 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.

**Financial Analysis of the County as a Whole**

This is the fourth year that the County has presented its financial statements under the new reporting model required by GASB Statement No. 34. This reporting model changes significantly both the recording and presentation of financial data. Prior year information is shown in the following comparative analysis of government-wide information.

**Surry County, Virginia  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Government-wide Financial Analysis**

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, assets exceeded liabilities by \$20,415,391 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Assets:

County of Surry, Virginia's Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 23,647,222	\$ 11,759,288	\$ 14,641	\$ -	\$ 23,661,863	\$ 11,759,288
Capital assets	10,903,601	9,250,508	7,163,309	3,923,269	18,066,910	13,173,777
<b>Total assets</b>	<b>\$ 34,550,823</b>	<b>\$ 21,009,796</b>	<b>\$ 7,177,950</b>	<b>\$ 3,923,269</b>	<b>\$ 41,728,773</b>	<b>\$ 24,933,065</b>
Current liabilities	\$ 1,504,460	\$ 1,347,728	\$ 23,343	\$ 8,899	\$ 1,527,803	\$ 1,356,627
Long-term liabilities outstanding	18,582,227	4,786,438	1,203,352	724,703	19,785,579	5,511,141
<b>Total liabilities</b>	<b>\$ 20,086,687</b>	<b>\$ 6,134,166</b>	<b>\$ 1,226,695</b>	<b>\$ 733,602</b>	<b>\$ 21,313,382</b>	<b>\$ 6,867,768</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	\$ 6,659,548	\$ 6,421,199	\$ 5,959,957	\$ 3,198,566	\$ 12,619,505	\$ 9,619,765
Restricted for:						
Future Capital Projects	-	-	-	-	-	-
Unrestricted	7,804,588	8,454,431	(8,702)	(8,899)	7,795,886	8,445,532
<b>Total net assets</b>	<b>\$ 14,464,136</b>	<b>\$ 14,875,630</b>	<b>\$ 5,951,255</b>	<b>\$ 3,189,667</b>	<b>\$ 20,415,391</b>	<b>\$ 18,065,297</b>

46% of the County's net assets at June 30, 2007 are unrestricted net assets. Unrestricted net assets are available to meet the County's ongoing obligations. The remaining balance of the County's net assets (54%) 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 available for future spending.

Changes in Net Assets - The County's net assets increased by \$2,350,094 during the current fiscal year. The following table summarizes the County's Statement of Activities:

**Surry County, Virginia  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

County of Surry, Virginia's Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 150,942	\$ 111,124	\$ -	\$ -	\$ 150,942	\$ 111,124
Operating grants and contributions	2,177,196	2,826,121	-	951,697	2,177,196	3,777,818
Capital grants and contributions	28,215	29,000	2,887,434	-	2,915,649	29,000
<b>General revenues:</b>						
General property taxes	15,120,129	15,516,251	-	-	15,120,129	15,516,251
Other local taxes	587,852	597,105	-	-	587,852	597,105
Grants and other contributions not restricted	762,952	914,354	-	-	762,952	914,354
Other general revenues	1,021,638	621,370	1,975	1,637	1,023,613	623,007
Transfers	(121,121)	(155,308)	121,121	155,308	-	-
<b>Total revenues</b>	<b>\$ 19,727,803</b>	<b>\$ 20,460,017</b>	<b>\$ 3,010,530</b>	<b>\$ 1,108,642</b>	<b>\$ 22,738,333</b>	<b>\$ 21,568,659</b>
<b>Expenses:</b>						
<b>General government</b>						
administration	\$ 1,298,600	\$ 1,278,906	\$ -	\$ -	\$ 1,298,600	\$ 1,278,906
Judicial administration	357,205	337,970	-	-	357,205	337,970
Public safety	2,001,162	1,948,872	-	-	2,001,162	1,948,872
Public works	1,135,848	1,889,656	248,942	202,840	1,384,790	2,092,496
Health and welfare	3,378,174	2,185,792	-	-	3,378,174	2,185,792
Education	10,405,848	11,065,790	-	-	10,405,848	11,065,790
Parks, recreation, and cultural	589,996	481,350	-	-	589,996	481,350
Community development	496,724	387,025	-	-	496,724	387,025
Interest and other fiscal charges	475,740	133,447	-	-	475,740	133,447
<b>Total expenses</b>	<b>\$ 20,139,297</b>	<b>\$ 19,708,808</b>	<b>\$ 248,942</b>	<b>\$ 202,840</b>	<b>\$ 20,388,239</b>	<b>\$ 19,911,648</b>
<b>Change in net assets</b>	<b>\$ (411,494)</b>	<b>\$ 751,209</b>	<b>\$ 2,761,588</b>	<b>\$ 905,802</b>	<b>\$ 2,350,094</b>	<b>\$ 1,657,011</b>
<b>Beginning of year</b>	<b>14,875,630</b>	<b>14,124,421</b>	<b>3,189,667</b>	<b>2,283,865</b>	<b>18,065,297</b>	<b>16,408,286</b>
<b>End of year</b>	<b>\$ 14,464,136</b>	<b>\$ 14,875,630</b>	<b>\$ 5,951,255</b>	<b>\$ 3,189,667</b>	<b>\$ 20,415,391</b>	<b>\$ 18,065,297</b>

**Surry County, Virginia  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Financial Analysis of the County's Funds**

As noted earlier, the County used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

**Governmental Activities Revenue**

- The County's total revenues from general fund governmental activities were \$19.95 mil for the fiscal year ended June 30, 2007. The largest source of revenue (\$15.1 mil for fiscal year 2007) for the County is property taxes composed primarily of public service corporation taxes (\$9.3 mil), real estate taxes (\$4.7 mil) and personal property taxes (\$880,000). Approximately 76% of the County's revenue from governmental activities is derived from taxes.
- The 2006 ratio for public utilities fell 20.10% from 95% in 2005 to 74.9%. The County increased the tax rate to \$0.84 from \$0.77 to help absorb an estimated \$2.6 mil loss in tax revenue. As a result public service corporation tax revenue declined by \$1.5 mil or 14% from FY 2006.
- Revenue from the use of money and property were 86% higher than the previous year. The primarily reflects the interest revenue on the \$15.0 mil loan proceeds and a slight increase due to rising interest rates.

**Governmental Activities Expenses**

- The County's total governmental fund expenses of \$22.32 mil for the fiscal year ended June 30, 2007 cover a wide range of services, with 45% or \$10.1 mil for education (payments to the School System, a component unit, for Instruction), 11% or \$2.43 mil for health and welfare, 8.8% or \$1.97 mil for public safety, 15.6% or \$3.48 mil for capital projects, 4.7% or \$1.06 mil related to general government administration and 4.1% or \$928,000 for public works. The remaining 10.8% include expenses for other services to include parks & recreation, community development and judicial administration.

**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 2007 had general fund expenditures of \$772,669 below the adopted budget (excluding contributions to the School Board and Capital Projects). The County's budget was amended during FY2007 to reflect grants, carry forward of unspent appropriations from FY 2006 and other unanticipated revenues. The overall difference between current fiscal year original budget and the final amended budget was \$494,452. The net increase in expenditure allocation is primarily associated with following:

**Surry County, Virginia**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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- A decrease of \$198,390 in general government administration which primarily represent governmental transfers from the Contingency Fund. The following departments received supplemental appropriations from the Contingency Fund or General Fund balance reserve in FY 2007 under a varied of circumstances:
  - Treasurer
  - Care of Prisoners
  - Animal Control
  - Health Department
  - The Improvement Association
  - Economic Development
  - Jamestown 2007 Committee
  - Sanitation
  - Capital Projects (Emergency Services Study)
  
- An increase of \$104,616 in public safety (Sheriff's Department) to reflect the award of \$75,000 in Buffer Zone Grant funds from the Department of Homeland Security; the remaining \$29,616 reflects the Byrne Justice Grant and insurance recovery proceeds.
  
- The County received \$16,000 in Fire Program grant funds for the fire departments and \$12,279 in four-for Life grant funds for the volunteer rescue squad.
  
- An increase of \$57,657 in public safety (Emergency Services) is due to the allocation of various state and federal grants related to Homeland Security and Radiological Preparedness.
  
- An increase of \$185,000 in the allocation to the School System (Education) authorized for appropriation for the field house project.
  
- An increase of \$30,212 in health and welfare administration to reflect a \$15,000 grant to fund the County's Youth Need's Assessment and \$1,212 in office on youth program revenue.
  
- Donations and proceeds from sales in the amount of \$13,453 were appropriated to the Jamestown 2007 Committee.
  
- The County received \$50,000 in state grant funds for two planning initiatives: Broadband Technology Needs Assessment and the Elberon Heights Community Improvement Project at \$25,000 each. These projects were not undertaken in FY 07 and the activities and cost associated with these grants will be undertaken in the FY 08 budget.

**Capital Asset and Debt Administration**

Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2007 amounts to \$10,903,601 (net of accumulated depreciation). This 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 bonded debt outstanding

**Surry County, Virginia**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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of \$18,343,755. Of this amount, \$16,445,000 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., capital leases and revenue bonds). During the current fiscal year, the County's total debt decreased by \$731,257. Additional information on the County of Surry, Virginia's long-term debt can be found in Note 8 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, 2007 was 4.0%, an increase of 0.7% from the same period last year. The rate at December 2007 dropped slight to 3.97%, still higher than the state's average unemployment rate of 3.27%. Generally, the County's unemployment rate has tracked slightly above the state's average.
- The fiscal year 2008 budget increased by approximately 7.2% from the fiscal year 2007 budget. Tax rates for future periods are dependent on the effects of fluctuations in the assessed valuations of real property. For 2008, the real estate tax rate decreased from \$0.84 per \$100 of assessed value to \$0.70 per \$100 of assessed value. However, based on the 2007 real property reassessment, this represented an effective tax rate increase of \$0.08. Tax year 2007 saw a significant increase in property values in Surry County, consistent with the market in surrounding areas.
- In FY 2007-2008, the County began implementing annual versus bi-annual reassessments in an effort to combat significant spikes in reassessments.

**Requests for Information**

This financial report is designed to provide a general overview of the County of Surry, Virginia's finances for all those with an interest in the County's finances. 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, 2007

	Primary Government			Component Unit School Board
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,893,284	\$ 14,641	\$ 9,907,925	\$ 439,171
Receivables (net of allowance for uncollectibles):				
Taxes receivable	492,117	-	492,117	-
Accounts receivable	7,556	-	7,556	-
Due from other governmental units	357,916	-	357,916	790,202
Restricted assets:				
Temporarily restricted:				
Bond construction escrow	12,896,349	-	12,896,349	-
Capital assets (net of accumulated depreciation):				
Land	685,158	3,636	688,794	158,330
Buildings and system	4,910,916	2,640,867	7,551,783	8,436,612
Machinery and equipment	1,061,628	101,992	1,163,620	1,450,523
Construction in progress	4,245,899	4,416,814	8,662,713	-
Total assets	<u>\$ 34,550,823</u>	<u>\$ 7,177,950</u>	<u>\$ 41,728,773</u>	<u>\$ 11,274,838</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,025,358	\$ 23,343	\$ 1,048,701	\$ 95,168
Accrued liabilities	-	-	-	1,134,205
Accrued interest payable	271,286	-	271,286	-
Due to other governmental units	199,903	-	199,903	-
Deferred revenue	7,913	-	7,913	-
Long-term liabilities:				
Due within one year	694,547	44,079	738,626	9,513
Due in more than one year	17,887,680	1,159,273	19,046,953	85,617
Total liabilities	<u>\$ 20,086,687</u>	<u>\$ 1,226,695</u>	<u>\$ 21,313,382</u>	<u>\$ 1,324,503</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 6,659,548	\$ 5,959,957	\$ 12,619,505	\$ 10,045,465
Unrestricted (deficit)	7,804,588	(8,702)	7,795,886	(95,130)
Total net assets	<u>\$ 14,464,136</u>	<u>\$ 5,951,255</u>	<u>\$ 20,415,391</u>	<u>\$ 9,950,335</u>
Total Liabilities and Net Assets	<u>\$ 34,550,823</u>	<u>\$ 7,177,950</u>	<u>\$ 41,728,773</u>	<u>\$ 11,274,838</u>

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, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	School Board
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General government administration	\$ 1,298,600	\$ -	\$ 187,568	\$ -	\$ (1,111,032)		\$ (1,111,032)	
Judicial administration	357,205	44,224	183,829	-	(129,152)		(129,152)	
Public safety	2,001,162	2,907	568,822	-	(1,429,433)		(1,429,433)	
Public works	1,135,848	81,878	8,307	-	(1,045,663)		(1,045,663)	
Health and welfare	3,378,174	-	1,149,016	-	(2,229,158)		(2,229,158)	
Education	10,405,848	-	4,654	-	(10,401,194)		(10,401,194)	
Parks, recreation, and cultural	589,996	21,933	-	-	(568,063)		(568,063)	
Community development	496,724	-	75,000	28,215	(393,509)		(393,509)	
Interest on long-term debt	475,740	-	-	-	(475,740)		(475,740)	
Total government activities	\$ 20,139,297	\$ 150,942	\$ 2,177,196	\$ 28,215	\$ (17,782,944)		\$ (17,782,944)	
Business-type activities:								
Water and sewer	\$ 248,942	\$ -	\$ -	\$ 2,887,434		\$ 2,638,492	\$ 2,638,492	
Total business-type activities	\$ 248,942	\$ -	\$ -	\$ 2,887,434		\$ 2,638,492	\$ 2,638,492	
Total primary government	\$ 20,388,239	\$ 150,942	\$ 2,177,196	\$ 2,915,649		\$ (15,144,452)		
<b>COMPONENT UNITS:</b>								
School Board	\$ 14,775,328	\$ 268,391	\$ 4,179,323	\$ -			\$ (10,327,614)	
Total component units	\$ 14,775,328	\$ 268,391	\$ 4,179,323	\$ -			\$ (10,327,614)	
General revenues:								
General property taxes					\$ 15,120,129	\$ -	\$ 15,120,129	\$ -
Other local taxes:								
Local sales and use taxes					275,162	-	275,162	-
Other local taxes					312,690	-	312,690	-
Unrestricted revenues from use of money and property					955,234	-	955,234	3,613
Miscellaneous					66,404	1,975	68,379	50,876
Payments from Surry County					-	-	-	11,207,883
Grants and contributions not restricted to specific programs					762,952	-	762,952	-
Transfers					(121,121)	121,121	-	-
Total general revenues					\$ 17,371,450	\$ 123,096	\$ 17,494,546	\$ 11,262,372
Change in net assets					\$ (411,494)	\$ 2,761,588	\$ 2,350,094	\$ 934,758
Net assets - beginning					14,875,630	3,189,667	18,065,297	9,015,577
Net assets - ending					\$ 14,464,136	\$ 5,951,255	\$ 20,415,391	\$ 9,950,335

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

***FUND FINANCIAL STATEMENTS***

County of Surry, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,247,865	\$ 645,419	\$ 9,893,284
Receivables (net of allowance for uncollectibles):			
Taxes receivable	492,117	-	492,117
Accounts receivable	7,556	-	7,556
Due from other governmental units	357,916	-	357,916
Restricted assets:			
Temporarily restricted:			
Bond construction funds	12,896,349	-	12,896,349
Total assets	<u>\$ 23,001,803</u>	<u>\$ 645,419</u>	<u>\$ 23,647,222</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 1,023,874	\$ 1,484	\$ 1,025,358
Due to other governmental units	199,903	-	199,903
Deferred revenue	391,156	-	391,156
Total liabilities	<u>\$ 1,614,933</u>	<u>\$ 1,484</u>	<u>\$ 1,616,417</u>
Fund balances:			
Reserved for:			
Construction	\$ 12,101,167	\$ -	\$ 12,101,167
Unreserved, designated for, reported in:			
Solid waste convenience center	712,500		712,500
Unreserved, undesignated, reported in:			
General fund	8,573,203	-	8,573,203
Special revenue funds	-	643,935	643,935
Total fund balances	<u>\$ 21,386,870</u>	<u>\$ 643,935</u>	<u>\$ 22,030,805</u>
Total liabilities and fund balances	<u>\$ 23,001,803</u>	<u>\$ 645,419</u>	<u>\$ 23,647,222</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, 2007

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 22,030,805
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		10,903,601
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		383,243
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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:

Capital leases	(695,402)		
General obligation bonds	(1,445,000)		
Bank loan payable	(15,000,000)		
Compensated absences	(226,457)		
Landfill postclosure care	(1,215,368)		
Accrued interest payable	(271,286)		(18,853,513)

Net assets of governmental activities		\$ 14,464,136
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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, 2007**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>			
General property taxes	\$ 15,139,181	\$ -	\$ 15,139,181
Other local taxes	560,342	27,510	587,852
Permits, privilege fees, and regulatory licenses	69,502	-	69,502
Fines and forfeitures	27,554	-	27,554
Revenue from the use of money and property	910,868	44,366	955,234
Charges for services	53,886	-	53,886
Miscellaneous	36,404	30,000	66,404
Recovered costs	84,103	-	84,103
Intergovernmental revenues:			
Commonwealth	1,954,014	28,215	1,982,229
Federal	986,134	-	986,134
Total revenues	<u>\$ 19,821,988</u>	<u>\$ 130,091</u>	<u>\$ 19,952,079</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 1,060,320	\$ -	\$ 1,060,320
Judicial administration	356,302	-	356,302
Public safety	1,939,960	38,954	1,978,914
Public works	927,802	-	927,802
Health and welfare	2,424,437	11,276	2,435,713
Education	10,118,916	-	10,118,916
Parks, recreation, and cultural	549,193	-	549,193
Community development	412,771	93,647	506,418
Capital projects	3,482,479	-	3,482,479
Debt service:			
Principal retirement	688,908	-	688,908
Interest and other fiscal charges	224,454	-	224,454
Total expenditures	<u>\$ 22,185,542</u>	<u>\$ 143,877</u>	<u>\$ 22,329,419</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,363,554)</u>	<u>\$ (13,786)</u>	<u>\$ (2,377,340)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 50,051	\$ 50,051
Transfers out	(171,172)	-	(171,172)
Issuance of bonds	15,000,000	-	15,000,000
Total other financing sources (uses)	<u>\$ 14,828,828</u>	<u>\$ 50,051</u>	<u>\$ 14,878,879</u>
Net change in fund balances	\$ 12,465,274	\$ 36,265	\$ 12,501,539
Fund balances - beginning	8,921,596	607,670	9,529,266
Fund balances - ending	<u>\$ 21,386,870</u>	<u>\$ 643,935</u>	<u>\$ 22,030,805</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, 2007

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

Net change in fund balances - total governmental funds \$ 12,501,539

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	3,282,138	
Depreciation	(539,005)	
Transfer of joint tenancy assets to Component Unit from Primary Government	(1,090,040)	1,653,093

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (19,052)

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 county capital leases	273,907	
Principal retired on school general obligation bonds	415,000	
Issuance of bank loan payable	(15,000,000)	
Decrease in landfill postclosure liability	19,436	(14,291,657)

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	(4,131)	
Decrease (increase) in interest payable	(251,286)	(255,417)

Change in net assets of governmental activities \$ (411,494)

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, 2007

	Enterprise Fund <u>Water and Sewer</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 14,641
Noncurrent assets:	
Capital assets:	
Utility plant in service	\$ 3,211,833
Less accumulated depreciation	(588,966)
Land	3,636
Machinery and equipment	119,992
Construction in progress	4,416,814
Total capital assets	<u>\$ 7,163,309</u>
Total noncurrent assets	<u>\$ 7,163,309</u>
Total assets	<u>\$ 7,177,950</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 23,343
Bonds payable - current portion	44,079
Total current liabilities	<u>\$ 67,422</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 1,159,273
Total liabilities	<u>\$ 1,226,695</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$ 5,959,957
Unrestricted	<u>(8,702)</u>
Total net assets	<u>\$ 5,951,255</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, 2007

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	Enterprise Fund <u>Water and Sewer</u>
<b>OPERATING REVENUES</b>	
Miscellaneous	\$ 1,975
Total operating revenues	<u>\$ 1,975</u>
<b>OPERATING EXPENSES</b>	
Contractual services	\$ 92,524
Utilitites	22,290
Other supplies and expenses	9,895
Depreciation	86,295
Total operating expenses	<u>\$ 211,004</u>
Operating income (loss)	<u>\$ (209,029)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest expense	\$ (37,938)
Total nonoperating revenues (expenses)	<u>\$ (37,938)</u>
Income before contributions and transfers	<u>\$ (246,967)</u>
Capital contributions and construction grants	\$ 2,887,434
Transfers in	121,121
Change in net assets	<u>\$ 2,761,588</u>
Total net assets - beginning	3,189,667
Total net assets - ending	<u><u>\$ 5,951,255</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, 2007

	Enterprise Fund <u>Water and Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 1,975
Payments to suppliers	(108,455)
Net cash provided (used by) operating activities	<u>\$ (106,480)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	\$ 121,121
Net cash provided (used) by noncapital financing activities	<u>\$ 121,121</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Additions to utility plant	\$ (3,326,334)
Principal payments on bonds	(42,350)
Capital contributions and construction grants	2,887,434
Proceeds from indebtedness	521,000
Interest payments	(39,750)
Net cash provided (used) by capital and related financing activities	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 14,641</u>
Cash and cash equivalents - beginning	-
Cash and cash equivalents - ending	<u><u>\$ 14,641</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	<u>\$ (209,029)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	86,295
Increase (decrease) in accounts payable	16,254
Total adjustments	<u>\$ 102,549</u>
Net cash provided (used) by operating activities	<u><u>\$ (106,480)</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, 2007

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	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,270
Total assets	<u>\$ 9,270</u>
<b>LIABILITIES</b>	
Due to other funds	\$ 9,270
Total liabilities	<u>\$ 9,270</u>

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

## COUNTY OF SURRY, VIRGINIA

### Notes to Financial Statements As of June 30, 2007

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#### ***Note 1—Summary of Significant Accounting Policies:***

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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 Changes in Net Assets) 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, 2007

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

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**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 government's revise their original budgets over the course of the year for a variety of reasons. Under the 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, 2007

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

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**B. Individual Component Unit Disclosures**

*Blended Component Unit.* The County has no blended component units at June 30, 2007.

*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, 2007.

**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 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 \$54,890 to the District 19 Community Services Board for the fiscal year ended June 30, 2007.

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, 2007

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

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**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 provided 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, 2007

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

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**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.

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The County reports the General Fund as a major governmental fund.

The General Fund is the primary operating fund of the County. This fund is used to account for all financial transactions and resources except those required to be accounted for 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. The General Fund is considered a major fund for government-wide reporting purposes.

Proprietary Funds - Account 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. The County's Enterprise Funds consist of the Water & Sewer Fund.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2007

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

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

Governmental Funds (Continued)

The County reports the following non-major governmental funds:

Special Revenue Funds: Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

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.

**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.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Investments for the government, as well as for its component unit are reported at fair value.

**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.

**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 \$236,654 at June 30, 2007 and is comprised solely of property taxes.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2007

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

G. Receivables and Payables (Continued)

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 as 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

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.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2007

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

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**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**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**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 is 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:**

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

1. On or before March 30<sup>th</sup>, 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.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2007

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**Note 2—Stewardship, Compliance, and Accounting: (Continued)**

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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 fund at June 30, 2007.

**Note 3—Deposits and Investments:**

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Deposits

All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

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).

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2007

Note 3—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2007 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

<u>Locality's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 9,240,256
U.S. Treasury Money Market Fund	82,188
Total	<u>\$ 9,322,444</u>

Interest Rate Risk

According to the County's investment policy, funds should be invested with maturity dates that will help meet semi-monthly cash requirements.

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
U.S. Treasury Money Market Fund	\$ 82,188	\$ 82,188
Total	<u>\$ 82,188</u>	<u>\$ 82,188</u>

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool 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.

**COUNTY OF SURRY, VIRGINIA**

**Notes to Financial Statements (Continued)  
As of June 30, 2007**

**Note 4—Due to/from Other Governments:**

At June 30, 2007, the County has receivables due from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Surry	\$ -	\$ 199,903
Commonwealth of Virginia:		
Local sales tax	46,986	-
Rolling stock tax	641	-
State Sales Tax	-	167,117
VPSA Technology funds	-	128,000
Constitutional officer reimbursements	79,376	-
ABC profits	3,475	-
Recordation tax	4,051	-
Mobile home titling tax	6,712	-
Wine tax	3,642	-
Communications tax	8,930	-
Welfare	33,958	-
E-911 wireless grant	12,775	-
Federal Government:		
CDBG	80,878	-
Local law enforcement block grant	4,042	-
School fund grants	-	295,182
Welfare	72,450	-
	<u>\$ 357,916</u>	<u>\$ 790,202</u>
Total due from other governments		

At June 30, 2007, amounts due to other local governments are as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Surry County School Board	<u>\$ 199,903</u>	<u>\$ -</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2007

**Note 5—Due to/from Other Funds:**

	Interfund Receivable	Interfund Payable
Component Unit-School Board:		
School Operating Fund	\$ -	\$ 38,479
School Cafeteria Fund	38,479	-
	<u>\$ 38,479</u>	<u>\$ 38,479</u>
Totals	<u>\$ 38,479</u>	<u>\$ 38,479</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Note 6—Capital Assets:**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2007:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<i>Primary Government:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 685,158	\$ -	\$ -	\$ 685,158
Construction in progress	1,166,281	3,079,618	-	4,245,899
	<u>\$ 1,851,439</u>	<u>\$ 3,079,618</u>	<u>\$ -</u>	<u>\$ 4,931,057</u>
Total capital assets not subject to depreciation	<u>\$ 1,851,439</u>	<u>\$ 3,079,618</u>	<u>\$ -</u>	<u>\$ 4,931,057</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 5,428,509	\$ -	\$ -	\$ 5,428,509
Equipment	2,390,615	202,520	114,671	2,478,464
Jointly owned assets	5,289,864	-	2,274,584	3,015,280
	<u>\$ 13,108,988</u>	<u>\$ 202,520</u>	<u>\$ 2,389,255</u>	<u>\$ 10,922,253</u>
Total capital assets subject to depreciation	<u>\$ 13,108,988</u>	<u>\$ 202,520</u>	<u>\$ 2,389,255</u>	<u>\$ 10,922,253</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,821,153	\$ 141,439	\$ -	\$ 1,962,592
Equipment	1,276,581	254,926	114,671	1,416,836
Jointly owned assets	2,612,185	142,640	1,184,544	1,570,281
	<u>\$ 5,709,919</u>	<u>\$ 539,005</u>	<u>\$ 1,299,215</u>	<u>\$ 4,949,709</u>
Total accumulated depreciation	<u>\$ 5,709,919</u>	<u>\$ 539,005</u>	<u>\$ 1,299,215</u>	<u>\$ 4,949,709</u>
Total capital assets subject to depreciation, net	<u>\$ 7,399,069</u>	<u>\$ (336,485)</u>	<u>\$ 1,090,040</u>	<u>\$ 5,972,544</u>
Governmental activities capital assets, net	<u>\$ 9,250,508</u>	<u>\$ 2,743,133</u>	<u>\$ 1,090,040</u>	<u>\$ 10,903,601</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2007

Note 6—Capital Assets: (Continued)

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<i>Proprietary Fund:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 3,636	\$ -	\$ -	\$ 3,636
Construction in progress	1,090,479	3,326,335	-	4,416,814
Total capital assets not subject to depreciation	<u>\$ 1,094,115</u>	<u>\$ 3,326,335</u>	<u>\$ -</u>	<u>\$ 4,420,450</u>
Capital assets subject to depreciation:				
Buildings	\$ 3,211,833	\$ -	\$ -	\$ 3,211,833
Equipment	119,992	-	-	119,992
Total capital assets subject to depreciation	<u>\$ 3,331,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,331,825</u>
Less: accumulated depreciation for:				
Buildings	\$ 490,671	\$ 80,295	\$ -	\$ 570,966
Equipment	12,000	6,000	-	18,000
Total accumulated depreciation	<u>\$ 502,671</u>	<u>\$ 86,295</u>	<u>\$ -</u>	<u>\$ 588,966</u>
Total capital assets subject to depreciation, net	<u>\$ 2,829,154</u>	<u>\$ (86,295)</u>	<u>\$ -</u>	<u>\$ 2,742,859</u>
Proprietary fund capital assets, net	<u>\$ 3,923,269</u>	<u>\$ 3,240,040</u>	<u>\$ -</u>	<u>\$ 7,163,309</u>
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 158,330	\$ -	\$ -	\$ 158,330
Total capital assets not subject to depreciation	<u>\$ 158,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,330</u>
Capital assets subject to depreciation:				
Equipment	\$ 2,980,912	\$ 121,036	\$ 64,000	\$ 3,037,948
Building improvement	-	184,686	-	184,686
Jointly owned assets	14,954,338	2,274,584	-	17,228,922
Total capital assets subject to depreciation	<u>\$ 17,935,250</u>	<u>\$ 2,580,306</u>	<u>\$ 64,000</u>	<u>\$ 20,451,556</u>
Less: accumulated depreciation for:				
Equipment	\$ 1,469,775	\$ 181,650	\$ 64,000	\$ 1,587,425
Building improvement	-	4,618	-	4,618
Jointly owned assets	7,384,594	403,240	(1,184,544)	8,972,378
Total accumulated depreciation	<u>\$ 8,854,369</u>	<u>\$ 589,508</u>	<u>\$ (1,120,544)</u>	<u>\$ 10,564,421</u>
Total capital assets subject to depreciation, net	<u>\$ 9,080,881</u>	<u>\$ 1,990,798</u>	<u>\$ 1,184,544</u>	<u>\$ 9,887,135</u>
Component unit school board capital assets, net	<u>\$ 9,239,211</u>	<u>\$ 1,990,798</u>	<u>\$ 1,184,544</u>	<u>\$ 10,045,465</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2007

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**Note 6—Capital Assets: (Continued)**

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

Governmental activities:		
General government	\$	102,011
Public safety		184,066
Public works		58,345
Health and welfare		9,511
Education		142,640
Parks, recreation and cultural		13,675
Community development		<u>28,757</u>
 Total Governmental activities	\$	<u>539,005</u>
 Component Unit School Board	\$	<u>589,508</u>

**Note 7—Interfund Transfers:**

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Interfund transfers for the year ended June 30, 2007 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Component Unit-School Board:		
School Operating Fund	\$ -	\$ 87,963
School Cafeteria Fund	87,963	-
Primary Government:		
General Fund	-	171,172
County Special Revenue Fund	50,051	-
Water and Sewer Fund	<u>121,121</u>	<u>-</u>
 Total	<u>\$ 259,135</u>	<u>\$ 259,135</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, 2007

**Note 8—Long Term Obligations:**

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

**Primary Government:**

	Amounts Payable at July 1, 2006	Increases	Decreases	Amounts Payable at June 30, 2007	Amounts Due Within One Year
<b>Governmental Obligations:</b>					
<b>Incurring by County:</b>					
Claims, judgments and compensated absences payable	\$ 222,326	\$ 26,364	\$ 22,233	\$ 226,457	\$ 22,646
Capital leases (Note 9)	151,630	-	42,847	108,783	44,098
Bank loan payable	-	15,000,000	-	15,000,000	-
Landfill postclosure care	1,234,803	35,809	55,244	1,215,368	-
<b>Total incurred by County</b>	<b>\$ 1,608,759</b>	<b>\$ 15,062,173</b>	<b>\$ 120,324</b>	<b>\$ 16,550,608</b>	<b>\$ 66,744</b>
<b>Incurring by School Board:</b>					
General obligation bonds	\$ 1,860,000	\$ -	\$ 415,000	\$ 1,445,000	\$ 390,000
Capital lease (Note 9)	817,679	-	231,060	586,619	237,803
<b>Total incurred by School Board</b>	<b>\$ 2,677,679</b>	<b>\$ -</b>	<b>\$ 646,060</b>	<b>\$ 2,031,619</b>	<b>\$ 627,803</b>
<b>Total General Fund Obligations</b>	<b>\$ 4,286,438</b>	<b>\$ 15,062,173</b>	<b>\$ 766,384</b>	<b>\$ 18,582,227</b>	<b>\$ 694,547</b>
<b>Incurring by Enterprise Fund:</b>					
Revenue bond payable	\$ 724,702	\$ 521,000	\$ 42,350	\$ 1,203,352	\$ 44,079
<b>Total incurred by Enterprise Fund</b>	<b>\$ 724,702</b>	<b>\$ 521,000</b>	<b>\$ 42,350</b>	<b>\$ 1,203,352</b>	<b>\$ 44,079</b>
<b>Total Primary Government Obligations</b>	<b>\$ 5,011,140</b>	<b>\$ 15,583,173</b>	<b>\$ 808,734</b>	<b>\$ 19,785,579</b>	<b>\$ 738,626</b>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2007

**Note 8—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		School Obligations	
	Revenue Bonds Payable		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2008	\$ 44,079	\$ 50,673	\$ 390,000	\$ 63,317
2009	50,369	42,014	355,000	44,778
2010	51,975	40,409	305,000	28,198
2011	53,633	38,750	250,000	13,890
2012	55,346	37,037	80,000	5,250
2013	57,115	35,268	30,000	2,500
2014	58,941	33,442	35,000	875
2015	60,828	31,555	-	-
2016	62,776	29,607	-	-
2017	64,788	27,596	-	-
2018	66,865	25,518	-	-
2019	69,012	23,372	-	-
2020	71,229	21,155	-	-
2021	9,264	19,343	-	-
2022	9,687	18,921	-	-
2023	10,130	18,478	-	-
2024	10,593	18,015	-	-
2025	11,077	17,531	-	-
2026	11,584	17,024	-	-
2027	12,112	16,496	-	-
2028	12,665	15,943	-	-
2029	13,244	15,364	-	-
2030	13,849	14,759	-	-
2031	14,482	14,126	-	-
2032	15,143	13,465	-	-
2033	15,835	12,773	-	-
2034	16,559	12,050	-	-
2035	17,315	11,293	-	-
2036	18,107	10,502	-	-
2037	18,934	9,674	-	-
2038	19,799	8,810	-	-
2039	20,703	7,905	-	-
2040	21,649	6,959	-	-
2041	22,639	5,970	-	-
2042	23,672	4,936	-	-
2043	24,755	3,854	-	-
2044	25,886	2,722	-	-
2045	27,069	1,550	-	-
2046	19,644	346	-	-
Total	\$ 1,203,352	\$ 735,205	\$ 1,445,000	\$ 158,808

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2007

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Long-term obligations at June 30, 2007 are as follows:

	<u>Total Amount</u>
<u>Incurred 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%	\$ 9,000,000
\$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%	<u>6,000,000</u>
Total Bank Loans Payable	<u>\$ 15,000,000</u>
Capital leases (Note 9)	<u>\$ 108,783</u>
Landfill postclosure care liability (Note 16)	<u>\$ 1,215,368</u>
Compensated absences (payable by General Fund)	<u>\$ 226,457</u>
Total incurred by County	<u>\$ 16,550,608</u>
<u>Incurred 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%	\$ 920,000
\$1,335,000 School Bond issued May 18, 2000 payable in various annual installments through July 15, 2010, interest payable semi-annually at 5.29%	525,000
Total General Obligation Bonds	<u>\$ 1,445,000</u>
Capital Leases (Note 9)	<u>\$ 586,619</u>
Total incurred by School Board	<u>\$ 2,031,619</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2007

**Note 8—Long-Term Obligations: (Continued)**

**Primary Government: (Continued)**

Enterprise Fund:

Revenue Bonds Payable:

\$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%	\$ 682,352
\$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%	470,000
\$51,000 Sewer System Revenue Bond issued through the U.S. Department of Agriculture, payable in monthly installments of \$226 (principal and interest) through March 1, 2046, interest payable at 4.250%	<u>51,000</u>
Total Revenue Bonds Payable	<u>\$ 1,203,352</u>
Total Long-Term Obligations, Enterprise Fund	<u>\$ 1,203,352</u>
Total Long-Term Obligations, Primary Government	<u><u>\$ 19,785,579</u></u>

**Component Unit - School Board:**

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

	Amounts Payable at July 1, 2006	Increases	Decreases	Amounts Payable at June 30, 2007	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 244,611	\$ -	\$ 149,481	\$ 95,130	\$ 9,513
Total Component Unit-School Board	<u>\$ 244,611</u>	<u>\$ -</u>	<u>\$ 149,481</u>	<u>\$ 95,130</u>	<u>\$ 9,513</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2007

**Note 9—Capital Leases:**

The government has entered into lease agreements as lessee for financing the acquisition of equipment & vehicles. These lease agreements qualify as capital lease for accounting purposes and, therefore, have been recorded at the present value of their minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Primary Government	
	Incurred by County	Incurred by School Board
Asset:		
Equipment	\$ 173,735	\$ 879,295
Less: accumulated depreciation	(124,873)	(122,255)
Total	\$ 48,862	\$ 757,040

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

Year Ended June 30	Primary Government	
	Incurred by County	Incurred by School Board
2008	\$ 46,652	\$ 251,575
2009	46,652	251,575
2010	19,439	104,824
Total minimum lease payments	\$ 112,743	\$ 607,974
Less: amount representing interest	(3,960)	(21,355)
Present value of minimum lease payments	\$ 108,783	\$ 586,619

**Note 10—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 \$391,156 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$383,243 at June 30, 2007.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2007 but paid in advance by the taxpayers totaled \$7,913 at June 30, 2007.

**COUNTY OF SURRY, VIRGINIA**

**Notes to Financial Statements (Continued)**

**As of June 30, 2007**

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**Note 11— Commitments and Contingent Liabilities:**

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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.

The following construction contracts were outstanding at June 30, 2007:

<u>Project</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Outstanding</u>
Circuit Court Renovations	WM Schlosser Co. Inc	\$ 10,786,600	\$ 8,646,358

**Note 12—Litigation:**

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At June 30, 2007, 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 13 —Risk Management:**

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The County and the Component Unit School Board is 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 pays 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.

The County 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 Component Unit pay an annual premium to the pools for general insurance through member premiums. The County and Component Unit 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.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2007

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**Note 14 – Defined Benefit Pension Plan:**

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/pdf/2006AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

**B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their reported compensation to the VRS. This 5% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County and School Board non-professional employees' contribution rates for the fiscal year ended 2007 were 5.55% and 4.15% of annual covered payroll, respectively.

The School Board contributed \$668,124, \$467,800, and \$406,613 to the teacher cost-sharing pool for professional employees for the fiscal years ended June 30, 2007, 2006, and 2005 respectively and these contributions represented 9.20%, 6.62%, and 6.03%, of current covered payroll.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2007

**Note 14 – Defined Benefit Pension Plan: (Continued)**

**Primary Government and Discretely Presented Component Unit-School Board:**

**C. Annual Pension Cost**

For fiscal 2007, the County’s annual pension cost of \$157,075 (which does not include the employee’s share assumed by the County of \$141,509) was equal to the County’s required and actual contributions. The required contributions were determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method.

For fiscal 2007, the County School Board’s annual pension cost for the Board’s non-professional employees was \$41,837 (which does not include the employee’s share assumed by the School Board of \$50,407) was equal to the Board’s required and actual contributions. The required contributions were determined as a part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method.

	County	Non-Professional School Board Employees
Valuation date	June 30, 2005	June 30, 2005
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth rate	3%	3%
Remaining amortization period	21 years	21 years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return <sup>1</sup>	7.50%	7.50%
Projected salary increases: <sup>1</sup>		
Non LEO Employees	3.50% to 5.73%	3.50% to 5.73%
LEO Employees	3.50% to 4.71%	3.50% to 4.71%
Cost-of-living adjustments	2.50%	2.50%

<sup>1</sup> Includes inflation at 2.50%

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2007	\$ 157,075	100%	\$ -
June 30, 2006	80,972	100%	-
June 30, 2005	81,282	100%	-
School Board:			
Non-Professional:			
June 30, 2007	\$ 41,837	100%	\$ -
June 30, 2006	7,419	100%	-
June 30, 2005	8,972	100%	-

(1) Employer portion only

**COUNTY OF SURRY, VIRGINIA**

**Notes to Financial Statements (Continued)**

**As of June 30, 2007**

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**Note 15 – Surety Bonds:**

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	<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
Norma Roach, Commissioner of the Revenue	3,000
Harold D. Brown, Sheriff	30,000
The Continental Insurance Company-Surety:	
All Social Services Employees-blanket bond	100,000

**Note 16 – Landfill Closure and Postclosure Care Cost:**

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The \$1,215,368 reported as landfill postclosure liability at June 30, 2007, represents the estimated liability for postclosure monitoring. This amount is based on what it would cost to perform all postclosure care in 2007 over a remaining period of 22 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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**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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
General property taxes	\$ 14,477,331	\$ 14,477,331	\$ 15,139,181	\$ 661,850
Other local taxes	640,966	640,966	560,342	(80,624)
Permits, privilege fees, and regulatory licenses	63,600	63,600	69,502	5,902
Fines and forfeitures	25,000	25,000	27,554	2,554
Revenue from the use of money and property	364,072	364,072	910,868	546,796
Charges for services	45,549	50,689	53,886	3,197
Miscellaneous	16,250	59,051	36,404	(22,647)
Recovered costs	3,750	3,750	84,103	80,353
Intergovernmental revenues:				
Commonwealth	2,083,561	2,179,271	1,954,014	(225,257)
Federal	3,906,785	4,012,713	986,134	(3,026,579)
Total revenues	<u>\$ 21,626,864</u>	<u>\$ 21,876,443</u>	<u>\$ 19,821,988</u>	<u>\$ (2,054,455)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,402,549	\$ 1,204,159	\$ 1,060,320	\$ 143,839
Judicial administration	440,317	445,457	356,302	89,155
Public safety	1,885,050	2,186,603	1,939,960	246,643
Public works	973,314	998,121	927,802	70,319
Health and welfare	2,498,856	2,582,188	2,424,437	157,751
Education	10,425,100	10,610,100	10,118,916	491,184
Parks, recreation, and cultural	545,414	568,867	549,193	19,674
Community development	421,913	478,470	412,771	65,699
Capital projects	15,478,100	15,491,100	3,482,479	12,008,621
Debt service:				
Principal retirement	688,908	688,908	688,908	-
Interest and other fiscal charges	204,043	204,043	224,454	(20,411)
Total expenditures	<u>\$ 34,963,564</u>	<u>\$ 35,458,016</u>	<u>\$ 22,185,542</u>	<u>\$ 13,272,474</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (13,336,700)</u>	<u>\$ (13,581,573)</u>	<u>\$ (2,363,554)</u>	<u>\$ 11,218,019</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (75,800)	\$ (105,011)	\$ (171,172)	\$ (66,161)
Issuance of bonds	11,557,500	11,557,500	15,000,000	3,442,500
Total other financing sources and uses	<u>\$ 11,481,700</u>	<u>\$ 11,452,489</u>	<u>\$ 14,828,828</u>	<u>\$ 3,376,339</u>
Net change in fund balances	\$ (1,855,000)	\$ (2,129,084)	\$ 12,465,274	\$ 14,594,358
Fund balances - beginning	2,770,211	3,040,365	8,921,596	5,881,231
Fund balances - ending	<u>\$ 915,211</u>	<u>\$ 911,281</u>	<u>\$ 21,386,870</u>	<u>\$ 20,475,589</u>

**County of Surry, Virginia**  
**Schedule of Pension Funding Progress**  
**Last Seven 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)
6/30/2006	\$ 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%
6/30/2000	7,544,363	6,127,586	(1,416,777)	123.12%	2,083,281	-68.01%

## 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)
6/30/2006	\$ 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%
6/30/2000	3,108,288	2,583,871	(524,417)	120.30%	918,463	-57.10%

***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**  
**Nonmajor Special Revenue Fund**  
**For the Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
Other local taxes	\$ 57,000	\$ 57,000	\$ 27,510	\$ (29,490)
Revenue from the use of money and property	42,000	42,000	44,366	2,366
Miscellaneous	-	-	30,000	30,000
Intergovernmental revenues:				
Commonwealth	30,000	30,000	28,215	(1,785)
Total revenues	<u>\$ 129,000</u>	<u>\$ 129,000</u>	<u>\$ 130,091</u>	<u>\$ 1,091</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	\$ 57,000	\$ 75,276	\$ 38,954	\$ 36,322
Health and welfare	40,000	40,000	11,276	28,724
Community development	59,211	59,211	93,647	(34,436)
Total expenditures	<u>\$ 156,211</u>	<u>\$ 174,487</u>	<u>\$ 143,877</u>	<u>\$ 30,610</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (27,211)</u>	<u>\$ (45,487)</u>	<u>\$ (13,786)</u>	<u>\$ 31,701</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 29,211	\$ 50,051	\$ 20,840
Net change in fund balances	\$ (27,211)	\$ (16,276)	\$ 36,265	\$ 52,541
Fund balances - beginning	27,211	16,276	607,670	591,394
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 643,935</u>	<u>\$ 643,935</u>

County of Surry, Virginia  
 Combining Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2007

	Agency Funds			
	<u>Special Welfare</u>	<u>Crater AAA</u>	<u>Emergency Food and Shelter</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,152	\$ 3,106	\$ 12	\$ 9,270
Total assets	\$ 6,152	\$ 3,106	\$ 12	\$ 9,270
<b>LIABILITIES</b>				
Amounts held for others	\$ 6,152	\$ 3,106	\$ 12	\$ 9,270
Total liabilities	\$ 6,152	\$ 3,106	\$ 12	\$ 9,270

***DISCRETELY PRESENTED COMPONENT UNIT  
SCHOOL BOARD***

County of Surry, Virginia  
 Combining Balance Sheet  
 Discretely Presented Component Unit - School Board  
 June 30, 2007

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 429,829	\$ 9,342	\$ 439,171
Due from other funds	-	38,479	38,479
Due from other governmental units	779,615	10,587	790,202
Total assets	\$ 1,209,444	\$ 58,408	\$ 1,267,852
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 87,930	\$ 7,238	\$ 95,168
Accrued liabilities	1,083,035	51,170	1,134,205
Due to other funds	38,479	-	38,479
Total liabilities	\$ 1,209,444	\$ 58,408	\$ 1,267,852
Fund balances:			
Unreserved:			
Undesignated	\$ -	\$ -	\$ -
Total fund balances	\$ -	\$ -	\$ -
Total liabilities and fund balances	\$ 1,209,444	\$ 58,408	\$ 1,267,852

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

Total fund balances per above	\$ -
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,045,465
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(95,130)
Net assets of governmental activities	\$ 9,950,335

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, 2007

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
<b>REVENUES</b>			
Revenue from the use of money and property	\$ 3,613	\$ -	\$ 3,613
Charges for services	-	268,391	268,391
Miscellaneous	50,876	-	50,876
Intergovernmental revenues:			
Local government	10,117,843	-	10,117,843
Commonwealth	2,954,886	8,557	2,963,443
Federal	942,667	273,213	1,215,880
Total revenues	<u>\$ 14,069,885</u>	<u>\$ 550,161</u>	<u>\$ 14,620,046</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 13,729,612	\$ 638,124	\$ 14,367,736
Capital projects	273,287	-	273,287
Total expenditures	<u>\$ 14,002,899</u>	<u>\$ 638,124</u>	<u>\$ 14,641,023</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 66,986</u>	<u>\$ (87,963)</u>	<u>\$ (20,977)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 87,963	\$ 87,963
Transfers out	(87,963)	-	(87,963)
Total other financing sources and uses	<u>\$ (87,963)</u>	<u>\$ 87,963</u>	<u>\$ -</u>
Net change in fund balances	\$ (20,977)	\$ -	\$ (20,977)
Fund balances - beginning	20,977	-	20,977
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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 \$ (20,977)

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	305,722	
Depreciation expense	(589,508)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>1,090,040</u>	806,254

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. 149,481

Change in net assets of governmental activities \$ 934,758

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, 2007

	School Operating Fund				School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
<b>REVENUES</b>								
Revenue from the use of money and property	\$ -	\$ -	\$ 3,613	\$ 3,613	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	275,000	275,000	268,391	(6,609)
Miscellaneous	25,000	25,000	50,876	25,876	-	-	-	-
Intergovernmental revenues:								
Local government	10,424,027	10,708,641	10,117,843	(590,798)	-	-	-	-
Commonwealth	3,034,954	3,034,954	2,954,886	(80,068)	6,942	6,942	8,557	1,615
Federal	595,310	897,169	942,667	45,498	210,000	210,000	273,213	63,213
Total revenues	\$ 14,079,291	\$ 14,665,764	\$ 14,069,885	\$ (595,879)	\$ 491,942	\$ 491,942	\$ 550,161	\$ 58,219
<b>EXPENDITURES</b>								
Current:								
Education	\$ 13,902,282	\$ 14,217,141	\$ 13,729,612	\$ 487,529	\$ 668,951	\$ 655,951	\$ 638,124	\$ 17,827
Capital projects	-	284,614	273,287	11,327	-	-	-	-
Total expenditures	\$ 13,902,282	\$ 14,501,755	\$ 14,002,899	\$ 498,856	\$ 668,951	\$ 655,951	\$ 638,124	\$ 17,827
Excess (deficiency) of revenues over (under) expenditures	\$ 177,009	\$ 164,009	\$ 66,986	\$ (97,023)	\$ (177,009)	\$ (164,009)	\$ (87,963)	\$ 76,046
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 177,009	\$ 164,009	\$ 87,963	\$ (76,046)
Transfers out	(177,009)	(164,009)	(87,963)	76,046	-	-	-	-
Total other financing sources and uses	\$ (177,009)	\$ (164,009)	\$ (87,963)	\$ 76,046	\$ 177,009	\$ 164,009	\$ 87,963	\$ (76,046)
Net change in fund balances	\$ -	\$ -	\$ (20,977)	\$ (20,977)	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	20,977	20,977	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## ***SUPPORTING SCHEDULES***

County of Surry, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007

Schedule 1  
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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>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 4,771,965	\$ 4,771,965	\$ 4,779,461	\$ 7,496
Real and personal public service corporation taxes	8,882,706	8,882,706	9,321,219	438,513
Personal property taxes	707,660	707,660	880,257	172,597
Penalties	45,000	45,000	44,811	(189)
Interest	70,000	70,000	113,433	43,433
Total general property taxes	<u>\$ 14,477,331</u>	<u>\$ 14,477,331</u>	<u>\$ 15,139,181</u>	<u>\$ 661,850</u>
Other local taxes:				
Local sales and use taxes	\$ 400,000	\$ 400,000	\$ 275,162	\$ (124,838)
Consumption tax	17,966	17,966	18,551	585
Business license taxes	59,000	59,000	69,191	10,191
Motor vehicle licenses	91,000	91,000	85,943	(5,057)
Communications tax	-	-	25,284	25,284
Taxes on recordation and wills	73,000	73,000	86,211	13,211
Total other local taxes	<u>\$ 640,966</u>	<u>\$ 640,966</u>	<u>\$ 560,342</u>	<u>\$ (80,624)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,000	\$ 2,000	\$ 1,690	\$ (310)
Permits and other licenses	61,600	61,600	67,812	6,212
Total permits, privilege fees, and regulatory licenses	<u>\$ 63,600</u>	<u>\$ 63,600</u>	<u>\$ 69,502</u>	<u>\$ 5,902</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 25,000	\$ 25,000	\$ 27,554	\$ 2,554
Revenue from use of money and property:				
Revenue from use of money	\$ 310,000	\$ 310,000	\$ 855,575	\$ 545,575
Revenue from use of property	54,072	54,072	55,293	1,221
Total revenue from use of money and property	<u>\$ 364,072</u>	<u>\$ 364,072</u>	<u>\$ 910,868</u>	<u>\$ 546,796</u>
Charges for services:				
Sheriff fees	\$ 299	\$ 299	\$ 1,217	\$ 918
Charges for Commonwealth's Attorney	100	100	165	65
Courthouse maintenance fees	5,200	5,200	2,654	(2,546)
Charges for other court services	8,950	14,090	13,851	(239)
Charges for sanitation and waste removal	11,000	11,000	14,066	3,066
Charges for parks and recreation	20,000	20,000	21,933	1,933
Total charges for services	<u>\$ 45,549</u>	<u>\$ 50,689</u>	<u>\$ 53,886</u>	<u>\$ 3,197</u>
Miscellaneous revenue:				
Miscellaneous	\$ 16,250	\$ 59,051	\$ 36,404	\$ (22,647)
Recovered costs:				
Regional jail	\$ -	\$ -	\$ 32,475	\$ 32,475
VPI extension phone reimbursement	250	250	409	159

County of Surry, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007

Schedule 1  
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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>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Recovered costs: (Continued)				
Local health department	\$ 3,500	\$ 3,500	\$ 11,869	\$ 8,369
Jurors and witnesses	-	-	1,350	1,350
Southeast Rural Community Project funds	-	-	38,000	38,000
Total recovered costs	<u>\$ 3,750</u>	<u>\$ 3,750</u>	<u>\$ 84,103</u>	<u>\$ 80,353</u>
 Total revenue from local sources	 <u>\$ 15,636,518</u>	 <u>\$ 15,684,459</u>	 <u>\$ 16,881,840</u>	 <u>\$ 1,197,381</u>
 Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 3,500	\$ 3,500	\$ 3,475	\$ (25)
Wine taxes	3,700	3,700	3,642	(58)
Rolling stock tax	30	30	641	611
Mobile home titling tax	7,000	7,000	28,952	21,952
Taxes on deeds	-	-	16,780	16,780
State recordation tax	15,000	15,000	20,633	5,633
Personal property tax relief funds	677,907	677,907	688,829	10,922
Total noncategorical aid	<u>\$ 707,137</u>	<u>\$ 707,137</u>	<u>\$ 762,952</u>	<u>\$ 55,815</u>
 Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 70,000	\$ 70,000	\$ 70,400	\$ 400
Sheriff	435,000	435,000	432,017	(2,983)
Commissioner of revenue	75,000	75,000	69,496	(5,504)
Treasurer	82,000	82,000	80,383	(1,617)
Medical examiner	100	100	-	(100)
Registrar/electoral board	35,000	35,000	37,501	2,501
Clerk of the circuit court	149,721	149,721	104,119	(45,602)
Total shared expenses	<u>\$ 846,821</u>	<u>\$ 846,821</u>	<u>\$ 793,916</u>	<u>\$ (52,905)</u>
 Other categorical aid:				
Public assistance and welfare administration	\$ 412,399	\$ 412,399	\$ 226,822	\$ (185,577)
Fire programs fund	-	16,000	16,000	-
Juvenile delinquency prevention	9,204	9,204	-	(9,204)
Office on youth	-	15,000	-	(15,000)
Comprehensive services act	50,000	50,000	42,930	(7,070)
Wireless funds	33,000	33,000	62,502	29,502
Emergency medical services	-	12,280	6,275	(6,005)
Victim-witness grant	17,500	17,500	9,310	(8,190)
Emergency services	-	25,000	25,000	-
Litter control	7,500	8,307	8,307	-

County of Surry, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007

Schedule 1  
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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>
<b>General Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Other state funds	\$ -	\$ 26,623	\$ -	\$ (26,623)
Total other categorical aid	<u>\$ 529,603</u>	<u>\$ 625,313</u>	<u>\$ 397,146</u>	<u>\$ (228,167)</u>
Total categorical aid	<u>\$ 1,376,424</u>	<u>\$ 1,472,134</u>	<u>\$ 1,191,062</u>	<u>\$ (281,072)</u>
Total revenue from the Commonwealth	<u>\$ 2,083,561</u>	<u>\$ 2,179,271</u>	<u>\$ 1,954,014</u>	<u>\$ (225,257)</u>
Revenue from the federal government:				
Payments in lieu of taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188</u>	<u>\$ 188</u>
Categorical aid:				
Public assistance and welfare administration	\$ 871,185	\$ 871,185	\$ 879,264	\$ 8,079
Drug seizure funds	-	-	16,425	16,425
State homeland security	-	-	1,623	1,623
Criminal justice grant	-	5,928	-	(5,928)
Ground transportation safety	-	-	4,938	4,938
Buffer zone protection grant	-	75,000	75,000	-
Community development block grant	500,000	525,000	-	(525,000)
Local law enforcement block grant	-	-	4,042	4,042
Summer feeding program	6,000	6,000	4,654	(1,346)
Rural development funds	2,529,600	2,529,600	-	(2,529,600)
Total categorical aid	<u>\$ 3,906,785</u>	<u>\$ 4,012,713</u>	<u>\$ 985,946</u>	<u>\$ (3,026,767)</u>
Total revenue from the federal government	<u>\$ 3,906,785</u>	<u>\$ 4,012,713</u>	<u>\$ 986,134</u>	<u>\$ (3,026,579)</u>
Total General Fund	<u>\$ 21,626,864</u>	<u>\$ 21,876,443</u>	<u>\$ 19,821,988</u>	<u>\$ (2,054,455)</u>
<b>Special Revenue Fund:</b>				
<b>County Special Revenue Fund:</b>				
Revenue from local sources:				
Other local taxes:				
E-911 taxes	<u>\$ 57,000</u>	<u>\$ 57,000</u>	<u>\$ 27,510</u>	<u>\$ (29,490)</u>
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 33	\$ 33
Revenue from the use of property	42,000	42,000	44,333	2,333
Total revenue from use of money and property	<u>\$ 42,000</u>	<u>\$ 42,000</u>	<u>\$ 44,366</u>	<u>\$ 2,366</u>
Miscellaneous revenue:				
Miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>
Total revenue from local sources	<u>\$ 99,000</u>	<u>\$ 99,000</u>	<u>\$ 101,876</u>	<u>\$ 2,876</u>

County of Surry, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2007

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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>
<b>Special Revenue Fund: (Continued)</b>				
<b>County Special Revenue Fund: (Continued)</b>				
Revenue from the Commonwealth:				
Categorical aid:				
Indoor plumbing grant	\$ 30,000	\$ 30,000	\$ 28,215	\$ (1,785)
Total categorical aid	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 28,215</u>	<u>\$ (1,785)</u>
Total revenue from the Commonwealth	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 28,215</u>	<u>\$ (1,785)</u>
Total County Special Revenue Fund	<u>\$ 129,000</u>	<u>\$ 129,000</u>	<u>\$ 130,091</u>	<u>\$ 1,091</u>
Total Primary Government	<u>\$ 21,755,864</u>	<u>\$ 22,005,443</u>	<u>\$ 19,952,079</u>	<u>\$ (2,053,364)</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 3,613	\$ 3,613
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,613</u>	<u>\$ 3,613</u>
Miscellaneous revenue:				
Miscellaneous	\$ 25,000	\$ 25,000	\$ 50,876	\$ 25,876
Total revenue from local sources	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 54,489</u>	<u>\$ 29,489</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Surry	\$ 10,424,027	\$ 10,708,641	\$ 10,117,843	\$ (590,798)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,126,635	\$ 1,126,635	\$ 1,094,539	\$ (32,096)
Basic school aid	1,016,191	1,016,191	1,002,662	(13,529)
Remedial summer education	9,376	9,376	5,601	(3,775)
Regular foster care	74,979	74,979	9,700	(65,279)
GED funding	-	-	7,859	7,859
Special education foster care	-	-	26,191	26,191
Gifted and talented	9,023	9,023	8,860	(163)
Remedial education	33,233	33,233	32,630	(603)
Adult education	10,139	10,139	-	(10,139)
Special education	119,332	119,332	117,253	(2,079)
Textbook payment	22,407	22,407	21,670	(737)
Standards of Learning training	-	-	2,350	2,350
SOL algebra readiness	4,235	4,235	-	(4,235)
Vocational education	63,279	63,279	62,335	(944)

County of Surry, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2007

Schedule 1  
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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>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Early reading intervention	\$ 2,963	\$ 2,963	\$ 3,555	\$ 592
School fringes	136,451	136,451	133,328	(3,123)
State lottery payments	51,242	51,242	50,092	(1,150)
Middle school teacher corp.	-	-	5,000	5,000
School construction	104,641	104,641	104,582	(59)
Enrollment loss	6,260	6,260	8,039	1,779
Other state funds	344	344	5,200	4,856
Salary supplement	22,449	22,449	27,012	4,563
At risk payments	36,007	36,007	35,158	(849)
Primary class size	40,288	40,288	41,905	1,617
Technology	128,000	128,000	128,000	-
At risk four-year olds	17,480	17,480	18,451	971
Mentor teacher program	-	-	2,914	2,914
Total categorical aid	<u>\$ 3,034,954</u>	<u>\$ 3,034,954</u>	<u>\$ 2,954,886</u>	<u>\$ (80,068)</u>
Total revenue from the Commonwealth	<u>\$ 3,034,954</u>	<u>\$ 3,034,954</u>	<u>\$ 2,954,886</u>	<u>\$ (80,068)</u>
Revenue from the federal government:				
Categorical aid:				
Advanced placement fee	\$ -	\$ -	\$ 52	\$ 52
Title I	227,443	277,443	321,119	43,676
Title VI-B, special education flow-through	219,356	219,356	219,725	369
Vocational education	21,827	21,827	17,174	(4,653)
Title VI-B, special education pre-school	4,752	4,752	8,065	3,313
Drug free schools	7,140	7,140	9,150	2,010
Class size reduction grant	67,257	67,257	-	(67,257)
Title V	5,753	5,753	-	(5,753)
JROTC	35,000	35,000	55,793	20,793
Twenty-first Century Grant	-	190,956	192,329	1,373
Title VI-rural	-	-	3,742	3,742
Title II, Part D	-	-	3,342	3,342
Title II, Part A	6,782	6,782	74,773	67,991
Comprehensive school reform	-	55,903	37,403	(18,500)
Other federal funds	-	5,000	-	(5,000)
Total categorical aid	<u>\$ 595,310</u>	<u>\$ 897,169</u>	<u>\$ 942,667</u>	<u>\$ 45,498</u>
Total revenue from the federal government	<u>\$ 595,310</u>	<u>\$ 897,169</u>	<u>\$ 942,667</u>	<u>\$ 45,498</u>
Total School Operating Fund	<u>\$ 14,079,291</u>	<u>\$ 14,665,764</u>	<u>\$ 14,069,885</u>	<u>\$ (595,879)</u>

County of Surry, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007

Schedule 1  
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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>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Special Revenue Fund:</b>				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 275,000	\$ 275,000	\$ 268,391	\$ (6,609)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 6,942	\$ 6,942	\$ 8,557	\$ 1,615
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 210,000	\$ 210,000	\$ 264,759	\$ 54,759
Summer feeding	-	-	8,454	8,454
Total categorical aid	<u>\$ 210,000</u>	<u>\$ 210,000</u>	<u>\$ 273,213</u>	<u>\$ 63,213</u>
Total revenue from the federal government	<u>\$ 210,000</u>	<u>\$ 210,000</u>	<u>\$ 273,213</u>	<u>\$ 63,213</u>
Total School Special Revenue Fund	<u>\$ 491,942</u>	<u>\$ 491,942</u>	<u>\$ 550,161</u>	<u>\$ 58,219</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 14,571,233</u>	<u>\$ 15,157,706</u>	<u>\$ 14,620,046</u>	<u>\$ (537,660)</u>

**County of Surry, Virginia**  
**Schedule of Expenditures - Budget and Actual**  
**Governmental Funds**  
**For the Year Ended June 30, 2007**

**Schedule 2**  
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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>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 372,296	\$ 154,582	\$ 107,480	\$ 47,102
General and financial administration:				
County administrator	\$ 266,599	\$ 266,599	\$ 213,597	\$ 53,002
Legal services	65,000	67,650	62,333	5,317
Commissioner of revenue	162,291	162,291	146,022	16,269
Treasurer	199,104	213,278	210,174	3,104
Board of equalization	1,500	1,500	17	1,483
Finance department	137,990	137,990	135,318	2,672
Other general and financial administration	109,600	112,100	106,030	6,070
Total general and financial administration	<u>\$ 942,084</u>	<u>\$ 961,408</u>	<u>\$ 873,491</u>	<u>\$ 87,917</u>
Board of elections:				
Electoral board and officials	\$ 88,169	\$ 88,169	\$ 79,349	\$ 8,820
Total general government administration	<u>\$ 1,402,549</u>	<u>\$ 1,204,159</u>	<u>\$ 1,060,320</u>	<u>\$ 143,839</u>
Judicial administration:				
Courts:				
Circuit court	\$ 18,350	\$ 18,350	\$ 15,213	\$ 3,137
General district court	25,465	25,465	19,908	5,557
Special magistrates	1,000	1,000	699	301
Southside legal aid	7,050	7,050	7,050	-
Victim Witness	19,854	19,854	18,988	866
Clerk of the circuit court	257,029	262,169	186,035	76,134
Total courts	<u>\$ 328,748</u>	<u>\$ 333,888</u>	<u>\$ 247,893</u>	<u>\$ 85,995</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 111,569	\$ 111,569	\$ 108,409	\$ 3,160
Total judicial administration	<u>\$ 440,317</u>	<u>\$ 445,457</u>	<u>\$ 356,302</u>	<u>\$ 89,155</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,116,530	\$ 1,221,146	\$ 1,107,243	\$ 113,903
Virginia juvenile crime control act	15,479	15,479	10,848	4,631
Wakefield sheriff patrol	-	-	-	-
Riverside Criminal justice	6,634	6,634	6,634	-
Total law enforcement and traffic control	<u>\$ 1,138,643</u>	<u>\$ 1,243,259</u>	<u>\$ 1,124,725</u>	<u>\$ 118,534</u>
Fire and rescue services:				
Fire department/rescue services	\$ 276,908	\$ 365,188	\$ 335,778	\$ 29,410
Correction and detention:				
Confinement and care of prisoners	\$ 220,000	\$ 246,000	\$ 212,521	\$ 33,479

County of Surry, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007

Schedule 2  
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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>
<b>General Fund: (Continued)</b>				
<b>Public safety: (Continued)</b>				
Inspections:				
Building	\$ 109,828	\$ 109,828	\$ 90,542	\$ 19,286
Other protection:				
Animal control	\$ 44,820	\$ 69,820	\$ 60,634	\$ 9,186
Emergency services	94,851	152,508	115,760	36,748
Total other protection	\$ 139,671	\$ 222,328	\$ 176,394	\$ 45,934
Total public safety	\$ 1,885,050	\$ 2,186,603	\$ 1,939,960	\$ 246,643
Public works:				
Sanitation and waste removal:				
Sanitation	\$ 508,072	\$ 532,072	\$ 527,176	\$ 4,896
Litter control	7,500	8,307	1,030	7,277
Total sanitation and waste removal	\$ 515,572	\$ 540,379	\$ 528,206	\$ 12,173
Maintenance of general buildings and grounds:				
General properties	\$ 457,742	\$ 457,742	\$ 399,596	\$ 58,146
Total public works	\$ 973,314	\$ 998,121	\$ 927,802	\$ 70,319
Health and welfare:				
Health:				
Supplement of local health department	\$ 212,479	\$ 265,599	\$ 265,599	\$ -
Mental health and mental retardation:				
Chapter X Board	\$ 54,890	\$ 54,890	\$ 54,890	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,929,987	\$ 1,929,987	\$ 1,675,682	\$ 254,305
Area agency on aging	1,083	1,083	1,083	-
State and local hospitalization	7,060	7,060	5,768	1,292
Comprehensive services act	110,000	110,000	214,740	(104,740)
Lebanon Head Start	29,000	43,000	43,000	-
Office on youth	149,857	166,069	159,175	6,894
Geneive shelter	2,000	2,000	2,000	-
Surry free clinic	2,500	2,500	2,500	-
Total welfare	\$ 2,231,487	\$ 2,261,699	\$ 2,103,948	\$ 157,751
Total health and welfare	\$ 2,498,856	\$ 2,582,188	\$ 2,424,437	\$ 157,751

County of Surry, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007

Schedule 2  
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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>
<b>General Fund: (Continued)</b>				
<b>Education:</b>				
Other instructional costs:				
Contributions to Community Colleges	\$ 1,073	\$ 1,073	\$ 1,073	\$ -
Contribution to County School Board	10,424,027	10,609,027	10,117,843	491,184
<b>Total education</b>	<b>\$ 10,425,100</b>	<b>\$ 10,610,100</b>	<b>\$ 10,118,916</b>	<b>\$ 491,184</b>
<b>Parks, recreation, and cultural:</b>				
Parks and recreation:				
Recreation center	\$ 348,999	\$ 348,999	\$ 341,879	\$ 7,120
Jamestown 2007 committee	50,000	73,453	63,096	10,357
Summer food and nutrition program	7,500	7,500	5,303	2,197
<b>Total parks and recreation</b>	<b>\$ 406,499</b>	<b>\$ 429,952</b>	<b>\$ 410,278</b>	<b>\$ 19,674</b>
Cultural enrichment:				
Surry county tourism committee	\$ 12,500	\$ 12,500	\$ 12,500	\$ -
Library:				
Contribution to regional library	\$ 126,415	\$ 126,415	\$ 126,415	\$ -
<b>Total parks, recreation, and cultural</b>	<b>\$ 545,414</b>	<b>\$ 568,867</b>	<b>\$ 549,193</b>	<b>\$ 19,674</b>
<b>Community development:</b>				
Planning and community development:				
Planning and zoning	\$ 272,347	\$ 320,847	\$ 276,074	\$ 44,773
Zoning board	5,450	6,950	4,959	1,991
Highway transportation safety commission	1,450	1,450	750	700
Planning district commission	13,100	13,100	8,057	5,043
Economic development	42,404	48,961	46,859	2,102
Other planning and community development	450	450	-	450
<b>Total planning and community development</b>	<b>\$ 335,201</b>	<b>\$ 391,758</b>	<b>\$ 336,699</b>	<b>\$ 55,059</b>
Environmental management:				
Contribution to soil and water conservation district	\$ 8,700	\$ 8,700	\$ 8,700	\$ -
Cooperative extension program:				
Extension office	\$ 78,012	\$ 78,012	\$ 67,372	\$ 10,640
<b>Total community development</b>	<b>\$ 421,913</b>	<b>\$ 478,470</b>	<b>\$ 412,771</b>	<b>\$ 65,699</b>
<b>Capital projects:</b>				
Landfill closure	\$ 110,000	\$ 110,000	\$ 15,056	\$ 94,944
Highway revenue sharing	50,000	50,000	-	50,000
Government center addition	4,400,000	4,400,000	-	4,400,000
Waste management collection centers	712,500	712,500	-	712,500
Technology upgrades	74,000	74,000	11,120	62,880

County of Surry, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007

Schedule 2  
 Page 4 of 5

<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>
<b>General Fund: (Continued)</b>				
Capital projects: (Continued)				
Circuit courthouse renovations	\$ 4,500,000	\$ 4,500,000	\$ 2,133,870	\$ 2,366,130
Water sewer master plan	30,000	30,000	104	29,896
Emergency services study	-	13,000	10,913	2,087
Vehicle acquisition	-	-	29,552	(29,552)
Playground equipment	-	-	28,032	(28,032)
Dendron sewer line project	4,121,600	4,121,600	-	4,121,600
Contribution to water sewer operations	-	-	178,516	(178,516)
Real estate reassessment	130,000	130,000	129,568	432
School capital projects	1,350,000	1,350,000	945,748	404,252
Total capital projects	<u>\$ 15,478,100</u>	<u>\$ 15,491,100</u>	<u>\$ 3,482,479</u>	<u>\$ 12,008,621</u>
Debt service:				
Principal retirement	\$ 688,908	\$ 688,908	\$ 688,908	\$ -
Interest and other fiscal charges	204,043	204,043	224,454	(20,411)
Total debt service	<u>\$ 892,951</u>	<u>\$ 892,951</u>	<u>\$ 913,362</u>	<u>\$ (20,411)</u>
Total General Fund	<u>\$ 34,963,564</u>	<u>\$ 35,458,016</u>	<u>\$ 22,185,542</u>	<u>\$ 13,272,474</u>
<b>Special Revenue Fund:</b>				
<b>County Special Revenue Fund:</b>				
Public Safety:				
Other Protection:				
E911	\$ 57,000	\$ 75,276	\$ 38,954	\$ 36,322
Health and welfare:				
Welfare:				
Health care center	\$ 40,000	\$ 40,000	\$ 11,276	\$ 28,724
Community development				
Indoor plumbing program	\$ 30,000	\$ 30,000	\$ 29,600	\$ 400
Economic development	29,211	29,211	64,047	(34,836)
Total community development	<u>\$ 59,211</u>	<u>\$ 59,211</u>	<u>\$ 93,647</u>	<u>\$ (34,436)</u>
Total County Special Revenue Fund	<u>\$ 156,211</u>	<u>\$ 174,487</u>	<u>\$ 143,877</u>	<u>\$ 30,610</u>
Total Primary Government	<u>\$ 35,119,775</u>	<u>\$ 35,632,503</u>	<u>\$ 22,329,419</u>	<u>\$ 13,303,084</u>
<b>Discretely Presented Component Unit - School Board</b>				
<b>Special Revenue Funds:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration, health, and attendance	\$ 781,488	\$ 794,488	\$ 787,447	\$ 7,041
Instruction costs	10,540,739	10,566,287	10,321,314	244,973

County of Surry, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007

<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>
<b>Discretely Presented Component Unit - School Board (Continued)</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Education: (Continued)				
Pupil transportation	\$ 977,489	\$ 977,489	\$ 896,382	\$ 81,107
Operation and maintenance of school plant	1,602,566	1,878,877	1,724,469	154,408
Total operating costs	<u>\$ 13,902,282</u>	<u>\$ 14,217,141</u>	<u>\$ 13,729,612</u>	<u>\$ 235,515</u>
Total education	<u>\$ 13,902,282</u>	<u>\$ 14,217,141</u>	<u>\$ 13,729,612</u>	<u>\$ 487,529</u>
Capital projects:				
Field house project	\$ -	\$ 185,000	\$ 184,686	\$ 314
Other school capital projects	-	99,614	88,601	11,013
Total capital projects	<u>\$ -</u>	<u>\$ 284,614</u>	<u>\$ 273,287</u>	<u>\$ 11,327</u>
Total School Operating Fund	<u>\$ 13,902,282</u>	<u>\$ 14,501,755</u>	<u>\$ 14,002,899</u>	<u>\$ 498,856</u>
<b>School Special Revenue Fund</b>				
Education:				
School food services:				
School food services	\$ 668,951	\$ 655,951	\$ 638,124	\$ 17,827
Total School Special Revenue Fund	<u>\$ 668,951</u>	<u>\$ 655,951</u>	<u>\$ 638,124</u>	<u>\$ 17,827</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 14,571,233</u>	<u>\$ 15,157,706</u>	<u>\$ 14,641,023</u>	<u>\$ 516,683</u>

## *OTHER STATISTICAL INFORMATION*

*GOVERNMENT-WIDE INFORMATION*

Table 1

County of Surry, Virginia  
 Government-Wide Expenses by Function  
 Last Five 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

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

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
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	

(1) Information has only been available for five 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
1998	\$ 755,181	\$ 166,186	\$ 1,175,855	\$ 621,444	\$ 1,658,689	\$ 10,758,031	\$ 304,270	\$ 228,251	\$ 1,207,334	\$ 16,875,241
1999	857,760	170,687	1,113,263	613,922	1,855,720	11,621,006	343,388	188,820	1,195,979	17,960,545
2000	898,895	275,188	1,270,930	684,810	1,911,234	12,551,549	395,225	219,635	1,157,915	19,365,381
2001	1,113,579	259,815	1,448,110	783,692	1,996,938	12,765,492	425,490	224,010	1,119,953	20,137,079
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

- (1) Includes General, Special Revenue, and Debt Service funds of the Primary Government and its Discretely Presented Component Units.  
(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
1998	\$ 12,671,174	\$ 283,028	\$ 22,578	\$ 15,669	\$ 478,232	\$ 273,104	\$ 101,377	\$ 42,531	\$ 4,236,582	\$ 18,124,275
1999	12,558,158	389,721	21,898	9,373	431,128	297,555	643,706	33,397	4,898,174	19,283,110
2000	13,553,862	294,733	20,797	14,521	421,788	260,194	73,182	28,792	6,202,456	20,870,325
2001	13,874,164	355,126	19,879	13,355	515,309	283,064	216,713	17,093	5,613,758	20,908,461
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	69,502	27,554	958,847	322,277	117,280	84,103	7,147,686	24,454,282

(1) Includes General, Special Revenue, and Debt Service funds of the Primary Government and its Discretely Presented Component Units.

(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 (1,3)	Current Tax Collections (1,3)	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
1998	\$ 12,668,273	\$ 12,434,366	98.15%	\$ 158,373	\$ 12,592,739	99.40%	\$ 612,566	4.84%
1999	12,553,614	12,207,021	97.24%	255,993	12,463,014	99.28%	517,593	4.12%
2000	13,765,226	13,378,917	97.19%	197,209	13,576,126	98.63%	654,340	4.75%
2001	14,254,142	13,854,262	97.19%	63,373	13,917,635	97.64%	945,881	6.64%
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 (4)	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%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

(3) 1999-00 was the first year for personal property tax relief by the Commonwealth of Virginia.

(4) 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 Property and Mobile Homes	Machinery and Tools	Public Service(2)		Total
				Real Estate	Personal Property	
1998	\$ 339,101,671	\$ 28,424,528	\$ 215,000	\$ 1,442,108,898	\$ -	\$ 1,809,850,097
1999	343,549,609	29,584,614	215,000	1,400,484,798	-	1,773,834,021
2000	390,509,996	30,935,097	225,000	1,486,873,981	-	1,908,544,074
2001	394,035,736	38,679,275	230,080	1,351,002,478	-	1,783,947,569
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

(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

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Fiscal Year	Real Estate	Personal Property	Machinery and Tools
1998	\$ 0.66	\$ 3.50	\$ 3.50
1999	0.66	3.50	3.50
2000	0.68	3.50	3.50
2001	0.75	3.50	3.50
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

(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:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Assumed by Other Localities (4)			
1998	6,145	1,809,850,097	5,807,800	-	-	5,807,800	0.32%	945
1999	6,145	1,773,834,021	4,979,400	-	-	4,979,400	0.28%	810
2000	6,145	1,908,544,074	5,741,274	-	-	5,741,274	0.30%	934
2001	6,829	1,783,947,569	4,943,575	-	-	4,943,575	0.28%	724
2002	6,829	1,950,254,770	4,180,000	-	-	4,180,000	0.21%	612
2003	6,829	1,827,004,318	3,455,000	-	-	3,455,000	0.19%	506
2004	6,829	1,917,415,023	2,865,000	-	-	2,865,000	0.15%	420
2005	6,829	1,774,496,242	2,305,000	-	-	2,305,000	0.13%	338
2006	6,829	1,996,220,981	1,860,000	-	-	1,860,000	0.09%	272
2007	6,829	1,720,811,814	16,445,000	-	-	16,445,000	0.96%	2,408

(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, 2007, which collectively comprise the County of Surry, Virginia's basic financial statements and have issued our report thereon dated March 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County of Surry, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Surry, Virginia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County of Surry, Virginia's financial statements that is more than inconsequential will not be prevented or detected by the County of Surry, Virginia's internal control. We consider the deficiency (2007-01) described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over reporting.

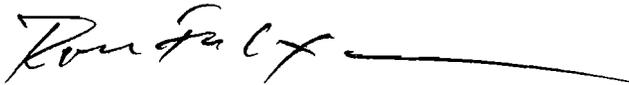
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Surry, Virginia's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency referenced (2007-01) in the schedule of findings and questioned costs to be a material weakness.

**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 the Board of Supervisors, management and others within the County of Surry, Virginia, 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 "Ron Gault", followed by a long horizontal line extending to the right.

Richmond, Virginia  
March 26, 2008

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## ***Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133***

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

### **Compliance**

We have audited the compliance of the County of Surry, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The County of 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

### **Internal Control Over Compliance**

The management of the County of 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Surry, Virginia's internal control over compliance.

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

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

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

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

A handwritten signature in black ink, appearing to read "Dan FAY", followed by a long horizontal line extending to the right.

Richmond, Virginia  
March 26, 2008

County of Surry, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
<b>Department of Health and Human Services:</b>		
Pass Through Payments:		
<i>Department of Social Services:</i>		
Family Preservation and Support	93.556	\$ 22,469
Temporary Assistance to Needy Families (TANF)	93.558	126,332
Refugee and Entrant Assistance - Discretionary Grants	93.566	145
Low Income Home Energy Assistance	93.568	7,966
Payments to States for Child Care Assistance	93.575	85,872
Child Care and Development Fund	93.596	51,439
Chafee Education and Training vouchers program	93.599	236
Child Welfare Services - State Grants	93.645	55
Foster Care - Title IV-E	93.658	100,629
Adoption Assistance	93.659	2,312
Social Services Block Grant	93.667	168,737
State Children's Insurance Program	93.767	267
Medical Assistance Program (Title XIX)	93.778	127,183
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Total Department of Health and Human Services		\$ 693,642
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<b>U. S. Department of Homeland Security:</b>		
Pass Through Payments:		
<i>Department of Emergency Management:</i>		
Buffer zone protection grant	97.xxx	\$ 75,000
State domestic preparedness equipment support program	97.004	1,623
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Total U. S. Department of Homeland Security		\$ 76,623
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<b>Department of Justice:</b>		
Pass Through Payments:		
<i>Department of Criminal Justice Service:</i>		
Drug seizure funds	16.xxx	\$ 16,425
Local law enforcement block grant	16.592	4,042
		<hr/>
Total Department of Justice		\$ 20,467
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County of Surry, Virginia  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2007

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
<b>Department of Transportation:</b>		
Pass Through Payments:		
<i>Department of Motor Vehicles:</i>		
State and community highway safety program	20.600	\$ 4,938
<b>Department of the Defense:</b>		
Direct Payments:		
Junior ROTC	12.xxx	\$ 55,793
<b>Department of Agriculture:</b>		
Direct Payments:		
Water and waste disposals for rural communities	10.760	\$ 2,236,418
Food Distribution	10.559	2,165
Summer feeding program	10.559	13,108
Total Department of Agriculture - direct payments		\$ 2,251,691
Pass Through Payments:		
<i>Department of Agriculture:</i>		
Food Distribution	10.555	\$ 29,188
<i>Department of Education:</i>		
National school breakfast	10.553	69,548
National school lunch program	10.555	195,211
<i>Department of Social Services:</i>		
State Admin Matching Grants for Food Stamp Program	10.561	185,622
Total Department of Agriculture - pass-through payments		\$ 479,569
Total Department of Agriculture		\$ 2,731,260
<b>Department of Housing and Community Development:</b>		
Pass Through Payments:		
Department of Housing and Community Development:		
Community Development Block Grant	14.228	\$ 472,500

County of Surry, Virginia  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2007

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
<b>Department of Education:</b>		
Pass Through Payments:		
<i>Department of Education:</i>		
Title I: Educationally deprived children	84.010	\$ 321,119
Title VI-B: Handicapped state grants	84.027	219,725
Vocational Education: Basic grants to states	84.048	17,174
Title VI-B: Handicapped preschool incentive grant	84.173	8,065
Drug free schools and communities	84.186	9,150
Twenty-first Century Grant	84.287	192,329
Title VI: Improving school programs state block grant	84.298	3,742
Literacy challenge grant	84.318	3,342
AP test fee	84.330	52
School reform	84.332	37,403
Title II, Part A	84.367	<u>74,773</u>
<b>Total Department of Education</b>		<b>\$ 886,874</b>
<b>Department of the Interior:</b>		
Direct Payments:		
Bureau of Land Management:		
Payments in lieu of taxes - public law 95-561	12.112	<u>\$ 188</u>
<b>Total Federal Expenditures</b>		<b>\$ 4,942,285</b>

**County of Surry, Virginia**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2007**

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**Note 1 - General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federally assisted programs of the County of Surry, Virginia. The County's reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies, as well as, federal awards passed through other government agencies, are included on the schedule.

**Note 2 - Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements.

**Note 3 - Relationship to Financial Statements**

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 986,134
Proprietary Funds:	
Enterprise Fund	2,708,918
Total primary government	\$ 3,695,052

Component Unit Public Schools:

School Operating Fund	\$ 942,667
School Cafeteria Fund	273,213
Total component unit public schools	\$ 1,215,880

Total federal expenditures per basic financial statements	\$ 4,910,932
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Non-cash expenditures - value of donated commodities	\$ 31,353
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 4,942,285
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County of Surry, Virginia  
Schedule of Findings and Questioned Costs  
For the year ended June 30, 2007

**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 deficiencies identified that are not considered to be material weakness(es)?        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 deficiencies identified that are not considered to be material weakness(es)?        yes   ✓   none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?        yes   ✓   no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title 1
10.760	Water Systems for Rural Communities
14.228	Community Development Block Grant

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, 2007**

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**Section II-Financial Statement Findings**

2007-01

Financial Reporting

- Condition:** Inadequate internal controls over the preparation of the financial statements being audited.
- Criteria:** Internal controls should be in place that provide assurance that the audited financial statements are materially correct.
- Effect:** Audited financial statements, including the related footnotes, may contain an undetected material misstatement.
- Recommendation:** Procedures should be further implemented requiring the posting of all year-end adjusting entries to allow for a reconciliation between the audited financial statements and the County's automated general ledger financial reports. It should be noted that significant efforts were made in FY07 to address this. Further corrective action is planned in FY08 to overcome this material weakness.

**Section III-Federal Award Findings and Questioned Costs**

None