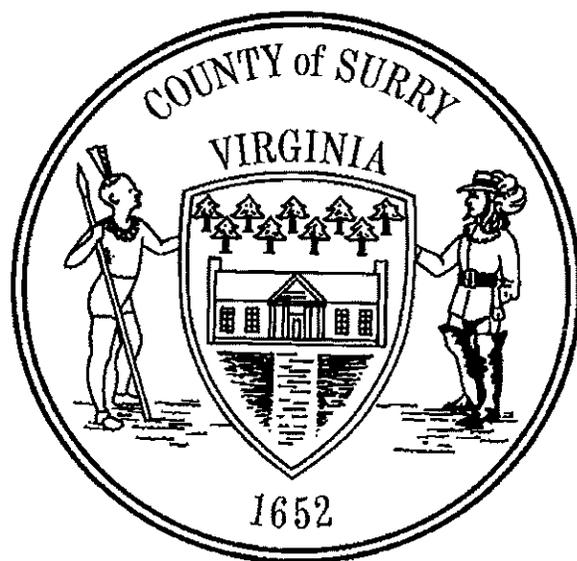


COUNTY OF SURRY,
VIRGINIA



ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2008

INTRODUCTORY SECTION

COUNTY OF SURRY, VIRGINIA

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2008**

COUNTY OF SURRY, VIRGINIA
 ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

		<u>Page</u>
Introductory Section:		
Title Page		i
Table of Contents		ii-iv
County Officials		v
Organizational Chart		vi
Letter of Transmittal		vii-xi
 Financial Section:		
Independent Auditor's Report		1-2
Managements' Discussion and Analysis		3-10
	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	1	11
Statement of Activities	2	12
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	4	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	16
Statement of Net Assets - Proprietary Funds	7	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	8	18
Statement of Cash Flows - Proprietary Funds	9	19
Statement of Fiduciary Net Assets - Fiduciary Funds	10	20
Notes to Financial Statements		21-44
 Required Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:		
General Fund	11	45
Schedule of Pension Funding Progress	12	46

COUNTY OF SURRY, VIRGINIA
 ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS (CONTINUED)

	<u>Exhibit</u>	<u>Page</u>
Other Supplementary Information:		
Combining and Individual Fund Statements and Schedules:		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - County Capital Projects Fund	13	47
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Special Revenue Fund	14	48
Combining Statement of Fiduciary Net Assets	15	49
Statement of Changes in Fiduciary Net Assets	16	50
Discretely Presented Component Unit - School Board:		
Combining Balance Sheet	17	51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	18	52
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual: School Operating and School Cafeteria Fund	19	53
	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Funds	1	54-59
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	60-64
	<u>Table</u>	<u>Page</u>
Other Statistical Information:		
Government-Wide information:		
Government-Wide Expenses by Function	1	65
Government-Wide Revenues	2	66
Fund information:		
General Governmental Expenditures by Function	3	67
General Governmental Revenues by Source	4	68
Property Tax Levies and Collections	5	69
Assessed Value of Taxable Property	6	70
Property Tax Rates	7	71
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	8	72

COUNTY OF SURRY, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS (CONTINUED)

Compliance Section:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	73-74
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	75-76
Schedule of Expenditures of Federal Awards	77-79
Notes to Schedule of Expenditures of Federal Awards	80
Schedule of Findings and Questioned Costs	81-82
Schedule of Prior Year Findings and Questioned Costs	83

COUNTY OF SURRY, VIRGINIA

Board of Supervisors

M. Sherlock Holmes, Chairperson

Ernest L. Blount
Judy S. Lyttle

Reginald O. Harrison
John M. Seward

Social Services Board

Carolyn Dickens, Chairperson

Earlene Sprouse
Bishop Howard Daniels
M. Sherlock Holmes

Janet Moore
Dr. Stanley Brantley, Jr.
Troilen Seward

County School Board

Elsie Dennis, Chairperson

Gladys Harris
Audrey Byrd

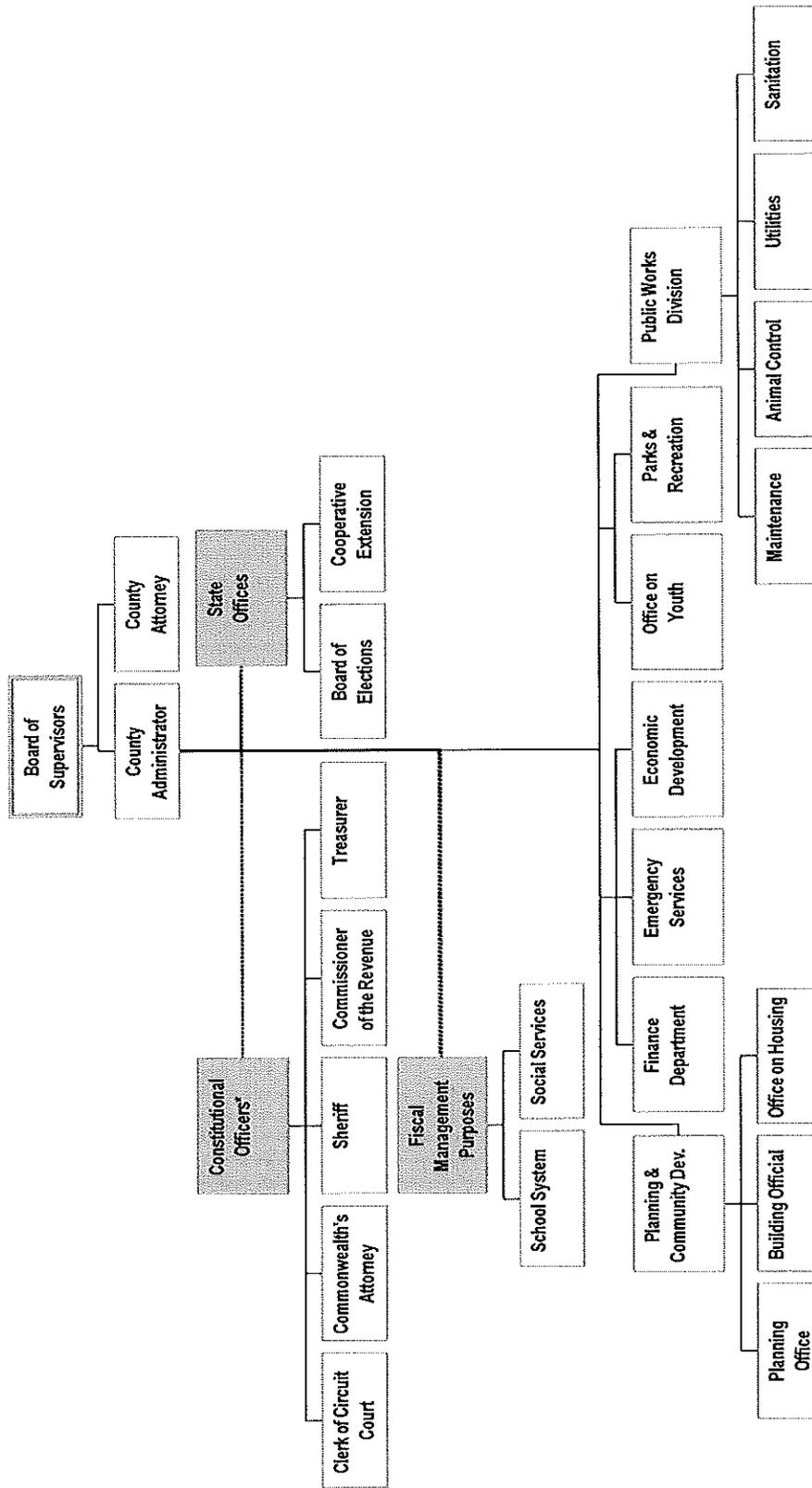
Laura Sheffield
Harold Jones

Other Officials

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

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

Surry County Organization Chart



*Employees of the constitutional officers fall under the County's personnel plan.



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

Samuel Argall, ca. 1609

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

Mr. Tyrone W. Franklin
County Administrator
Telephone: (757) 294-5271
Fax: (757) 294-5204
Email: twfranklin@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 Annual Financial Report of Surry County (the "County") for the fiscal year ended June 30, 2008. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management of the County. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the County's financial statements are free of any material misstatements and are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP).

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

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U. S. Office of Management and Budget Circular A-133, **Audits of States, Local Governments and Non-Profit Organizations**. Information related to the single audit, including the schedule of expenditures of federal awards, findings and questioned costs, and independent auditor's reports on the internal controls and compliance with applicable laws and regulations are included in the compliance section of this report.

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, 2008. The independent auditor's report is located at the front of the financial section of this report.

Sections of the Report

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

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

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

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 carry out 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.

Long-Term Financial Planning

The County employs the services of a financial advisor as needed to guide them through the long-term financial planning needed to address capital projects needs of the County. The Capital Improvements Program (CIP) is the County's plan for investing in facilities, equipment and other significant improvements.

Most of the current capital projects are funded through bank qualified loans and General Obligation Bonds issued by the County. Revenue bonds are primarily used to fund water and sewer improvements. Loan payments are usually repaid over twenty years, and the annual debt payment is called "debt service". Debt service is budgeted for and paid out of the County's annual operating budget. Debt service on the School Board Component Unit traditionally has been budgeted within the School Fund, but reflected as an operating expenditure from the General Fund for auditing purposes, since the School Division cannot legally issue debt.

Financial Policies

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. The County's imposed policy states that the net debt ratio as a percentage of assessed value should not exceed 3.0%. The actual percentage is less than 1%. The total ratio of debt service as a percentage of general fund expenditures is 5.6%, below the established guideline of 10%.

The General Fund fund balance is an important element in the financial position of the County. The undesignated General Fund fund balance, which represents available current financial resources, totaled \$10.17 million at June 30, 2008. Uses of the undesignated fund balance are carefully evaluated to ensure that the balance will be sufficient to meet future obligations. In this case, a large portion is needed to finance operations of the County from July 1 through December 5 of each year. However, with the undesignated General Fund balance at \$10.17 million, the County continues to maintain a sound financial position.

Major Initiatives and Significant Events in Fiscal Year 2008

Capital Projects

Renovation of the Government Center and Circuit Courthouse - Significant construction work was completed on the largest capital project initiative in the County. Expenditures for the roughly \$13 million project totaled nearly \$10 million at the conclusion of FY 08 of which \$7.85 million occurred in FY08. The expansion of the government center to include new and renovated courtrooms and expansion of the Sheriff's Department was completed in March 2008 while construction/renovation of the Circuit Courthouse will conclude in FY 09. Significant structural and technological improvements to the Sheriff's Department include a modern Emergency Operations Center and new E-911 Dispatch Center.

Broadband Planning Initiative - In FY 07 (January 2007), the County submitted a Virginia Rural Broadband Planning Initiative application to the Virginia Department of Housing and Community Development which was subsequently approved in the amount of \$75,000. The County employed the services of a telecommunications consultant and the Phase I assessment was completed in January 2008. The focus of Phase II implementation included:

- Selecting last mile and main network connectivity solutions
- Determining the extent of fiber and network architecture with conceptual design and cost estimates
- Selection of the structure of the network

- Creating Funding Solutions
- Creating and Implementation Plan

A project management team to include representatives from the business community, the Board of Supervisors, school system, Crater Planning District Commission and County staff was established to facilitate and sustain this initiative. The Board of Supervisors has recognized broadband as a vital utility and is highly committed to pursuing opportunities to bring broadband to Surry County businesses and citizens. The FY 08 budget included \$25,000 in local funding to assist with this effort. Phase II implementation is ongoing with an anticipated completion of March 30, 2009.

Planning & Community Development Initiative- Elberon Heights Improvement Project -The County was awarded a Competitive Improvement Grant from the Virginia Department of Housing and Community Development (VDHCD) in the amount of \$646,825 from community development block grant funds and \$275,000 in VDHCD Indoor Plumbing and Rehabilitation Program set aside funds resulting in a total award of \$921,825 to support the Elberon Heights Comprehensive Improvement Project. The Elberon Heights Comprehensive Improvement Grant includes funds to rehabilitate up to twelve low to moderate income housing units, area wide clearance, sanitary sewer/storm water improvements, new wells and renter assistance. The grant proposal as submitted by the Department of Planning & Community Development received a favorable ranking high enough to receive support from the State. The County's local match requirement of \$62,000 provides a total project budget in the amount of \$983,825. Preliminary engineering, rehabilitation assistance and administrative work in the combined amount of \$47,000 had been completed at June 30, 2008. The project was ongoing at June 30, 2008.

Solid Waste Management System- The Board of Supervisors approved a plan to construct three attended solid waste convenience centers to be located strategically throughout the County. This plan was intended to address the issue of illegal dumping, environmental, and other concerns associated with "green box" waste collection systems. Upon closure of unmanned sites in the existing Goodson Path service area, the amount of refuse transferred to the outside landfill reduced resulting in a cost savings to the County. This project was ongoing at June 30, 2008.

General Operating Government

General Government Administration Initiatives

As recommended by the Government Finance Officers Association (GFOA), the County developed Accounting and Purchasing Procedures & Policies and Procedures manuals to enhance the County's framework of internal controls. These policies were formally adopted by the Board of Supervisors in January 2008 and communicated to employees in a series of policy implementation work sessions conducted by the Finance Department.

Public Safety Initiatives

The County's Department of Emergency Services continued to maintain a high level of preparedness to respond to natural or man-made emergencies and disasters within Surry County. In addition to its emergency management function, the Department was instrumental in assisting the County's fire, rescue and emergency communications organizations with the review of a needs assessment and development of a plan of action to address those identified needs. The Emergency Medical Services (EMS), Fire Services & Emergency Communications Study was completed in June 2007 (FY 07) with implementation of

recommendations beginning in FY 08. The following are highlights of some of the Department's most significant accomplishments during the year based on the recommendations of the assessment:

- The County and its four volunteer fire and rescue organizations entered into a joint agreement that outlined training, emergency response and County funding expectations.
- The Board of Supervisors established an Emergency Communications Study Group to evaluate the current operations of the Emergency Communication Center and make recommendations for improvement. The group met regularly on a monthly basis.
- The County increased local support funding to the fire and rescue organizations based on the formula contained in the joint agreement. Funding is based on an evenly distributed base amount, plus an additional allotment according to the level of service provided.
- The Board of Supervisors approved a \$2.1 million capital spending plan that include the purchase of five fire trucks, two ambulances, various medical equipment and the expansion of the Claremont Fire Station.

In addition, the County acquired the Instant Alert Messaging System to enhance emergency communications throughout the County. Citizens received the first message in August 2007.

Other Initiatives

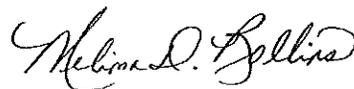
Numerous accomplishments were made throughout the organization in FY 08 to include but not limited to the completion of a countywide water and sewer study in conjunction with the Surry County Comprehensive Plan, programs and initiatives of the Surry County Office on Youth, Treasurer's Office functions relative to employee certifications and delinquent tax collection initiatives and other achievements. The gathering of information regarding service accomplishments is an integral part of the budget process.

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.



Tyrone W. Franklin
County Administrator



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, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Surry, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Surry, Virginia, as of June 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 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 opinions on the financial statements that collectively comprise the County of Surry, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Surry, Virginia. The combining and individual fund financial statements and schedules 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 and statistical sections 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.

Robert Farnox Associates

Richmond, Virginia
December 15, 2008

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County of Surry, Virginia Annual Financial Report presents our Management Discussion and Analysis of the County's financial activities during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the transmittal letter in the beginning of this report and the County's basic financial statements, which follow this analysis.

Overview of the Financial Statements

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

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

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

Government-Wide Financial Statements (Full Accrual)

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

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

The **Statement of Activities** presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the 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).

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

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

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

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

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

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

Notes to the financial statements

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

Financial Analysis of the County as a Whole

This is the fifth year that the County has presented its financial statements under the 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.

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Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Assets

The following table provides comparative information on the County's net assets as of June 30, 2007 and June 30, 2008. (Exhibit 1)

County of Surry, Virginia's Net Assets						
	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 16,524,443	\$ 23,647,222	\$ 7,478	\$ 14,641	\$ 16,531,921	\$ 23,661,863
Capital assets	16,696,198	10,903,601	7,229,384	7,163,309	23,925,582	18,066,910
Total assets	<u>\$ 33,220,641</u>	<u>\$ 34,550,823</u>	<u>\$ 7,236,862</u>	<u>\$ 7,177,950</u>	<u>\$ 40,457,503</u>	<u>\$ 41,728,773</u>
Current liabilities	\$ 1,992,906	\$ 1,504,460	\$ 9,492	\$ 23,343	\$ 2,002,398	\$ 1,527,803
Long-term liabilities outstanding	18,569,621	18,582,227	1,159,722	1,203,352	19,729,343	19,785,579
Total liabilities	<u>\$ 20,562,527</u>	<u>\$ 20,086,687</u>	<u>\$ 1,169,214</u>	<u>\$ 1,226,695</u>	<u>\$ 21,731,741</u>	<u>\$ 21,313,382</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 5,262,920	\$ 6,659,548	\$ 6,069,662	\$ 5,959,957	\$ 11,332,582	\$ 12,619,505
Unrestricted	7,395,194	7,804,588	(2,014)	(8,702)	7,393,180	7,795,886
Total net assets	<u><u>\$ 12,658,114</u></u>	<u><u>\$ 14,464,136</u></u>	<u><u>\$ 6,067,648</u></u>	<u><u>\$ 5,951,255</u></u>	<u><u>\$ 18,725,762</u></u>	<u><u>\$ 20,415,391</u></u>

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 \$12.6 million at the close of the most recent fiscal year. Unrestricted net assets represent \$7.40 million or 58% of the County's net assets at June 30, 2008. Unrestricted net assets are available to meet the County's ongoing obligations. The remaining balance of the County's net assets (42%) is its investment in capital assets (e.g. land, buildings, systems, machinery and equipment, and infrastructure), less accumulated depreciation and any debt used to acquire those assets that remain outstanding at year-end. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

A significant portion of the \$15.0 million loan proceeds acquired in FY 06-07 for the circuit courthouse and government center renovation was used during FY 2007-2008, as shown in the significant decrease in cash and the corresponding increase in capital assets over the course of the year.

Governmental Activities

Net assets of the County's governmental activities decreased from \$13.5 million to \$12.6 million at June 30, 2008 as a result of the decrease in net assets of \$860,274 as shown on the Statement of Activities. The County had budgeted for the use of \$1.1million in prior year designated fund balance for various county upgrades and other one-time non capitalized expenditures.

Business Type Activities

The net assets of the County's business-type activities increased from \$5.95 million to \$6.06 million. However, these

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

resources cannot be used to make up for any net asset deficit in governmental activities. The County generally can only use these net assets to finance the continuing operations of its enterprise operations, which include the Water & Sewer Fund. The County's general fund provided \$192,731 in operational support for the Water & Sewer Fund in FY 2008.

Statement of Activities

The following table shows the revenues and expenses of the governmental and business type activities: (Exhibit 2)

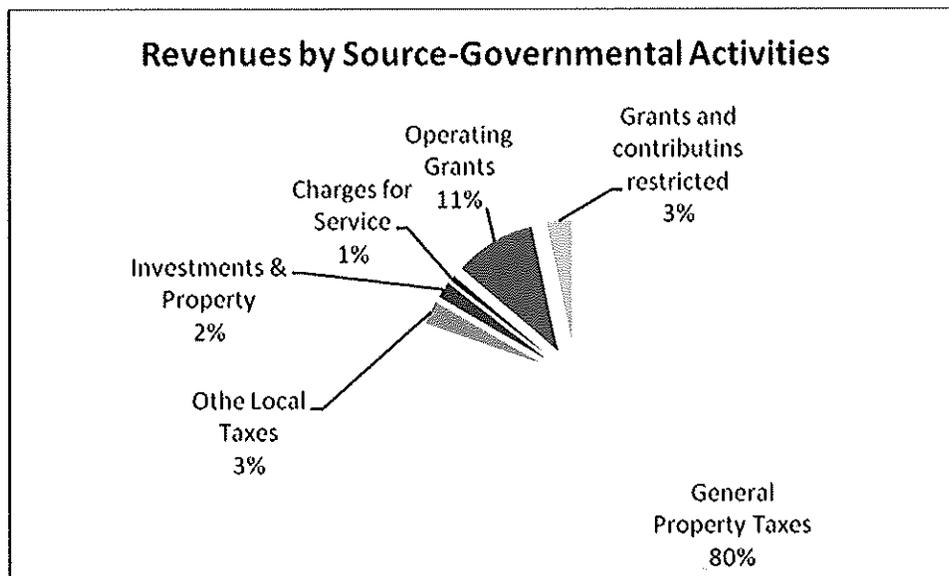
	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 158,317	\$ 150,942	\$ 37,185	\$ -	\$ 195,502	\$ 150,942
Operating grants and contributions	2,281,233	2,177,196	269,529	-	2,550,762	2,177,196
Capital grants and contributions	424,813	28,215	-	2,887,434	424,813	2,915,649
General revenues:						
General property taxes	17,644,857	15,120,129	-	-	17,644,857	15,120,129
Other local taxes	664,638	587,852	-	-	664,638	587,852
Grants and other contributions not restricted	730,465	762,952	-	-	730,465	762,952
Other general revenues	873,194	1,021,638	-	1,975	873,194	1,023,613
Transfers	(192,731)	(121,121)	192,731	121,121	-	-
Total revenues	\$ 22,584,786	\$ 19,727,803	\$ 499,445	\$ 3,010,530	\$ 23,084,231	\$ 22,738,333
Expenses:						
General government						
administration	\$ 1,375,071	\$ 1,298,600	\$ -	\$ -	\$ 1,375,071	\$ 1,298,600
Judicial administration	806,049	357,205	-	-	806,049	357,205
Public safety	2,469,893	2,001,162	-	-	2,469,893	2,001,162
Public works	2,101,649	1,135,848	383,052	248,942	2,484,701	1,384,790
Health and welfare	2,263,034	3,378,174	-	-	2,263,034	3,378,174
Education	12,736,313	11,351,596	-	-	12,736,313	11,351,596
Parks, recreation, and cultural	507,811	589,996	-	-	507,811	589,996
Community development	494,492	496,724	-	-	494,492	496,724
Interest and other fiscal charges	690,748	475,740	-	-	690,748	475,740
Total expenses	\$ 23,445,060	\$ 21,085,045	\$ 383,052	\$ 248,942	\$ 23,828,112	\$ 21,333,987
Change in net assets	\$ (860,274)	\$ (1,357,242)	\$ 116,393	\$ 2,761,588	\$ (743,881)	\$ 1,404,346
Beginning of year-as restated	13,518,388	14,875,630	5,951,255	3,189,667	19,469,643	18,065,297
End of year	\$ 12,658,114	\$ 13,518,388	\$ 6,067,648	\$ 5,951,255	\$ 18,725,762	\$ 19,469,643

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds - Revenue

The County's total revenues from general fund were \$21.8 million for the fiscal year ended June 30, 2008. Revenues from general fund governmental activities increased by \$1.97 million; primarily in general property and other local taxes. General property taxes, the largest source of revenue, were \$17.44 million, an increase of \$2.3 mil over the previous year. It is composed of public service corporation taxes (\$10.7 million), real estate taxes (\$5.6 million) and personal property taxes (\$1.07 mil). Approximately 80% of the County's revenue from governmental activities is derived from property taxes as shown in the graph below. The County decreased the tax rate from \$0.84 per \$100 of assessed value in 2007 to \$0.70 per \$100 of assessed value in 2008 in response to the projected increase in real estate assessed values.

The other local taxes revenue category, which includes local sales and use taxes, business and automobile licenses, utility consumption and communication taxes and the recordation tax totaled \$664,638. This represented an 18% increase over the previous year.



Governmental Funds Expenditures

The County's total general fund expenditures of \$21.0 mil for the fiscal year ended June 30, 2008 cover a wide range of services, with 57% or \$12.08 million for education (payments to the School System, a component unit), 11% or \$2.29 million for health and welfare, 11% or \$2.30 million for public safety, 6.1% or \$1.28 million related to general government administration, 4.7% or \$990,575 for public works and 3.6% or \$751,890 for debt service. The remaining 7.5% include expenditures for other services to include parks & recreation, community development and judicial administration. Expenditures for the fiscal year ended June 30, 2008 (excluding education) increased by 3.9% from the previous year.

Capital Project expenditures (exclusive of associated debt) for the fiscal year ending June 30, 2008 were \$8.48 million of which 92% or \$7.85 million was associated with the courthouse/government center expansion and renovation project.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The **General Fund** is the primary operating fund of the County. At the end of the current fiscal year, unreserved fund balance was \$10,170,215. Primarily, the County's ending fund balance at June 30th is used to fund financial obligations of the County from July through December 5th of each year at which time the County receives its largest payment of revenue. From July 1st, the beginning of its fiscal year, to December 5th, only a small percentage of the County's total revenue for fiscal year is received. This percentage includes portions of federal and state reimbursements, fees for services, permits and fines, and a very small amount of tax payments.

Please note the following regarding the General Fund:

- The beginning fund balance was restated in the FY 08 audit from the prior year due to the reporting of county capital projects separate from the general fund.
- The FY 08-09 budget includes a provision for the use of \$1.26 mil of the fund balance remaining at the conclusion of FY 07-08 to finance capital project expenditures of the County.
- As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. The unreserved fund balance of the general fund represents 48% of total general fund expenditures.

The **Capital Projects Fund** consists of the non-operating expenditures to reflect the capital needs of the County (i.e. building improvement projects, technology improvements, special projects and studies, highway improvements, etc.). The fund's balance of \$3,424,693 reflects the remaining assets available for construction projects at June 30, 2008. All of this balance is reserved for the courthouse/government center renovation and expansion project.

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 2008 had general fund operating expenditures of \$1.1 million below the revised budget (excluding contributions to the School Board). The County's budget was amended during FY2008 to reflect grants, carry forward of unspent appropriations from FY 2007 and other unanticipated revenues. The overall difference between current fiscal year original budget and the final amended budget was \$470,933. The net increase in expenditure allocation is primarily associated with following:

- A decrease of \$85,190 in general government administration which represent governmental transfers from the Contingency Fund. The following departments received supplemental appropriations from the Contingency Fund or General Fund balance reserve in FY 2008 under a variety of circumstances:
 - Commonwealth Attorney
 - Parks & Recreation
 - Planning Department
 - Board of Equalization
 - Registrar's Office
 - The Improvement Association
- An increase of \$34,336 in public safety (Fire and Rescue) is attributed to an additional allocation to the Surry Fire Department for equipment in the amount of \$10,879, Fire Program grant funds for the fire departments in the amount of \$16,000 and Four- For- Life funds for the Surry Rescue Squad in the amount of \$7,456.
- An increase of \$74,830 in public safety (Emergency Services) is due to the allocation \$39,332 in various state and federal grants related to Homeland Security and Radiological Preparedness, \$22,219 in donations received for

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

animal care allocated to the Animal Control Department and \$13,279 in insurance recovery proceeds appropriated to the Sheriff's Department budget for equipment replacement.

- An increase of \$45,798 in planning & community development is due to the allocation of grant funds for the Septic System Pump Out Program (\$10,000), Lead Safe Homes grant (\$21,062), Elberon Heights Planning Grant (\$3,410) and the allocation of \$11,326 to support planning district agencies.
- An increase of \$149,430 in health and welfare for the state and local match requirement for additional services under the Comprehensive Services Act totaling \$137,763 and Project Plead grant funds allocated to the Improvement Association in the amount of \$11,667.
- An increase of \$218,000 in the allocation to the School System (Education) authorized as a carryover of unspent funds from FY 06-07.
- An increase of \$33,730 spread throughout various other departments.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2008 amounts to \$16.69 million (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.

Major capital asset events during the fiscal year included the following:

- An increase of \$6.7 million (net of depreciation) related to primary government construction in progress
- An increase of \$208,516 (net of depreciation) related to component unit school board

Long-Term Debt

At the end of the current fiscal year, the County had total debt outstanding of \$17,628,223 (excluding claims payable, compensated absences and landfill liability). Of this amount, \$16,468,501 comprises debt backed by the full faith and credit of the County via bank loans payables and capital leases. The remainder of the County's debt represents bonds secured solely by specified revenue sources through revenue bonds.

The amount of debt outstanding related to School Board activities is \$1.05 million of the total outstanding general obligation bonds of the governmental activities.

During the current fiscal year, the County's total debt decreased by \$752,254.

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

Economic Factors and Next Year's Budget and Rates

- The average unemployment rate for the County for the fiscal year ending June 30, 2008 was 4.5%, an increase of ½ percent from the same period last year. The rate at December 2008 increased to 5.3%, just above the state's average unemployment rate of 5.2%. Generally, the County's unemployment rate has tracked slightly above the state's average.
- The fiscal year 2009 operating budget for all funds is \$27.8 mil, an increase of 8.3% from the fiscal year 2008 budget.
- Tax rates for future periods are dependent on the effects of fluctuations in the assessed valuations of real property. For 2009, the real estate tax rate remained at \$0.70 per \$100 of assessed value.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Requests for Information

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

BASIC FINANCIAL STATEMENTS

County of Surry, Virginia
Statement of Net Assets
June 30, 2008

	Primary Government			Component Unit School Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 15,409,457	\$ 3,179	\$ 15,412,636	\$ 450,902
Receivables (net of allowance for uncollectibles):				
Taxes receivable	634,786	-	634,786	-
Accounts receivable	89,391	4,299	93,690	13,741
Due from other governmental units	390,809	-	390,809	746,269
Capital assets (net of accumulated depreciation):				
Land and land improvements	685,158	3,636	688,794	158,330
Buildings and system	4,379,478	7,129,756	11,509,234	9,174,363
Equipment	938,235	95,992	1,034,227	1,867,036
Construction in progress	10,693,327	-	10,693,327	-
Total assets	<u>\$ 33,220,641</u>	<u>\$ 7,236,862</u>	<u>\$ 40,457,503</u>	<u>\$ 12,410,641</u>
LIABILITIES				
Accounts payable	\$ 1,304,177	\$ 7,896	\$ 1,312,073	\$ 64,054
Accrued liabilities	-	-	-	1,146,858
Accrued interest payable	267,045	1,596	268,641	-
Due to other governmental units	417,003	-	417,003	-
Unearned revenue	4,681	-	4,681	-
Long-term liabilities:				
Due within one year	672,200	50,369	722,569	10,662
Due in more than one year	17,897,421	1,109,353	19,006,774	95,956
Total liabilities	<u>\$ 20,562,527</u>	<u>\$ 1,169,214</u>	<u>\$ 21,731,741</u>	<u>\$ 1,317,530</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 5,262,920	\$ 6,069,662	\$ 11,332,582	\$ 11,199,729
Unrestricted (deficit)	7,395,194	(2,014)	7,393,180	(106,618)
Total net assets	<u>\$ 12,658,114</u>	<u>\$ 6,067,648</u>	<u>\$ 18,725,762</u>	<u>\$ 11,093,111</u>
Total liabilities and net assets	<u>\$ 33,220,641</u>	<u>\$ 7,236,862</u>	<u>\$ 40,457,503</u>	<u>\$ 12,410,641</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, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government Business-type Activities	Total	
			Grants and Contributions	Capital Grants and Contributions				
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,375,071	\$ -	\$ 208,356	\$ -	\$ (1,166,715)	\$ (1,166,715)	\$ (1,166,715)	
Judicial administration	806,049	42,476	190,205	-	(573,368)	(573,368)	(573,368)	
Public safety	2,469,893	61,746	557,704	-	(1,850,443)	(1,850,443)	(1,850,443)	
Public works	2,101,649	31,777	16,508	-	(2,053,364)	(2,053,364)	(2,053,364)	
Health and welfare	2,263,034	-	1,302,128	-	(960,906)	(960,906)	(960,906)	
Education	12,736,313	-	6,332	-	(12,729,981)	(12,729,981)	(12,729,981)	
Parks, recreation, and cultural	507,811	22,318	-	-	(485,493)	(485,493)	(485,493)	
Community development	494,492	-	-	424,813	(69,679)	(69,679)	(69,679)	
Interest on long-term debt	690,748	-	-	-	(690,748)	(690,748)	(690,748)	
Total governmental activities	\$ 23,445,060	\$ 158,317	\$ 2,281,233	\$ 424,813	\$ (20,580,697)	\$ (20,580,697)	\$ (20,580,697)	
Business-type activities:								
Water and sewer	\$ 383,052	\$ 37,185	\$ -	\$ 269,529	\$ (76,338)	\$ (76,338)	\$ (76,338)	
Total business-type activities	\$ 383,052	\$ 37,185	\$ -	\$ 269,529	\$ (76,338)	\$ (76,338)	\$ (76,338)	
Total primary government	\$ 23,828,112	\$ 195,502	\$ 2,281,233	\$ 694,342	\$ (20,657,035)	\$ (20,657,035)	\$ (20,657,035)	
COMPONENT UNIT:								
School Board	\$ 16,463,634	\$ 283,310	\$ 3,706,116	\$ -	\$ 17,644,857	\$ 17,644,857	\$ 17,644,857	\$ (12,474,208)
Total component unit	\$ 16,463,634	\$ 283,310	\$ 3,706,116	\$ -	\$ 17,644,857	\$ 17,644,857	\$ 17,644,857	\$ (12,474,208)
General revenues:								
General property taxes								
Other local taxes:								
Local sales and use taxes					354,728	354,728	354,728	
Other local taxes					309,910	309,910	309,910	
Unrestricted revenues from use of money and property					872,613	872,613	872,613	1,962
Miscellaneous					581	581	581	65,838
Payments from Surry County					-	-	-	12,603,436
Grants and contributions not restricted to specific programs					730,465	730,465	730,465	
Transfers					(192,731)	192,731	-	
Total general revenues					\$ 19,720,423	\$ 19,731	\$ 19,913,154	\$ 12,671,236
Change in net assets					\$ (860,274)	\$ 116,393	\$ (743,881)	\$ 197,028
Net assets - beginning - as restated					13,518,388	5,951,255	19,469,643	10,896,083
Net assets - ending					\$ 12,658,114	\$ 6,067,648	\$ 18,725,762	\$ 11,093,111

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

County of Surry, Virginia
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 10,360,084	\$ 4,428,544	\$ 620,829	\$ 15,409,457
Receivables (net of allowance for uncollectibles):				
Taxes receivable	634,786	-	-	634,786
Accounts receivable	11,052	78,339	-	89,391
Due from other governmental units	390,809	-	-	390,809
Total assets	<u>\$ 11,396,731</u>	<u>\$ 4,506,883</u>	<u>\$ 620,829</u>	<u>\$ 16,524,443</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 219,303	\$ 1,082,190	\$ 2,684	\$ 1,304,177
Due to other governmental units	417,003	-	-	417,003
Deferred revenue	590,210	-	-	590,210
Total liabilities	<u>\$ 1,226,516</u>	<u>\$ 1,082,190</u>	<u>\$ 2,684</u>	<u>\$ 2,311,390</u>
Fund balances:				
Unreserved, reported in:				
General fund	\$ 10,170,215	\$ -	\$ -	\$ 10,170,215
Special revenue funds	-	-	618,145	618,145
Capital projects funds	-	3,424,693	-	3,424,693
Total fund balances	<u>\$ 10,170,215</u>	<u>\$ 3,424,693</u>	<u>\$ 618,145</u>	<u>\$ 14,213,053</u>
Total liabilities and fund balances	<u>\$ 11,396,731</u>	<u>\$ 4,506,883</u>	<u>\$ 620,829</u>	<u>\$ 16,524,443</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, 2008

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 14,213,053	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		16,696,198
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		585,529
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	\$ (413,501)	
General obligation bonds	(1,055,000)	
Bank loan payable	(15,000,000)	
Compensated absences	(189,734)	
Landfill postclosure care	(1,911,386)	
Accrued interest payable	<u>(267,045)</u>	(18,836,666)
Net assets of governmental activities		<u><u>\$ 12,658,114</u></u>

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, 2008

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 17,442,571	\$ -	\$ -	\$ 17,442,571
Other local taxes	664,638	-	-	664,638
Permits, privilege fees, and regulatory licenses	61,447	-	-	61,447
Fines and forfeitures	15,245	-	-	15,245
Revenue from the use of money and property	469,209	403,383	21	872,613
Charges for services	81,625	-	-	81,625
Miscellaneous	581	-	-	581
Recovered costs	54,784	-	-	54,784
Intergovernmental revenues:				
Commonwealth	2,135,005	44,689	-	2,179,694
Federal	876,693	380,124	-	1,256,817
Total revenues	<u>\$ 21,801,798</u>	<u>\$ 828,196</u>	<u>\$ 21</u>	<u>\$ 22,630,015</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,279,711	\$ -	\$ -	\$ 1,279,711
Judicial administration	346,306	-	-	346,306
Public safety	2,283,851	-	25,611	2,309,462
Public works	990,575	-	-	990,575
Health and welfare	2,293,730	-	-	2,293,730
Education	12,087,402	127,108	-	12,214,510
Parks, recreation, and cultural	506,431	-	-	506,431
Community development	463,846	-	200	464,046
Capital projects	-	8,483,375	-	8,483,375
Debt service:				
Principal retirement	671,901	-	-	671,901
Interest and other fiscal charges	79,989	615,000	-	694,989
Total expenditures	<u>\$ 21,003,742</u>	<u>\$ 9,225,483</u>	<u>\$ 25,811</u>	<u>\$ 30,255,036</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 798,056</u>	<u>\$ (8,397,287)</u>	<u>\$ (25,790)</u>	<u>\$ (7,625,021)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 729,141	\$ -	\$ 729,141
Transfers out	(921,872)	-	-	(921,872)
Total other financing sources (uses)	<u>\$ (921,872)</u>	<u>\$ 729,141</u>	<u>\$ -</u>	<u>\$ (192,731)</u>
Net change in fund balances	\$ (123,816)	\$ (7,668,146)	\$ (25,790)	\$ (7,817,752)
Fund balances - beginning - as restated	10,294,031	11,092,839	643,935	22,030,805
Fund balances - ending	<u>\$ 10,170,215</u>	<u>\$ 3,424,693</u>	<u>\$ 618,145</u>	<u>\$ 14,213,053</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, 2008

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

Net change in fund balances - total governmental funds \$ (7,817,752)

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	\$ 7,529,513	
Depreciation	(401,169)	
Transfer of joint tenancy assets to Component Unit from Primary Government	(389,999)	6,738,345

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 202,286

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	\$ 281,901	
Principal retired on school general obligation bonds	390,000	
Increase in landfill postclosure liability	(696,018)	(24,117)

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	\$ 36,723	
Decrease (increase) in interest payable	4,241	40,964

Change in net assets of governmental activities \$ (860,274)

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, 2008

	Enterprise Fund <u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,179
Accounts receivable, net of allowance for uncollectibles	4,299
Total current assets	<u>\$ 7,478</u>
Noncurrent assets:	
Capital assets:	
Utility plant in service	\$ 7,898,176
Less accumulated depreciation	(768,420)
Land	3,636
Machinery and equipment	119,992
Less accumulated depreciation	(24,000)
Total capital assets	<u>\$ 7,229,384</u>
Total noncurrent assets	<u>\$ 7,229,384</u>
Total assets	<u>\$ 7,236,862</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 7,896
Accrued interest payable	1,596
Bonds payable - current portion	50,369
Total current liabilities	<u>\$ 59,861</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 1,109,353
Total noncurrent liabilities	<u>\$ 1,109,353</u>
Total liabilities	<u>\$ 1,169,214</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 6,069,662
Unrestricted	(2,014)
Total net assets	<u><u>\$ 6,067,648</u></u>

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

County of Surry, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Enterprise Fund Water and Sewer
OPERATING REVENUES	
Charges for services:	
Water and sewer revenues	\$ 37,185
Total operating revenues	\$ 37,185
OPERATING EXPENSES	
Other supplies and expenses	\$ 132,779
Depreciation	203,454
Total operating expenses	\$ 336,233
Operating income (loss)	\$ (299,048)
NONOPERATING REVENUES (EXPENSES)	
Interest expense	\$ (46,819)
Total nonoperating revenues (expenses)	\$ (46,819)
Income before contributions and transfers	\$ (345,867)
Capital contributions and construction grants	\$ 269,529
Transfers in	192,731
Change in net assets	\$ 116,393
Total net assets - beginning	5,951,255
Total net assets - ending	\$ 6,067,648

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, 2008

	Enterprise Fund <u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 32,886
Payments to suppliers	(148,226)
Net cash provided (used) by operating activities	<u>\$ (115,340)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 192,731
Net cash provided (used) by noncapital financing activities	<u>\$ 192,731</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (269,530)
Principal payments on bonds	(43,630)
Capital contributions and construction grants	269,529
Interest payments	(45,222)
Net cash provided (used) by capital and related financing activities	<u>\$ (88,853)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (11,462)</u>
Cash and cash equivalents - beginning	14,641
Cash and cash equivalents - ending	<u><u>\$ 3,179</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (299,048)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	203,454
(Increase) decrease in accounts receivable	(4,299)
Increase (decrease) in accounts payable	(15,447)
Total adjustments	<u>\$ 183,708</u>
Net cash provided (used) by operating activities	<u><u>\$ (115,340)</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, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 12,001
Total assets	<u>\$ 12,001</u>
LIABILITIES	
Amounts held for social services clients	\$ 6,889
Amounts held for others	5,112
Total liabilities	<u>\$ 12,001</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, 2008

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-Wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of 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, 2008

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

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

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

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

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the 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, 2008

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2008.

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, 2008.

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, Dinwiddie, Prince George and Sussex. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations. Surry County contributed \$55,639 to the District 19 Community Services Board for the fiscal year ended June 30, 2008.

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, 2008

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

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

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

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

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

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

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2008

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

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

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Governmental Funds

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

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.

Capital Projects Funds - Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities.

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, 2008

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

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.

F. Investments

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

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

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 \$122,188 at June 30, 2008 and is comprised solely of property taxes.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2008

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 at estimated fair market value at the date of donation.

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

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

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

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

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, 2008

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

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 and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2008

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

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, 2008.

Note 3—Deposits and Investments:

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, 2008

Note 3—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2008 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	\$ 9,603,810
U.S. Treasury Money Market Fund	40,529
Total	<u>\$ 9,644,339</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	\$ 40,529	\$ 40,529
Total	<u>\$ 40,529</u>	<u>\$ 40,529</u>

External Investment Pools

The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As 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, 2008

Note 4—Due to/from Other Governments:

At June 30, 2008, the County has receivables due from other governments as follows:

	Primary Government	Component Unit School Board
	<u> </u>	<u> </u>
Other Local Governments:		
County of Surry	\$ -	\$ 417,003
Commonwealth of Virginia:		
Local sales tax	90,297	-
Rolling stock tax	79	-
State Sales Tax	-	176,920
Constitutional officer reimbursements	109,452	-
Jurors payments	1,350	-
Recordation tax	4,857	-
Communications tax	9,474	-
Welfare	34,116	-
Comprehensive services	59,629	-
E-911 wireless grant	6,517	-
Victim witness grant	3,920	-
Federal Government:		
Va lead safe grant	2,813	-
School fund grants	-	152,346
Welfare	68,305	-
	<u> </u>	<u> </u>
Total due from other governments	<u>\$ 390,809</u>	<u>\$ 746,269</u>

At June 30, 2008, amounts due to other local governments are as follows:

Other Local Governments:		
Surry County School Board	\$ <u>417,003</u>	\$ <u>-</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2008

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2008:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<i>Primary Government:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 685,158	\$ -	\$ -	\$ 685,158
Construction in progress	3,300,151	7,393,176	-	10,693,327
Total capital assets not subject to depreciation	<u>\$ 3,985,309</u>	<u>\$ 7,393,176</u>	<u>\$ -</u>	<u>\$ 11,378,485</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 5,428,509	\$ -	\$ -	\$ 5,428,509
Equipment	2,478,464	136,337	-	2,614,801
Jointly owned assets	2,875,800	-	652,294	2,223,506
Total capital assets subject to depreciation	<u>\$ 10,782,773</u>	<u>\$ 136,337</u>	<u>\$ 652,294</u>	<u>\$ 10,266,816</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,962,592	\$ 141,439	\$ -	\$ 2,104,031
Equipment	1,416,836	259,730	-	1,676,566
Jointly owned assets	1,430,801	80,501	342,796	1,168,506
Total accumulated depreciation	<u>\$ 4,810,229</u>	<u>\$ 481,670</u>	<u>\$ 342,796</u>	<u>\$ 4,949,103</u>
Total capital assets subject to depreciation, net	<u>\$ 5,972,544</u>	<u>\$ (345,333)</u>	<u>\$ 309,498</u>	<u>\$ 5,317,713</u>
Governmental activities capital assets, net	<u>\$ 9,957,853</u>	<u>\$ 7,047,843</u>	<u>\$ 309,498</u>	<u>\$ 16,696,198</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2008

Note 5—Capital Assets: (Continued)

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<i>Proprietary Fund:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 3,636	\$ -	\$ -	\$ 3,636
Construction in progress	4,416,814	-	4,416,814	-
Total capital assets not subject to depreciation	\$ 4,420,450	\$ -	\$ 4,416,814	\$ 3,636
Capital assets subject to depreciation:				
Utility Plant in Service	\$ 3,211,833	\$ 4,686,343	\$ -	\$ 7,898,176
Equipment	119,992	-	-	119,992
Total capital assets subject to depreciation	\$ 3,331,825	\$ 4,686,343	\$ -	\$ 8,018,168
Less: accumulated depreciation for:				
Utility Plant in Service	\$ 570,966	\$ 197,454	\$ -	\$ 768,420
Equipment	18,000	6,000	-	24,000
Total accumulated depreciation	\$ 588,966	\$ 203,454	\$ -	\$ 792,420
Total capital assets subject to depreciation, net	\$ 2,742,859	\$ 4,482,889	\$ -	\$ 7,225,748
Proprietary fund capital assets, net	\$ 7,163,309	\$ 4,482,889	\$ 4,416,814	\$ 7,229,384
	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<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	\$ 158,330	\$ -	\$ -	\$ 158,330
Capital assets subject to depreciation:				
Equipment	\$ 3,037,948	\$ 520,914	\$ -	\$ 3,558,862
Building improvement	184,686	-	-	184,686
Jointly owned assets	18,314,151	652,294	-	18,966,445
Total capital assets subject to depreciation	\$ 21,536,785	\$ 1,173,208	\$ -	\$ 22,709,993
Less: accumulated depreciation for:				
Equipment	\$ 1,587,425	\$ 104,401	\$ -	\$ 1,691,826
Building improvement	4,618	4,829	-	9,447
Jointly owned assets	9,111,859	855,462	-	9,967,321
Total accumulated depreciation	\$ 10,703,902	\$ 964,692	\$ -	\$ 11,668,594
Total capital assets subject to depreciation, net	\$ 10,832,883	\$ 208,516	\$ -	\$ 11,041,399
Component unit school board capital assets, net	\$ 10,991,213	\$ 208,516	\$ -	\$ 11,199,729

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2008

Note 5—Capital Assets: (Continued)

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

Governmental activities:	
General government administration	\$ 91,695
Public safety	184,798
Public works	63,048
Health and welfare	11,396
Education	(262,295)
Parks, recreation and cultural	16,478
Community development	<u>33,754</u>
Total Governmental activities	<u>\$ 138,874</u>
Business-type activities	<u>\$ 203,454</u>
Component Unit School Board	<u>\$ 964,692</u>

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2008 consisted of the following:

Fund	Transfers In	Transfers Out
Component Unit-School Board:		
School Operating Fund	\$ -	\$ 68,018
School Cafeteria Fund	68,018	-
Total	<u>\$ 68,018</u>	<u>\$ 68,018</u>
Primary Government:		
General Fund	\$ -	\$ 921,872
County Capital Projects Fund	729,141	-
Water and Sewer Fund	<u>192,731</u>	<u>-</u>
Total	<u>\$ 921,872</u>	<u>\$ 921,872</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, 2008

Note 7—Long Term Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2008:

Primary Government:

	Amounts Payable at July 1, 2007	Increases	Decreases	Amounts Payable at June 30, 2008	Amounts Due Within One Year
Governmental Obligations:					
Incurred by County:					
Claims, judgments and compensated absences payable	\$ 226,457	\$ -	\$ 36,723	\$ 189,734	\$ 18,973
Capital leases (Note 8)	108,783	-	44,098	64,685	46,652
Bank loan payable	15,000,000	-	-	15,000,000	-
Landfill postclosure care	1,215,368	696,018	-	1,911,386	-
Total incurred by County	\$ 16,550,608	\$ 696,018	\$ 80,821	\$ 17,165,805	\$ 65,625
Incurred by School Board:					
General obligation bonds	\$ 1,445,000	\$ -	\$ 390,000	\$ 1,055,000	\$ 355,000
Capital lease (Note 8)	586,619	-	237,803	348,816	251,575
Total incurred by School Board	\$ 2,031,619	\$ -	\$ 627,803	\$ 1,403,816	\$ 606,575
Total General Fund Obligations	\$ 18,582,227	\$ 696,018	\$ 708,624	\$ 18,569,621	\$ 672,200
Incurred by Enterprise Fund:					
Revenue bond payable	\$ 1,203,352	\$ -	\$ 43,630	\$ 1,159,722	\$ 50,369
Total incurred by Enterprise Fund	\$ 1,203,352	\$ -	\$ 43,630	\$ 1,159,722	\$ 50,369
Total Primary Government Obligations	\$ 19,785,579	\$ 696,018	\$ 752,254	\$ 19,729,343	\$ 722,569

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2008

Note 7—Long Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	Enterprise Fund Obligations		County Obligations		School Obligations	
	Revenue Bonds Payable		Bank Loan		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 50,369	\$ 42,014	\$ -	\$ 615,000	\$ 355,000	\$ 44,778
2010	51,975	40,409	515,000	609,772	305,000	28,198
2011	53,633	38,750	535,000	588,452	250,000	13,890
2012	55,346	37,037	560,000	566,313	80,000	5,250
2013	57,115	35,268	585,000	543,045	30,000	2,500
2014	58,941	33,442	605,000	518,855	35,000	875
2015	60,828	31,555	625,000	496,845	-	-
2016	62,776	29,607	660,000	467,913	-	-
2017	64,788	27,596	685,000	440,545	-	-
2018	66,865	25,518	710,000	412,255	-	-
2019	69,012	23,372	740,000	382,837	-	-
2020	71,229	21,155	775,000	352,088	-	-
2021	9,264	19,343	810,000	320,005	-	-
2022	9,687	18,921	840,000	286,488	-	-
2023	10,130	18,478	875,000	251,637	-	-
2024	10,593	18,015	910,000	215,455	-	-
2025	11,077	17,531	940,000	177,837	-	-
2026	11,584	17,024	990,000	138,785	-	-
2027	12,112	16,496	1,025,000	97,785	-	-
2028	12,665	15,943	1,065,000	55,453	-	-
2029	13,244	15,364	550,000	11,275	-	-
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	20,093	346	-	-	-	-
Total	\$ 1,159,722	\$ 684,532	\$ 15,000,000	\$ 7,548,640	\$ 1,055,000	\$ 95,491

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2008

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Long-term obligations at June 30, 2008 are as follows:

	<u>Total Amount</u>
<u>Incurring by County:</u>	
<u>Bank Loans Payable:</u>	
\$9,000,000 IDA Bank Loan Series 2006 B issued December 14, 2006, payable in various annual installments through August 1, 2028, interest payable semi-annually at 4.10%	\$ 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%	6,000,000
Total Bank Loans Payable	<u>\$ 15,000,000</u>
Capital leases (Note 8)	<u>\$ 64,685</u>
Landfill postclosure care liability (Note 15)	<u>\$ 1,911,386</u>
Compensated absences (payable by General Fund)	<u>\$ 189,734</u>
Total incurred by County	<u>\$ 17,165,805</u>
<u>Incurring by School Board:</u>	
<u>General Obligation Bonds:</u>	
\$6,445,000 School Bonds issued November 18, 1993, payable in various annual installments through December 15, 2014, interest payable semi-annually at 4.73%	\$ 665,000
\$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%	390,000
Total General Obligation Bonds	<u>\$ 1,055,000</u>
Capital Leases (Note 8)	<u>\$ 348,816</u>
Total incurred by School Board	<u>\$ 1,403,816</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2008

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

	Total Amount
<u>Enterprise Fund:</u>	
<u>Revenue Bonds Payable:</u>	
\$937,575 Revenue Bond issued through the Virginia Resources Authority, payable in semi-annual installments of \$31,888 (principal and interest), interest payable semi-annually at 3.00%	\$ 638,722
\$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%	51,000
Total Revenue Bonds Payable	\$ 1,159,722
Total Long-Term Obligations, Enterprise Fund	\$ 1,159,722
Total Long-Term Obligations, Primary Government	\$ 19,729,343

Component Unit - School Board:

The following is a summary of long-term debt transactions for the year ended June 30, 2008:

	Amounts Payable at July 1, 2007	Increases	Decreases	Amounts Payable at June 30, 2008	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 95,130	\$ 21,001	\$ 9,513	\$ 106,618	\$ 10,662
Total Component Unit-School Board	\$ 95,130	\$ 21,001	\$ 9,513	\$ 106,618	\$ 10,662

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2008

Note 8—Capital Leases:

The government has entered into lease agreements as lessee for financing the acquisition of equipment & vehicles. These lease agreements qualify as capital leases 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	(149,304)	(212,253)
Total	<u>\$ 24,431</u>	<u>\$ 667,042</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

Year Ended June 30	Primary Government	
	Incurred by County	Incurred by School Board
2009	\$ 46,652	\$ 251,575
2010	19,439	104,824
Total minimum lease payments	\$ 66,091	\$ 356,399
Less: amount representing interest	(1,406)	(7,583)
Present value of minimum lease payments	<u>\$ 64,685</u>	<u>\$ 348,816</u>

Note 9—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 \$590,210 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$585,529 at June 30, 2008.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2008 but paid in advance by the taxpayers totaled \$4,681 at June 30, 2008.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2008

Note 10— Commitments and Contingent Liabilities:

Federal programs in which the County and its discretely presented component unit participate were audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

The following construction contracts were outstanding at June 30, 2008:

<u>Project</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Outstanding</u>
Circuit Court Renovations	WM Schlosser Co. Inc	\$ 10,721,182	\$ 1,983,457

Note 11—Litigation:

At June 30, 2008, 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 12 —Risk Management:

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

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

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

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2008

Note 13 – Defined Benefit Pension Plan:

Primary Government and Discretely Presented Component Unit-School Board:

A. Plan Description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% to sheriffs and if the employer elects, to other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2007AnnuRept.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 annual salary 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 their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board non-professional employees' contribution rates for the fiscal year ended 2008 were 5.55% and 4.15% of annual covered payroll, respectively.

The School Board contributed \$779,186, \$668,124, and \$467,800 to the teacher cost-sharing pool for professional employees for the fiscal years ended June 30, 2008, 2007, and 2006 respectively and these contributions represented 10.30%, 9.20%, and 6.62%, of current covered payroll.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2008

Note 13 – Defined Benefit Pension Plan: (Continued)

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

C. Annual Pension Cost

For fiscal year 2008, the County’s annual pension cost of \$166,064 (which does not include the employee’s share assumed by the County of \$149,608) was equal to the County’s required and actual contributions.

For fiscal year 2008, the County School Board’s annual pension cost for the Board’s non-professional employees was \$41,478 (which does not include the employee’s share assumed by the School Board of \$49,973) which was equal to the Board’s required and actual contributions.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2008	\$ 166,064	100%	\$ -
June 30, 2007	157,075	100%	-
June 30, 2006	80,972	100%	-
School Board:			
Non-Professional:			
June 30, 2008	\$ 41,478	100%	\$ -
June 30, 2007	41,837	100%	-
June 30, 2006	7,419	100%	-

(1) Employer portion only

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.73% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the County’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County’s and School Board’s unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 21 years.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2008

Note 13 – Defined Benefit Pension Plan: (Continued)

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

D. Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the Primary Government plan was 92.74% funded. The actuarial accrued liability for benefits was \$11,697,908, and the actuarial value of assets was \$10,848,217, resulting in an unfunded actuarial accrued liability (UAAL) of \$849,691. The covered payroll (annual payroll of active employees covered by the plan) was \$2,877,082, and ratio of the UAAL to the covered payroll was 29.53%.

As of June 30, 2007, the most recent actuarial valuation date, the School Board's Non-Professional plan was 94.23% funded. The actuarial accrued liability for benefits was \$4,459,257, and the actuarial value of assets was \$4,202,162, resulting in an unfunded actuarial accrued liability (UAAL) of \$257,095. The covered payroll (annual payroll of active employees covered by the plan) was \$1,017,784, and ratio of the UAAL to the covered payroll was 25.26%.

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

Note 14 – Surety Bonds:

	<u>Amount</u>
Division of Risk Management Surety Bond:	
Commonwealth Funds	
Gail P. Clayton, Clerk of the Circuit Court	\$ 380,000
Mary H. Shaw, Treasurer	300,000
Deborah J. Nee, 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 15 – Landfill Closure and Postclosure Care Cost:

The \$1,911,386 reported as landfill postclosure liability at June 30, 2008, represents the estimated liability for postclosure monitoring. This amount is based on what it would cost to perform all postclosure care in 2008 over a remaining period of 21 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.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2008

Note 16 – Changes in Beginning Fund Balances/Net Assets:

The following adjustments were made to beginning fund balances/net assets at June 30, 2008:

	General Fund	County Capital Projects Fund	Governmental Activities	Component Unit- School Board
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balances/net assets as previously reported	\$ 21,386,870	\$ -	\$ 14,464,136	\$ 9,950,335
Adjustment for HVAC equipment classified incorrectly	-	-	(945,748)	945,748
Adjustment to establish County Capital Projects Fund	<u>(11,092,839)</u>	<u>11,092,839</u>	<u>-</u>	<u>-</u>
Fund balances/net assets as restated	<u>\$ 10,294,031</u>	<u>\$ 11,092,839</u>	<u>\$ 13,518,388</u>	<u>\$ 10,896,083</u>

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES				
General property taxes	\$ 17,032,674	\$ 17,032,674	\$ 17,442,571	\$ 409,897
Other local taxes	659,815	659,815	664,638	4,823
Permits, privilege fees, and regulatory licenses	66,700	66,700	61,447	(5,253)
Fines and forfeitures	25,000	25,000	15,245	(9,755)
Revenue from the use of money and property	573,209	573,209	469,209	(104,000)
Charges for services	83,899	85,049	81,625	(3,424)
Miscellaneous	29,500	43,503	581	(42,922)
Recovered costs	83,750	108,969	54,784	(54,185)
Intergovernmental revenues:				
Commonwealth	2,253,948	2,251,874	2,135,005	(116,869)
Federal	927,501	963,563	876,693	(86,870)
Total revenues	<u>\$ 21,735,996</u>	<u>\$ 21,810,356</u>	<u>\$ 21,801,798</u>	<u>\$ (8,558)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,635,391	\$ 1,562,305	\$ 1,279,711	\$ 282,594
Judicial administration	387,149	390,710	346,306	44,404
Public safety	2,306,510	2,415,676	2,283,851	131,825
Public works	1,100,245	1,103,245	990,575	112,670
Health and welfare	2,667,427	2,823,270	2,293,730	529,540
Education	11,379,723	11,597,723	12,087,402	(489,679)
Parks, recreation, and cultural	511,046	519,696	506,431	13,265
Community development	461,824	507,623	463,846	43,777
Debt service:				
Principal retirement	712,259	712,259	671,901	40,358
Interest and other fiscal charges	41,558	41,558	79,989	(38,431)
Total expenditures	<u>\$ 21,203,132</u>	<u>\$ 21,674,065</u>	<u>\$ 21,003,742</u>	<u>\$ 670,323</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 532,864</u>	<u>\$ 136,291</u>	<u>\$ 798,056</u>	<u>\$ 661,765</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (1,194,655)	\$ (1,194,655)	\$ (921,872)	\$ 272,783
Total other financing sources and uses	<u>\$ (1,194,655)</u>	<u>\$ (1,194,655)</u>	<u>\$ (921,872)</u>	<u>\$ 272,783</u>
Net change in fund balances	\$ (661,791)	\$ (1,058,364)	\$ (123,816)	\$ 934,548
Fund balances - beginning - as restated	925,503	1,088,364	10,294,031	9,205,667
Fund balances - ending	<u>\$ 263,712</u>	<u>\$ 30,000</u>	<u>\$ 10,170,215</u>	<u>\$ 10,140,215</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)
6/30/2007	\$ 10,848,217	\$ 11,697,908	\$ 849,691	92.74%	\$ 2,877,082	29.53%
6/30/2006	9,603,245	10,523,636	920,391	91.25%	2,776,862	33.15%
6/30/2005	9,020,559	10,220,218	1,199,659	88.26%	2,879,240	41.67%
6/30/2004	8,700,433	8,523,224	(177,209)	102.08%	2,638,908	-6.72%
6/30/2003	8,570,934	7,909,687	(661,247)	108.36%	2,299,979	-28.75%
6/30/2002	8,480,532	7,283,232	(1,197,300)	116.44%	2,430,236	-49.27%
6/30/2001	8,253,145	6,645,362	(1,607,783)	124.19%	2,258,278	-71.20%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2007	\$ 4,202,162	\$ 4,459,257	\$ 257,095	94.23%	\$ 1,017,784	25.26%
6/30/2006	3,818,648	3,917,932	99,284	97.47%	901,490	11.01%
6/30/2005	3,677,448	3,715,367	37,919	98.98%	955,447	3.97%
6/30/2004	3,635,421	3,603,172	(32,249)	100.90%	996,227	-3.24%
6/30/2003	3,590,492	3,016,020	(574,472)	119.05%	945,295	-60.77%
6/30/2002	3,579,055	3,082,517	(496,538)	116.11%	925,275	-53.66%
6/30/2001	3,457,433	2,823,091	(634,342)	122.47%	960,663	-66.03%

OTHER SUPPLEMENTARY INFORMATION

County of Surry, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 County Capital Projects Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 403,383	\$ 403,383
Recovered costs	62,000	62,000	-	(62,000)
Intergovernmental revenues:				
Commonwealth	-	-	44,689	44,689
Federal	-	921,825	380,124	(541,701)
Total revenues	\$ 62,000	\$ 983,825	\$ 828,196	\$ (155,629)
EXPENDITURES				
Current:				
Education	\$ -	\$ 372,196	\$ 127,108	\$ 245,088
Capital projects	16,702,000	18,127,825	8,483,375	9,644,450
Debt service:				
Interest and other fiscal charges	-	-	615,000	(615,000)
Total expenditures	\$ 16,702,000	\$ 18,500,021	\$ 9,225,483	\$ 9,274,538
Excess (deficiency) of revenues over (under) expenditures	\$ (16,640,000)	\$ (17,516,196)	\$ (8,397,287)	\$ 9,118,909
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 729,141	\$ 729,141
Proceeds from indebtedness	5,100,000	5,100,000	-	(5,100,000)
Total other financing sources and uses	\$ 5,100,000	\$ 5,100,000	\$ 729,141	\$ (4,370,859)
Net change in fund balances	\$ (11,540,000)	\$ (12,416,196)	\$ (7,668,146)	\$ 4,748,050
Fund balances - beginning - as restated	11,540,000	12,416,196	11,092,839	(1,323,357)
Fund balances - ending	\$ -	\$ -	\$ 3,424,693	\$ 3,424,693

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, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 21	\$ 21
Total revenues	\$ -	\$ -	\$ 21	\$ 21
EXPENDITURES				
Current:				
Public safety	\$ 30,000	\$ 30,000	\$ 25,611	\$ 4,389
Community development	109,160	109,160	200	108,960
Total expenditures	\$ 139,160	\$ 139,160	\$ 25,811	\$ 113,349
Excess (deficiency) of revenues over (under) expenditures	\$ (139,160)	\$ (139,160)	\$ (25,790)	\$ 113,370
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 109,160	\$ 109,160	-	\$ (109,160)
Net change in fund balances	\$ (30,000)	\$ (30,000)	\$ (25,790)	\$ 4,210
Fund balances - beginning	30,000	30,000	643,935	613,935
Fund balances - ending	\$ -	\$ -	\$ 618,145	\$ 618,145

County of Surry, Virginia
 Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2008

	Agency Funds			
	<u>Special Welfare</u>	<u>Crater AAA</u>	<u>Emergency Food and Shelter</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 6,889	\$ 5,100	\$ 12	\$ 12,001
Total assets	<u>\$ 6,889</u>	<u>\$ 5,100</u>	<u>\$ 12</u>	<u>\$ 12,001</u>
LIABILITIES				
Amounts held for others	\$ -	\$ 5,100	\$ 12	\$ 5,112
Amounts held for social services clients	6,889	-	-	6,889
Total liabilities	<u>\$ 6,889</u>	<u>\$ 5,100</u>	<u>\$ 12</u>	<u>\$ 12,001</u>

County of Surry, Virginia

Fiduciary Funds
Statement of Changes in Fiduciary Net Assets - Agency Funds
For the Year Ended June 30, 2008

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 6,152	\$ 7,523	\$ 6,786	\$ 6,889
Liabilities:				
Amounts held for social services clients	\$ 6,152	\$ 7,523	\$ 6,786	\$ 6,889
Crater AAA Fund:				
Assets:				
Cash and cash equivalents	\$ 3,106	\$ 42,999	\$ 41,005	\$ 5,100
Liabilities:				
Amounts held for others	\$ 3,106	\$ 42,999	\$ 41,005	\$ 5,100
Emergency Food and Shelter Fund:				
Assets:				
Cash and cash equivalents	\$ 12	\$ -	\$ -	\$ 12
Liabilities:				
Amounts held for others	\$ 12	\$ -	\$ -	\$ 12
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 9,270	\$ 50,522	\$ 47,791	\$ 12,001
Total assets	\$ 9,270	\$ 50,522	\$ 47,791	\$ 12,001
Liabilities:				
Amounts held for others	\$ 3,118	\$ 42,999	\$ 41,005	\$ 5,112
Amounts held for social services clients	6,152	7,523	6,786	6,889
Total liabilities	\$ 9,270	\$ 50,522	\$ 47,791	\$ 12,001

County of Surry, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2008

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 437,951	\$ 12,951	\$ 450,902
Receivables (net of allowance for uncollectibles):			
Accounts receivable	13,741	-	13,741
Due from other governmental units	737,792	8,477	746,269
Total assets	<u>\$ 1,189,484</u>	<u>\$ 21,428</u>	<u>\$ 1,210,912</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 64,838	\$ (784)	\$ 64,054
Accrued liabilities	1,124,646	22,212	1,146,858
Total liabilities	<u>\$ 1,189,484</u>	<u>\$ 21,428</u>	<u>\$ 1,210,912</u>
Fund balances:			
Unreserved:			
Undesignated	\$ -	\$ -	\$ -
Total fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities and fund balances	<u>\$ 1,189,484</u>	<u>\$ 21,428</u>	<u>\$ 1,210,912</u>

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.	11,199,729
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(106,618)
Net assets of governmental activities	<u>\$ 11,093,111</u>

County of Surry, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2008

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 1,962	\$ -	\$ 1,962
Charges for services	-	283,310	283,310
Miscellaneous	65,838	-	65,838
Intergovernmental revenues:			
Local government	12,213,437	-	12,213,437
Commonwealth	2,761,654	8,474	2,770,128
Federal	610,935	325,053	935,988
Total revenues	<u>\$ 15,653,826</u>	<u>\$ 616,837</u>	<u>\$ 16,270,663</u>
EXPENDITURES			
Current:			
Education	\$ 15,585,808	\$ 684,855	\$ 16,270,663
Total expenditures	<u>\$ 15,585,808</u>	<u>\$ 684,855</u>	<u>\$ 16,270,663</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 68,018</u>	<u>\$ (68,018)</u>	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 68,018	\$ 68,018
Transfers out	(68,018)	-	(68,018)
Total other financing sources and uses	<u>\$ (68,018)</u>	<u>\$ 68,018</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-
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 \$ -

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	\$ 520,914	
Depreciation expense	(702,397)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>389,999</u>	208,516

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. (11,488)

Change in net assets of governmental activities \$ 197,028

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, 2008

	School Operating Fund			School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	Budgeted Amounts		Actual	
	Original	Final		Original	Final		
REVENUES							
Revenue from the use of money and property	\$ -	\$ -	\$ 1,962	\$ 1,962	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	275,000	283,310	8,310
Miscellaneous	25,000	25,000	65,838	40,838	-	-	-
Intergovernmental revenues:							
Local government	11,378,650	11,968,846	12,213,437	244,591	-	-	-
Commonwealth	2,944,715	2,944,715	2,761,654	(183,061)	9,738	8,474	(1,264)
Federal	573,489	776,456	610,935	(165,521)	240,000	325,053	85,053
Total revenues	\$ 14,921,854	\$ 15,715,017	\$ 15,653,826	\$ (61,191)	\$ 524,738	\$ 616,837	\$ 92,099
EXPENDITURES							
Current:							
Education	\$ 14,783,524	\$ 15,584,687	\$ 15,585,808	\$ (1,121)	\$ 663,068	\$ 684,855	\$ (29,787)
Total expenditures	\$ 14,783,524	\$ 15,584,687	\$ 15,585,808	\$ (1,121)	\$ 663,068	\$ 684,855	\$ (29,787)
Excess (deficiency) of revenues over (under) expenditures	\$ 138,330	\$ 130,330	\$ 68,018	\$ (62,312)	\$ (138,330)	\$ (68,018)	\$ 62,312
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 138,330	\$ 68,018	\$ (62,312)
Transfers out	(138,330)	(130,330)	(68,018)	62,312	-	-	-
Total other financing sources and uses	\$ (138,330)	\$ (130,330)	\$ (68,018)	\$ 62,312	\$ 138,330	\$ 68,018	\$ (62,312)
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SUPPORTING SCHEDULES

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,405,000	\$ 5,405,000	\$ 5,637,715	\$ 232,715
Real and personal public service corporation taxes	10,520,581	10,520,581	10,735,400	214,819
Personal property taxes	967,093	967,093	934,443	(32,650)
Penalties	50,000	50,000	42,254	(7,746)
Interest	90,000	90,000	92,759	2,759
Total general property taxes	<u>\$ 17,032,674</u>	<u>\$ 17,032,674</u>	<u>\$ 17,442,571</u>	<u>\$ 409,897</u>
Other local taxes:				
Local sales and use taxes	\$ 357,000	\$ 357,000	\$ 354,728	\$ (2,272)
Consumption tax	19,556	19,556	20,610	1,054
Business license taxes	53,489	53,489	61,750	8,261
Motor vehicle licenses	97,770	97,770	85,063	(12,707)
Communications tax	57,000	57,000	58,964	1,964
Taxes on recordation and wills	75,000	75,000	83,523	8,523
Total other local taxes	<u>\$ 659,815</u>	<u>\$ 659,815</u>	<u>\$ 664,638</u>	<u>\$ 4,823</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,000	\$ 2,000	\$ 3,860	\$ 1,860
Building permits	45,500	45,500	41,021	(4,479)
Permits and other licenses	19,200	19,200	16,566	(2,634)
Total permits, privilege fees, and regulatory licenses	<u>\$ 66,700</u>	<u>\$ 66,700</u>	<u>\$ 61,447</u>	<u>\$ (5,253)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 25,000	\$ 25,000	\$ 15,245	\$ (9,755)
Revenue from use of money and property:				
Revenue from use of money	\$ 470,000	\$ 470,000	\$ 371,999	\$ (98,001)
Revenue from use of property	103,209	103,209	97,210	(5,999)
Total revenue from use of money and property	<u>\$ 573,209</u>	<u>\$ 573,209</u>	<u>\$ 469,209</u>	<u>\$ (104,000)</u>
Charges for services:				
Sheriff fees	\$ 299	\$ 299	\$ 299	\$ -
Charges for Commonwealth's Attorney	100	100	117	17
Courthouse maintenance fees	3,200	3,200	3,183	(17)
Charges for other court services	41,300	41,300	23,931	(17,369)
Charges for sanitation and waste removal	14,000	14,000	31,777	17,777
Charges for parks and recreation	25,000	26,150	22,318	(3,832)
Total charges for services	<u>\$ 83,899</u>	<u>\$ 85,049</u>	<u>\$ 81,625</u>	<u>\$ (3,424)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 29,500	\$ 43,503	\$ 581	\$ (42,922)

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

Schedule 1
 Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Regional jail	\$ 20,000	\$ 20,000	\$ 30,815	\$ 10,815
VPI extension phone reimbursement	250	250	236	(14)
Local health department	3,500	3,500	18	(3,482)
Jurors and witnesses	-	-	900	900
Crater youth care	-	-	302	302
Care of animals	-	22,219	22,513	294
Paid rescue services	60,000	60,000	-	(60,000)
Other recovered costs	-	3,000	-	(3,000)
Total recovered costs	<u>\$ 83,750</u>	<u>\$ 108,969</u>	<u>\$ 54,784</u>	<u>\$ (54,185)</u>
Total revenue from local sources	<u>\$ 18,554,547</u>	<u>\$ 18,594,919</u>	<u>\$ 18,790,100</u>	<u>\$ 195,181</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 3,500	\$ 3,500	\$ -	\$ (3,500)
Wine taxes	3,700	3,700	-	(3,700)
Rolling stock tax	-	-	79	79
Mobile home titling tax	10,000	10,000	13,908	3,908
Taxes on deeds	-	-	13,405	13,405
State recordation tax	18,000	18,000	24,981	6,981
Personal property tax relief funds	677,907	677,907	677,907	-
Total noncategorical aid	<u>\$ 713,107</u>	<u>\$ 713,107</u>	<u>\$ 730,280</u>	<u>\$ 17,173</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 74,506	\$ 76,067	\$ 74,744	\$ (1,323)
Sheriff	474,447	474,447	460,176	(14,271)
Commissioner of revenue	76,120	76,120	71,154	(4,966)
Treasurer	84,002	84,002	83,914	(88)
Medical examiner	100	100	-	(100)
Registrar/electoral board	38,000	38,000	44,445	6,445
Clerk of the circuit court	82,016	83,516	84,508	992
Total shared expenses	<u>\$ 829,191</u>	<u>\$ 832,252</u>	<u>\$ 818,941</u>	<u>\$ (13,311)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 589,139	\$ 456,999	\$ 318,232	\$ (138,767)
Fire programs fund	-	16,000	16,000	-
Office on youth	9,204	9,204	-	(9,204)
Comprehensive services act	45,000	143,549	151,661	8,112
Wireless funds	40,000	40,000	41,009	1,009
Emergency medical services	-	7,456	12,578	5,122
Local law enforcement block grant	-	-	2,287	2,287
Victim-witness grant	20,000	20,000	28,666	8,666
Litter control	8,307	8,307	6,508	(1,799)

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Other state funds	\$ -	\$ 5,000	\$ 8,843	\$ 3,843
Total other categorical aid	<u>\$ 711,650</u>	<u>\$ 706,515</u>	<u>\$ 585,784</u>	<u>\$ (120,731)</u>
Total categorical aid	<u>\$ 1,540,841</u>	<u>\$ 1,538,767</u>	<u>\$ 1,404,725</u>	<u>\$ (134,042)</u>
Total revenue from the Commonwealth	<u>\$ 2,253,948</u>	<u>\$ 2,251,874</u>	<u>\$ 2,135,005</u>	<u>\$ (116,869)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ -	\$ -	\$ 185	\$ 185
Categorical aid:				
Public assistance and welfare administration	\$ 921,501	\$ 921,501	\$ 832,235	\$ (89,266)
Drug seizure funds	-	-	1,879	1,879
Septic system pump out assistance program	-	10,000	10,000	-
Substance abuse prevention grant	-	5,000	5,000	-
Lead safe grant	-	21,062	21,062	-
Summer feeding program	6,000	6,000	6,332	332
Total categorical aid	<u>\$ 927,501</u>	<u>\$ 963,563</u>	<u>\$ 876,508</u>	<u>\$ (87,055)</u>
Total revenue from the federal government	<u>\$ 927,501</u>	<u>\$ 963,563</u>	<u>\$ 876,693</u>	<u>\$ (86,870)</u>
Total General Fund	<u>\$ 21,735,996</u>	<u>\$ 21,810,356</u>	<u>\$ 21,801,798</u>	<u>\$ (8,558)</u>
County Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 21	\$ 21
Total County Special Revenue Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ 21</u>
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 403,383	\$ 403,383
Recovered costs:				
Southeast rural community project	\$ 62,000	\$ 62,000	\$ -	\$ (62,000)
Total revenue from local sources	<u>\$ 62,000</u>	<u>\$ 62,000</u>	<u>\$ 403,383</u>	<u>\$ 341,383</u>

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

Schedule 1
 Page 4 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
County Capital Projects Fund: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Indoor plumbing grant	\$ -	\$ -	\$ 44,689	\$ 44,689
Total categorical aid	\$ -	\$ -	\$ 44,689	\$ 44,689
Total revenue from the Commonwealth	\$ -	\$ -	\$ 44,689	\$ 44,689
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ 646,825	\$ 110,500	\$ (536,325)
Indoor plumbing	-	275,000	33,650	(241,350)
Rural development	-	-	235,974	235,974
Total categorical aid	\$ -	\$ 921,825	\$ 380,124	\$ (541,701)
Total revenue from the federal government	\$ -	\$ 921,825	\$ 380,124	\$ (541,701)
Total County Capital Projects Fund	\$ 62,000	\$ 983,825	\$ 828,196	\$ (155,629)
Total Primary Government	\$ 21,797,996	\$ 22,794,181	\$ 22,630,015	\$ (164,166)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,962	\$ 1,962
Total revenue from use of money and property	\$ -	\$ -	\$ 1,962	\$ 1,962
Miscellaneous revenue:				
Miscellaneous	\$ 25,000	\$ 25,000	\$ 65,838	\$ 40,838
Total revenue from local sources	\$ 25,000	\$ 25,000	\$ 67,800	\$ 42,800
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Surry	\$ 11,378,650	\$ 11,968,846	\$ 12,213,437	\$ 244,591
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,066,356	\$ 1,066,356	\$ 1,022,953	\$ (43,403)
Basic school aid	952,558	952,558	982,668	30,110
Remedial summer education	5,588	5,588	12,861	7,273
Regular foster care	81,368	81,368	24,550	(56,818)
GED funding	7,859	7,859	7,859	-
Gifted and talented	8,497	8,497	8,712	215
Remedial education	31,085	31,085	31,874	789

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

<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>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Special education	\$ 112,365	\$ 112,365	\$ 115,267	\$ 2,902
Textbook payment	20,781	20,781	21,309	528
Vocational education	59,917	59,917	62,812	2,895
Early reading intervention	5,333	5,333	3,555	(1,778)
School fringes	136,774	136,774	143,646	6,872
State lottery payments	45,796	45,796	47,344	1,548
Adult literacy	2,280	2,280	-	(2,280)
Middle school teacher corp.	-	-	5,000	5,000
School construction	104,444	104,444	104,447	3
Enrollment loss	11,904	11,904	5,041	(6,863)
Salary supplement	66,107	66,107	68,423	2,316
At risk payments	33,779	33,779	33,978	199
Primary class size	40,661	40,661	42,134	1,473
Technology	128,000	128,000	-	(128,000)
SOL algebra readiness	6,042	6,042	-	(6,042)
At risk four-year olds	17,221	17,221	17,221	-
Total categorical aid	<u>\$ 2,944,715</u>	<u>\$ 2,944,715</u>	<u>\$ 2,761,654</u>	<u>\$ (183,061)</u>
Total revenue from the Commonwealth	<u>\$ 2,944,715</u>	<u>\$ 2,944,715</u>	<u>\$ 2,761,654</u>	<u>\$ (183,061)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 203,077	\$ 203,077	\$ 203,968	\$ 891
Title VI-B, special education flow-through	239,352	239,352	202,541	(36,811)
Vocational education	-	12,011	19,454	7,443
Title VI-B, special education pre-school	4,752	4,752	3,770	(982)
Drug free schools	4,897	4,897	1,985	(2,912)
Class size reduction grant	63,394	63,394	-	(63,394)
Title V	2,742	2,742	-	(2,742)
JROTC	53,000	53,000	57,348	4,348
Twenty-first Century Grant	-	190,956	77,897	(113,059)
Title II, Part A	2,275	2,275	38,789	36,514
Other federal funds	-	-	5,183	5,183
Total categorical aid	<u>\$ 573,489</u>	<u>\$ 776,456</u>	<u>\$ 610,935</u>	<u>\$ (165,521)</u>
Total revenue from the federal government	<u>\$ 573,489</u>	<u>\$ 776,456</u>	<u>\$ 610,935</u>	<u>\$ (165,521)</u>
Total School Operating Fund	<u>\$ 14,921,854</u>	<u>\$ 15,715,017</u>	<u>\$ 15,653,826</u>	<u>\$ (61,191)</u>
School Special Revenue Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 275,000	\$ 275,000	\$ 283,310	\$ 8,310

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

<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>
Discretely Presented Component Unit - School Board: (Continued)				
School Special Revenue Fund: (Continued)				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 9,738	\$ 9,738	\$ 8,474	\$ (1,264)
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 240,000	\$ 240,000	\$ 273,174	\$ 33,174
Summer feeding	-	-	8,610	8,610
Commodities	-	-	43,269	43,269
Total categorical aid	<u>\$ 240,000</u>	<u>\$ 240,000</u>	<u>\$ 325,053</u>	<u>\$ 85,053</u>
Total revenue from the federal government	<u>\$ 240,000</u>	<u>\$ 240,000</u>	<u>\$ 325,053</u>	<u>\$ 85,053</u>
Total School Special Revenue Fund	<u>\$ 524,738</u>	<u>\$ 524,738</u>	<u>\$ 616,837</u>	<u>\$ 92,099</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 15,446,592</u>	<u>\$ 16,239,755</u>	<u>\$ 16,270,663</u>	<u>\$ 30,908</u>

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 397,201	\$ 309,511	\$ 125,478	\$ 184,033
General and financial administration:				
County administrator	\$ 285,827	\$ 285,827	\$ 271,666	\$ 14,161
Legal services	70,720	70,720	70,304	416
Commissioner of revenue	168,706	168,706	146,516	22,190
Treasurer	216,205	216,205	212,192	4,013
Board of equalization	102,000	112,604	112,604	-
Finance department	144,612	144,612	143,213	1,399
Information technology	106,450	106,450	70,436	36,014
Other general and financial administration	50,705	50,705	31,895	18,810
Total general and financial administration	<u>\$ 1,145,225</u>	<u>\$ 1,155,829</u>	<u>\$ 1,058,826</u>	<u>\$ 97,003</u>
Board of elections:				
Electoral board and officials	\$ 92,965	\$ 96,965	\$ 95,407	\$ 1,558
Total general government administration	<u>\$ 1,635,391</u>	<u>\$ 1,562,305</u>	<u>\$ 1,279,711</u>	<u>\$ 282,594</u>
Judicial administration:				
Courts:				
Circuit court	\$ 18,050	\$ 18,050	\$ 19,394	\$ (1,344)
General district court	9,138	9,138	6,365	2,773
Special magistrates	1,200	1,200	509	691
Southside legal aid	7,050	7,050	7,050	-
Victim Witness	20,000	20,000	19,540	460
Clerk of the circuit court	216,795	218,295	177,008	41,287
Total courts	<u>\$ 272,233</u>	<u>\$ 273,733</u>	<u>\$ 229,866</u>	<u>\$ 43,867</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 114,916	\$ 116,977	\$ 116,440	\$ 537
Total judicial administration	<u>\$ 387,149</u>	<u>\$ 390,710</u>	<u>\$ 346,306</u>	<u>\$ 44,404</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,228,507	\$ 1,241,786	\$ 1,186,003	\$ 55,783
Virginia juvenile crime control act	15,479	15,479	11,812	3,667
Riverside Criminal justice	7,791	7,791	7,791	-
Total law enforcement and traffic control	<u>\$ 1,251,777</u>	<u>\$ 1,265,056</u>	<u>\$ 1,205,606</u>	<u>\$ 59,450</u>
Fire and rescue services:				
Fire department/rescue services	\$ 514,288	\$ 548,624	\$ 574,376	\$ (25,752)
Correction and detention:				
Confinement and care of prisoners	\$ 218,000	\$ 218,000	\$ 183,091	\$ 34,909

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

Schedule 2
Page 2 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>
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 160,487	\$ 160,487	\$ 141,359	\$ 19,128
Other protection:				
Animal control	\$ 57,627	\$ 79,846	\$ 70,417	\$ 9,429
Emergency services	104,331	143,663	109,002	34,661
Total other protection	\$ 161,958	\$ 223,509	\$ 179,419	\$ 44,090
Total public safety	\$ 2,306,510	\$ 2,415,676	\$ 2,283,851	\$ 131,825
Public works:				
Sanitation and waste removal:				
Sanitation	\$ 609,021	\$ 609,021	\$ 527,928	\$ 81,093
Litter control	8,307	8,307	5,205	3,102
Total sanitation and waste removal	\$ 617,328	\$ 617,328	\$ 533,133	\$ 84,195
Maintenance of general buildings and grounds:				
General properties	\$ 482,917	\$ 485,917	\$ 457,442	\$ 28,475
Total public works	\$ 1,100,245	\$ 1,103,245	\$ 990,575	\$ 112,670
Health and welfare:				
Health:				
Supplement of local health department	\$ 220,979	\$ 220,979	\$ 167,859	\$ 53,120
Mental health and mental retardation:				
Chapter X Board	\$ 55,639	\$ 55,639	\$ 55,639	\$ -
Welfare:				
Public assistance and welfare administration	\$ 2,072,816	\$ 2,072,816	\$ 1,677,707	\$ 395,109
Area agency on aging	1,115	1,115	1,115	-
State and local hospitalization	5,171	5,171	3,618	1,553
Comprehensive services act	120,000	257,763	186,770	70,993
SSG improvement association	29,000	40,667	37,551	3,116
Office on youth	155,507	159,920	154,271	5,649
Genevieve shelter	2,500	2,500	2,500	-
Surry free clinic	3,000	3,000	3,000	-
Other welfare contributions	1,700	3,700	3,700	-
Total welfare	\$ 2,390,809	\$ 2,546,652	\$ 2,070,232	\$ 476,420
Total health and welfare	\$ 2,667,427	\$ 2,823,270	\$ 2,293,730	\$ 529,540

County of Surry, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 1,073	\$ 1,073	\$ 1,073	\$ -
Contribution to County School Board	11,378,650	11,596,650	12,086,329	(489,679)
Total education	<u>\$ 11,379,723</u>	<u>\$ 11,597,723</u>	<u>\$ 12,087,402</u>	<u>\$ (489,679)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation center	\$ 352,948	\$ 361,598	\$ 359,074	\$ 2,524
Jamestown 2007 committee	45,000	45,000	35,294	9,706
Summer food and nutrition program	7,500	7,500	6,465	1,035
Total parks and recreation	<u>\$ 405,448</u>	<u>\$ 414,098</u>	<u>\$ 400,833</u>	<u>\$ 13,265</u>
Cultural enrichment:				
Surry county tourism committee	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Library:				
Contribution to regional library	\$ 93,598	\$ 93,598	\$ 93,598	\$ -
Total parks, recreation, and cultural	<u>\$ 511,046</u>	<u>\$ 519,696</u>	<u>\$ 506,431</u>	<u>\$ 13,265</u>
Community development:				
Planning and community development:				
Planning and zoning	\$ 301,520	\$ 347,319	\$ 322,565	\$ 24,754
Zoning board	6,950	6,950	3,581	3,369
Highway transportation safety commission	2,850	2,850	650	2,200
Planning district commission	11,100	11,100	7,698	3,402
Economic development	43,054	43,054	34,155	8,899
Other planning and community development	6,300	6,300	5,900	400
Total planning and community development	<u>\$ 371,774</u>	<u>\$ 417,573</u>	<u>\$ 374,549</u>	<u>\$ 43,024</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
Cooperative extension program:				
Extension office	\$ 81,050	\$ 81,050	\$ 80,297	\$ 753
Total community development	<u>\$ 461,824</u>	<u>\$ 507,623</u>	<u>\$ 463,846</u>	<u>\$ 43,777</u>
Debt service:				
Principal retirement	\$ 712,259	\$ 712,259	\$ 671,901	\$ 40,358
Interest and other fiscal charges	41,558	41,558	79,989	(38,431)
Total debt service	<u>\$ 753,817</u>	<u>\$ 753,817</u>	<u>\$ 751,890</u>	<u>\$ 1,927</u>
Total General Fund	<u><u>\$ 21,203,132</u></u>	<u><u>\$ 21,674,065</u></u>	<u><u>\$ 21,003,742</u></u>	<u><u>\$ 670,323</u></u>

County of Surry, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
County Special Revenue Fund:				
Public Safety:				
Other Protection:				
E911	\$ 30,000	\$ 30,000	\$ 25,611	\$ 4,389
Total other protection	\$ 30,000	\$ 30,000	\$ 25,611	\$ 4,389
Total public safety	\$ 30,000	\$ 30,000	\$ 25,611	\$ 4,389
Community development				
Indoor plumbing program	\$ 30,000	\$ 30,000	\$ 200	\$ 29,800
Economic development	79,160	79,160	-	79,160
Total community development	\$ 109,160	\$ 109,160	\$ 200	\$ 108,960
Total community development	\$ 109,160	\$ 109,160	\$ 200	\$ 108,960
Total County Special Revenue Fund	\$ 139,160	\$ 139,160	\$ 25,811	\$ 113,349
County Capital Projects Fund:				
Education:				
Contribution to the Surry County School Board	\$ -	\$ 372,196	\$ 127,108	\$ 245,088
Capital projects expenditures:				
Landfill closure	\$ 80,000	\$ 80,000	\$ 4,761	\$ 75,239
Waste management collection centers	625,000	625,000	51,044	573,956
Technology upgrades	120,000	120,000	40,382	79,618
Broadband technology initiative	100,000	100,000	22,526	77,474
Circuit courthouse renovations	10,500,000	10,500,000	7,853,056	2,646,944
Relocation of circuit clerk	-	-	763	(763)
Land development ordinance	50,000	50,000	9,192	40,808
Water sewer master plan	50,000	50,000	25,782	24,218
Emergency services study	-	-	13,063	(13,063)
Vehicle acquisition	15,000	15,000	14,381	619
Public safety equipment acquisition	2,100,000	2,100,000	-	2,100,000
Elberon Heights planning grant	62,000	-	-	-
Elberon Heights project	-	983,825	47,091	936,734
School capital projects	3,000,000	3,504,000	131,805	3,372,195
Other capital projects	-	-	269,529	(269,529)
Total capital projects	\$ 16,702,000	\$ 18,127,825	\$ 8,483,375	\$ 9,644,450
Debt service:				
Interest and other fiscal charges	\$ -	\$ -	\$ 615,000	(615,000)
Total debt service	\$ -	\$ -	\$ 615,000	\$ (615,000)
Total County Capital Projects Fund	\$ 16,702,000	\$ 18,500,021	\$ 9,225,483	\$ 9,274,538
Total Primary Government	\$ 38,044,292	\$ 40,313,246	\$ 30,255,036	\$ 10,058,210

County of Surry, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 845,928	\$ 830,328	\$ 815,947	\$ 14,381
Instruction costs	11,223,311	10,871,828	10,844,307	27,521
Pupil transportation	922,253	1,167,603	1,168,018	(415)
Operation and maintenance of school plant	1,792,032	2,714,928	2,757,536	(42,608)
Total operating costs	<u>\$ 14,783,524</u>	<u>\$ 15,584,687</u>	<u>\$ 15,585,808</u>	<u>\$ (1,121)</u>
Total education	<u>\$ 14,783,524</u>	<u>\$ 15,584,687</u>	<u>\$ 15,585,808</u>	<u>\$ (1,121)</u>
Total School Operating Fund	<u>\$ 14,783,524</u>	<u>\$ 15,584,687</u>	<u>\$ 15,585,808</u>	<u>\$ (1,121)</u>
School Special Revenue Fund:				
Education:				
School food services:				
School food services	\$ 663,068	\$ 655,068	\$ 641,586	\$ 13,482
Commodities	-	-	43,269	(43,269)
Total School Special Revenue Fund	<u>\$ 663,068</u>	<u>\$ 655,068</u>	<u>\$ 684,855</u>	<u>\$ (29,787)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 15,446,592</u>	<u>\$ 16,239,755</u>	<u>\$ 16,270,663</u>	<u>\$ (30,908)</u>

OTHER STATISTICAL INFORMATION

Table 1

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

Fiscal Year	General										Total
	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	
2002-03	\$ 1,083,987	\$ 253,302	\$ 1,472,136	\$ 840,257	\$ 2,019,805	\$ 10,477,678	\$ 410,902	\$ 394,405	\$ 225,518	\$ -	\$ 17,177,990
2003-04	979,192	250,210	3,779,073	997,920	2,086,662	10,339,257	439,939	343,459	179,045	-	19,394,757
2004-05	1,584,888	275,953	1,866,039	1,059,305	2,177,704	9,095,340	452,777	634,133	167,521	181,339	17,494,999
2005-06	1,278,906	337,970	1,948,872	1,889,656	2,185,792	11,065,790	481,350	387,025	133,447	202,840	19,911,648
2006-07	1,298,600	357,205	2,001,162	1,135,848	3,378,174	10,405,848	589,996	496,724	475,740	248,942	20,388,239
2007-08	1,375,071	806,049	2,469,893	2,101,649	2,263,034	12,736,313	507,811	494,492	690,748	383,052	23,828,112

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

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2002-03	\$ 76,683	\$ 2,107,511	\$ -	\$ -	\$ 14,057,285	\$ 366,140	\$ 210,623	\$ 13,369	\$ 716,614	\$ 17,548,225
2003-04	83,199	3,331,422	-	-	14,265,479	393,523	186,331	41,432	1,234,338	19,535,724
2004-05	97,711	2,254,687	-	-	14,793,585	679,224	299,040	21,957	653,792	18,799,996
2005-06	111,124	3,777,818	29,000	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	2,915,649	15,120,129	587,852	955,234	68,379	762,952	22,738,333
2007-08	195,502	2,281,233	694,342	694,342	17,644,857	664,638	872,613	581	730,465	23,084,231

(1) Information has only been available for six 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
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
2008	1,279,711	346,306	2,309,462	990,575	2,293,730	16,271,736	506,431	464,046	751,890	25,213,887

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

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

(3) Excludes Capital Projects funds.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
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
2008	17,442,571	664,638	61,447	15,245	471,192	364,935	66,419	54,784	6,717,814	25,859,045

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

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

(3) Excludes Capital Projects funds.

Table 5

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

Fiscal Year	Total Tax Levy (1,3)	Current Tax Collections (1,3)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of		Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)		
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%	
2008	17,440,097	17,301,159	99.20%	6,399	17,307,558	99.24%	627,234	3.60%	

(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	Real Estate	Personal Property	
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
2008	820,331,000	48,530,068	3,822,458	1,533,628,525	-	-	2,406,312,051

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools
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
2008	0.70	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)			
1999	6,145	\$ 1,773,834,021.00	\$ 4,979,400.00	-	-	\$ 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
2008	6,829	2,406,312,051	16,055,000	-	-	16,055,000	0.67%	2,351

(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, 2008, which collectively comprise the County of Surry, Virginia's basic financial statements and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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.

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 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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted other matters involving the internal control and its operation that we have reported to management of the County of Surry, Virginia, in a separate letter dated December 15, 2008.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, 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.

Robinson, Tam, (OX Deserventes

Richmond, Virginia
December 15, 2008

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS
COUNTY OF 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, 2008. 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, 2008.

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.

Internal Control Over Compliance (Continued)

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 management, the Board of Supervisors, others within the entity, 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.

Richard J. Cox, CPA

Richmond, Virginia
December 15, 2008

County of Surry, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2008

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Health and Human Services:		
Pass Through Payments:		
<i>Department of Social Services:</i>		
Family Preservation and Support	93.556	\$ 22,186
Temporary Assistance to Needy Families (TANF)	93.558	98,754
Refugee and Entrant Assistance - Discretionary Grants	93.566	582
Low Income Home Energy Assistance	93.568	3,420
Payments to States for Child Care Assistance	93.575	73,780
Child Care and Development Fund	93.596	49,802
Chafee Education and Training vouchers program	93.599	1,030
Child Welfare Services - State Grants	93.645	1,091
Foster Care - Title IV-E	93.658	56,309
Adoption Assistance	93.659	5,439
Social Services Block Grant	93.667	225,330
Independent Living	93.674	1,110
State Children's Insurance Program	93.767	6,385
Medical Assistance Program (Title XIX)	93.778	122,834
		<u>668,052</u>
Total Department of Health and Human Services		<u>\$ 668,052</u>
Department of Justice:		
Pass Through Payments:		
<i>Department of Criminal Justice Service:</i>		
Drug seizure funds	16.xxx	\$ 1,879
GOSAP	16.xxx	9,866
		<u>11,745</u>
Total Department of Justice		<u>\$ 11,745</u>
Department of the Defense:		
Direct Payments:		
Junior ROTC	12.xxx	\$ 57,348
Bureau of Land Management:		
Payments in lieu of taxes - public law 95-561	12.112	185
		<u>57,533</u>
Total Department of Defense		<u>\$ 57,533</u>
Environmental Protection Agency:		
Pass Through Payments:		
<i>Environmental Protection Agency:</i>		
Chesapeake Bay Program	66.466	\$ 10,000

County of Surry, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2008

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Agriculture:		
Direct Payments:		
Water and waste disposals for rural communities	10.760	\$ 235,974
Food Distribution	10.559	466
Summer feeding program	10.559	<u>14,941</u>
Total Department of Agriculture - direct payments		<u>\$ 251,381</u>
Pass Through Payments:		
<i>Department of Agriculture:</i>		
Food Distribution	10.555	\$ 42,803
<i>Department of Education:</i>		
National school breakfast	10.553	76,006
National school lunch program	10.555	197,168
<i>Department of Social Services:</i>		
State Admin Matching Grants for Food Stamp Program	10.561	<u>164,182</u>
Total Department of Agriculture - pass-through payments		<u>\$ 480,159</u>
Total Department of Agriculture		<u>\$ 731,540</u>
Department of Housing and Community Development:		
Pass Through Payments:		
<i>Department of Housing and Community Development:</i>		
Community Development Block Grant	14.228	\$ 110,500
Home Investment Partnership Program	14.239	33,650
Lead Based Paint Hazard Control	14.900	<u>21,062</u>
Total Department of Housing and Community Development		<u>\$ 165,212</u>

County of Surry, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2008

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Education:		
Pass Through Payments:		
<i>Department of Education:</i>		
Title I: Educationally deprived children	84.010	\$ 203,968
Title VI-B: Handicapped state grants	84.027	202,541
Vocational Education: Basic grants to states	84.048	19,454
Title VI-B: Handicapped preschool incentive grant	84.173	3,770
Drug free schools and communities	84.186	1,985
Twenty-first Century Grant	84.287	77,898
AP test fee	84.330	318
Title II, Part A	84.367	<u>38,789</u>
Total Department of Education		<u>\$ 548,723</u>
Total Federal Expenditures		<u><u>\$ 2,192,805</u></u>

County of Surry, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

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	\$ 876,693
County Capital Projects Fund	380,124
Total primary government	\$ 1,256,817

Component Unit Public Schools:

School Operating Fund	\$ 610,935
School Cafeteria Fund	325,053
Total component unit public schools	\$ 935,988

Total federal expenditures per basic financial statements	\$ 2,192,805
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 2,192,805
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County of Surry, Virginia
 Schedule of Findings and Questioned Costs
 For the year ended June 30, 2008

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
84.027/84.173	Special Education Cluster
10.760	Water Systems for Rural Communities
10.553/10.555/10.559	Child Nutrition Cluster
93.667	Social Services 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, 2008

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Surry, Virginia
Schedule of Prior Year Findings and Questioned Costs
For the year ended June 30, 2008

There were no prior year Federal Award Findings and Questioned Costs. There were Financial Statement Findings in the prior year. A description of the prior year Financial Statement Findings is included in the Audited Annual Financial Report for the fiscal year ended June 30, 2007.