

COUNTY OF SURRY, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2005

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF SURRY, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2005

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF SURRY, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

TABLE OF CONTENTS

		<u>Page</u>
Introductory Section:		
Title Page	i	
Table of Contents	ii-iii	
County Officials	iv	
Letter of Transmittal	v-vi	
 Financial Section:		
Independent Auditors' Report	1-2	
Managements' Discussion and Analysis	3-9	
	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	1	10
Statement of Activities	2	11
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	4	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	15
Statement of Net Assets - Proprietary Funds	7	16
Statement of Revenues, Expenses, and Change in Fund Net Assets - Proprietary Funds	8	17
Statement of Cash Flows - Proprietary Funds	9	18
Statement of Fiduciary Net Assets - Fiduciary Funds	10	19
Notes to Financial Statements		20-41
 Required Supplementary Information:		
Combining and Individual Fund Statements and Schedules:		
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:		
General Fund	11	42
Schedule of Pension Funding Progress	12	43

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF SURRY, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

TABLE OF CONTENTS (CONTINUED)

Other Supplementary Information:

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Special Revenue Fund	13	44
Combining Statement of Fiduciary Net Assets	14	45
Discretely Presented Component Unit - School Board:		
Combining Balance Sheet.....	15	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds.....	16	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual: School Operating and School Cafeteria Fund	17	48

Schedule Page

Supporting Schedules:

Schedule of Revenues - Budget and Actual Governmental Funds	1	49-54
Schedule of Expenditures - Budget and Actual Governmental Funds	2	55-59

Table Page

Statistical Section:

Government-wide information:		
Government-Wide Expenses by Function	1	60
Government-Wide Revenues	2	61
Fund information:		
General Governmental Expenditures by Function.....	3	62
General Governmental Revenues by Source.....	4	63
Property Tax Levies and Collections.....	5	64
Assessed Value of Taxable Property	6	65
Property Tax Rates	7	66
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita.....	8	67

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>		68-69
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133		70-71
Schedule of Expenditures of Federal Awards		72-74
Notes to Schedule of Findings and Questioned Costs		75
Schedule of Findings and Questioned Costs		76

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF SURRY, VIRGINIA

Board of Supervisors

Reginald O. Harrison, Chairperson

Timothy Jones
Judy S. Lyttle

John M. Seward
Sherlock Holmes

Social Services Board

Carolyn Dickens, Chairperson

Earlene Sprouse
Rev. Howard Daniels
Judy S. Lyttle

Janet Moore
Dr. Stanley Brantley, Jr.
Troilen Seward

County School Board

Harold Jones, Chairperson

Gladys Harris
Helen Eggleston

Laura Sheffield
Elsie Dennis

Other Officials

Judge of the Circuit Court..... Robert G. O'Hara, Jr.
Clerk of the Circuit Court Gail P. Clayton
Commonwealth's Attorney Gerald G. Poindexter
Commissioner of the Revenue Norma G. Roach
Treasurer Mary H. Shaw
Sheriff..... Harold D. Brown
Superintendent of Schools Marion Wilkins
Director of Social Services Linda E. Lewis
County Administrator Tyrone W. Franklin
Judge of the General District Court Jacqueline Waymack
Judge of the Juvenile and Domestic Relations Court..... Sam Cambell
County Attorney..... William Hefty

THIS PAGE LEFT BLANK INTENTIONALLY



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

Samuel Argall, ca. 1609

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

Mr. Tyrone W. Franklin
County Administrator
Telephone: (757) 294-5271
Fax: (757) 294-5204
Email: twfranklin@co.surry.state.va.us

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

Members of the Board:

I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Surry County (the "County") for the fiscal year ended June 30, 2005. Section 15.2 2511 of the Code of Virginia requires that local governments have their financial records audited annually as of the end of the fiscal year by independent certified public accountants. The County has engaged the independent accounting firm of Robinson, Farmer Cox Associates (RFCA) to perform the audit and to prepare the accompanying financial statements.

Sections of the Report

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

- (1) Introductory Section – which contains the County's organizational structure and this transmittal letter.
- (2) Financial Section – which consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, including the notes to the statements, required supplementary information and other supplementary information.
- (3) Statistical Section – which is unaudited and includes selected financial and demographic information generally presented on a multi-year basis.
- (4) Compliance Section – which is comprised of the independent auditor's reports on internal control and compliance with applicable laws and regulations as required by the *U.S. 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.

Statement of Responsibility

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with management of the County. 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 of Surry County. The goal of the audit performed by RFCA was to provide reasonable assurance that the financial statements enclosed herein for the fiscal year

ended June 30, 2005 are free of material misstatements. Based upon their findings, RFCA concluded that the County's financial statements are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The report of the independent auditor is the first document in the report.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The County of Surry's MD&A can be found immediately following the report of the independent auditors.

County Overview

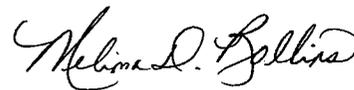
Located strategically in southeastern Virginia, Surry is 10 miles south of Williamsburg, 50 miles southeast of Richmond and 40 miles northwest of Norfolk. The County covers 306 square miles and has a population of 6,970 persons (2004 U. S Census Bureau estimate). The greater proportion of the County's land area remains rural although areas of the County are experiencing moderate residential growth. The County is a political subdivision of the Commonwealth of Virginia and employs the traditional Board of Supervisors form of government whereby a County Administrator is appointed to carryout the policy decisions of the Board and to direct the day to day activities of the County. 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, parks and recreation, sanitation, health and social services, planning/community development and general administrative services.

In conclusion, we would like to thank the Board of Supervisors for their continued interest and support in conducting the financial operations of the County in a responsible manner. Appreciation is also given to staff of the County who provided assistance to the auditing firm of Farmer, Cox Associates in preparation of a positive financial report.



Tyrone W. Franklin
County Administrator



Melissa D. Rollins
Director of Finance &
Information Technology

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

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 aggregate 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, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Surry, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Surry, Virginia, as of June 30, 2005, and the respective changes in financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2005, on our consideration of the County of Surry, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Richmond, Virginia
December 14, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Surry, Virginia we offer readers of the County's financial statements this narrative overview and analysis referred to as the MD&A of the financial activities of the County for the fiscal year ended June 30, 2005. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- < The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$16,408,286 (net assets). Of this amount, \$6,498,193 represents unrestricted net assets of the governmental activities which are primarily used to meet the County's ongoing financial obligations.

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses of \$1,247,711 (Exhibit 5) after making contributions totaling \$8,858,105 to the School Board and making payments on School Board incurred debt of \$836,969.

- < As of the close of the current fiscal year; the general fund reported an ending fund balance of \$8,326,886, an increase of \$1,148,088 in comparison with the prior year. Of this amount \$7,830,138 is listed as unreserved fund balance. This ending fund balance at June 30th however, is primarily 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 the fiscal year is received. This percentage includes portions of federal and state reimbursements, fees for services, permits and fines, and a very small amount of tax payments.
- < At the end of the current fiscal year, unreserved fund balance for the general fund was \$7,830,138 or 42% of total general fund expenditures and other uses.
- < The combined long-term obligations increased \$613,370 during the current fiscal year.
- < At the close of June 30, 2005, an estimated \$675,000 of State and Federal reimbursement for Hurricane related expenditures remained available to be drawn down.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Surry, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

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

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

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

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

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component unit - School Board. The School Board does not issue separate financial statements.

The remainder of this page left blank intentionally.

Government - Wide Financial Analysis

Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$16,408,286 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Assets:

County of Surry, Virginia Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 10,402,761	\$ 9,259,364	\$ -	\$ -	\$ 10,402,761	\$ 9,259,364
Capital assets	9,793,700	12,126,405	2,919,086	-	12,712,786	12,126,405
Total assets	\$ 20,196,461	\$ 21,385,769	\$ 2,919,086	\$ -	\$ 23,115,547	\$ 21,385,769
Current liabilities	\$ 920,587	\$ 1,235,346	\$ 8,193	\$ -	\$ 928,780	\$ 1,235,346
Long-term liabilities outstanding	5,012,671	5,165,111	765,810	-	5,778,481	5,165,111
Total liabilities	\$ 5,933,258	\$ 6,400,457	\$ 774,003	\$ -	\$ 6,707,261	\$ 6,400,457
Net assets:						
Invested in capital assets, net of related debt	\$ 6,242,619	\$ 7,152,511	\$ 3,170,726	\$ -	\$ 9,413,345	\$ 7,152,511
Restricted for:						
Future Capital Projects	496,748	-	-	-	496,748	-
Unrestricted	7,523,836	7,832,801	(1,025,643)	-	6,498,193	7,832,801
Total net assets	\$ 14,263,203	\$ 14,985,312	\$ 2,145,083	\$ -	\$ 16,408,286	\$ 14,985,312

40% of the County's net assets at June 30, 2005 are unrestricted net assets. Unrestricted net assets are available to meet the County's ongoing obligations. The remaining balance of the County's net assets (60%) is its investment in capital assets (e.g. land, buildings, systems, machinery and equipment, and infrastructure), less accumulated depreciation and any debt used to acquire those assets that remain outstanding at year-end. The County uses these capital assets to provide services to citizens; consequently, these assets are available for future spending.

The remainder of this page left blank intentionally.

Government-Wide Financial Analysis (Continued)

Changes in Net Assets - The County's net assets increased by \$1,424,989 during the current fiscal year. The following table summarizes the County's Statement of Activities

County of Surry, Virginia's Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 97,711	\$ 83,199	\$ -	\$ -	\$ 97,711	\$ 83,199
Operating grants and contributions	2,254,687	3,331,422	119,992	-	2,374,679	3,331,422
Capital grants and contributions	-	11,419	-	-	-	11,419
General revenues:						
General property taxes	14,793,585	14,265,479	-	-	14,793,585	14,265,479
Other local taxes	679,224	393,523	-	-	679,224	393,523
Grants and other contributions not restricted	653,792	1,234,338	-	-	653,792	1,234,338
Other general revenues	320,772	227,763	225	-	320,997	227,763
Transfers	(139,489)	-	139,489	-	-	-
Total revenues	<u>\$ 18,660,282</u>	<u>\$ 19,547,143</u>	<u>\$ 259,706</u>	<u>\$ -</u>	<u>\$ 18,919,988</u>	<u>\$ 19,547,143</u>
Expenses:						
General government administration						
General government administration	\$ 1,584,888	\$ 979,192	\$ -	\$ -	\$ 1,584,888	\$ 979,192
Judicial administration	275,953	250,210	-	-	275,953	250,210
Public safety	1,866,039	3,779,073	-	-	1,866,039	3,779,073
Public works	1,059,305	997,920	157,564	-	1,216,869	997,920
Health and welfare	2,177,704	2,086,662	-	-	2,177,704	2,086,662
Education	9,095,340	10,339,257	-	-	9,095,340	10,339,257
Parks, recreation, and cultural	452,777	439,939	-	-	452,777	439,939
Community development	634,133	343,459	-	-	634,133	343,459
Interest and other fiscal charges	167,521	179,045	23,775	-	191,296	179,045
Total expenses	<u>\$ 17,313,660</u>	<u>\$ 19,394,757</u>	<u>\$ 181,339</u>	<u>\$ -</u>	<u>\$ 17,494,999</u>	<u>\$ 19,394,757</u>
Change in net assets	\$ 1,346,622	\$ 152,386	\$ 78,367	\$ -	\$ 1,424,989	\$ 152,386
Beginning of year	12,916,581	14,832,926	2,066,716	-	14,983,297	14,832,926
End of year	<u>\$ 14,263,203</u>	<u>\$ 14,985,312</u>	<u>\$ 2,145,083</u>	<u>\$ -</u>	<u>\$ 16,408,286</u>	<u>\$ 14,985,312</u>

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's general fund reported a fund balance of \$8,326,886 an increase of \$1,148,088 in comparison with the prior year. Approximately 94% of this total amount constitutes unreserved General Fund balance. This balance is used to meet the coming budget year spending needs until the tax revenue for the coming year is received.

General Fund Budgetary Highlights

The overall difference between current fiscal year original budget and the final amended budget was \$578,530 (2.5%). The increase in expenditure allocations is briefly summarized below:

- An increase of \$234,549 in Public Safety (Emergency Services) is due to allocation of various state and federal grants related to Homeland Security and Radiological Preparedness.
- An increase of \$46,205 in Public Safety (Sheriff's Department) is due to allocation of insurance recoveries, local law enforcement block grants, drug seizure funds and State Compensation Board reimbursement for equipment purchased.
- An increase of \$78,598 in Public Safety (Fire and Rescue) is attributed to the additional allocation required for paid rescue squad services in the amount of \$63,000 and Two-for-Life and Fire Program grant funds for the rescue squad and fire departments in the amounts of \$3,598 and \$12,000 respectively.
- An increase of \$2,028 in Public Works is due to allocation of liter control grant funds received.
- An increase of \$12,453 in Judicial Administration (Clerk of Circuit Court) is due to allocation of reimbursement funds from the State Compensation Board for record scanning expenses.
- A decrease of \$63,000 in allocation in general government expenditures which represents governmental transfers out from the Contingency Fund.
- An increase of \$267,697 in capital projects to reflect additional loan proceeds received for school and county capital projects and carryover funds from the state for emergency vehicle acquisition in the amounts of \$214,200 and \$53,497 respectively.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2005 amounts to \$9,793,700 (net of accumulated depreciation). This investment in capital assets includes land, buildings, systems, and machinery and equipment. Additional information on the County's capital assets can be found in the notes of this report.

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$4,316,891. Of this amount, \$2,305,000 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., capital leases and revenue bonds). During the current fiscal year, the County's total debt increased by \$618,015. Additional information on the County of Surry, Virginia's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

- The average unemployment rate for the County for the fiscal year ending June 30, 2005 was 5.1 percent. The rate was higher than both the state's average unemployment rate of 3.8 percent and the national average of 5.0 percent for the same period. The County's unemployment rate is slightly higher than the same period in 2004, however, the civilian labor force simultaneously increased along with the number of unemployed persons.
- Inflationary trends in the region compare favorably to national indices.
- The Fiscal Year 2006 Budget decreased by approximately 12% from the Fiscal Year 2005 budget primarily due to less money allocated for capital projects in FY 2006. Tax rates for future periods are dependent on the effects of fluctuations in the assessed valuations of real property. For 2006, tax rates remained the same as in fiscal year 2005.

Requests for Information

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

THIS PAGE LEFT BLANK INTENTIONALLY

BASIC FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

GOVERNMENT-WIDE FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

County of Surry, Virginia
Statement of Net Assets
June 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Cash and cash equivalents	\$ 9,276,130	\$ -	\$ 9,276,130	\$ 100,444
Receivables (net of allowance for uncollectibles):				
Taxes receivable	780,605	-	780,605	-
Accounts receivable	15,160	-	15,160	-
Due from other governmental units	330,866	-	330,866	801,499
Capital assets (net of accumulated depreciation):				
Land	685,158	3,636	688,794	158,330
Buildings and system	7,095,983	-	7,095,983	7,446,116
Machinery and equipment	1,223,931	113,992	1,337,923	861,460
Infrastructure	-	2,801,458	2,801,458	-
Construction in progress	788,628	-	788,628	691,562
Total assets	<u>\$ 20,196,461</u>	<u>\$ 2,919,086</u>	<u>\$ 23,115,547</u>	<u>\$ 10,059,411</u>
LIABILITIES				
Accounts payable	\$ 346,182	\$ 6,278	\$ 352,460	\$ 80,615
Accrued liabilities	-	-	-	801,207
Accrued interest payable	23,872	1,915	25,787	-
Due to other governmental units	544,081	-	544,081	-
Deferred revenue	6,452	-	6,452	-
Long-term liabilities:				
Due within one year	742,592	41,107	783,699	11,463
Due in more than one year	4,270,079	724,703	4,994,782	103,164
Total liabilities	<u>\$ 5,933,258</u>	<u>\$ 774,003</u>	<u>\$ 6,707,261</u>	<u>\$ 996,449</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 6,242,619	\$ 3,170,726	\$ 9,413,345	\$ 9,157,468
Restricted for:				
Future Capital Projects	496,748	-	496,748	-
Unrestricted (deficit)	7,523,836	(1,025,643)	6,498,193	(94,506)
Total net assets	<u>\$ 14,263,203</u>	<u>\$ 2,145,083</u>	<u>\$ 16,408,286</u>	<u>\$ 9,062,962</u>
 Total Liabilities and Net Assets	 <u>\$ 20,196,461</u>	 <u>\$ 2,919,086</u>	 <u>\$ 23,115,547</u>	 <u>\$ 10,059,411</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

County of Surry, Virginia
Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,584,888	\$ -	\$ 172,123	\$ (1,412,765)	\$	\$ (1,412,765)	
Judicial administration	275,953	33,771	162,403	(79,779)		(79,779)	
Public safety	1,866,039	1,914	799,190	(1,064,935)		(1,064,935)	
Public works	1,059,305	44,678	-	(1,014,627)		(1,014,627)	
Health and welfare	2,177,704	-	1,108,218	(1,069,486)		(1,069,486)	
Education	9,095,340	-	5,378	(9,089,962)		(9,089,962)	
Parks, recreation, and cultural	452,777	17,348	-	(435,429)		(435,429)	
Community development	634,133	-	7,375	(626,758)		(626,758)	
Interest on long-term debt	167,521	-	-	(167,521)		(167,521)	
Total governmental activities	\$ 17,313,660	\$ 97,711	\$ 2,254,687	\$ (14,961,262)	\$	\$ (14,961,262)	
Business-type activities:							
Water and sewer	\$ 181,339	\$ -	\$ 119,992	\$ (61,347)	\$ (61,347)	\$ (61,347)	
Total business-type activities	\$ 181,339	\$ -	\$ 119,992	\$ (61,347)	\$ (61,347)	\$ (61,347)	
Total primary government	\$ 17,494,999	\$ 97,711	\$ 2,374,679	\$ (15,022,609)	\$	\$ (15,022,609)	
COMPONENT UNITS:							
School Board	\$ 12,524,318	\$ 255,207	\$ 3,570,818	\$	\$	\$ (8,698,293)	
Total component units	\$ 12,524,318	\$ 255,207	\$ 3,570,818	\$	\$	\$ (8,698,293)	
General revenues:							
General property taxes				\$ 14,793,585	\$ -	\$ 14,793,585	
Other local taxes:							
Local sales and use taxes				408,239	-	408,239	
Other local taxes				270,985	-	270,985	
Unrestricted revenues from use of money and property				299,040	225	299,040	3,890
Miscellaneous				21,732	-	21,957	72,758
Payments from Surry County				-	-	-	8,206,631
Grants and contributions not restricted to specific programs				653,792	-	653,792	-
Transfers				(139,489)	139,489	-	-
Total general revenues	\$ 16,307,884	\$ 139,714	\$ 16,447,598	\$ 16,447,598	\$ 8,283,279	\$ 8,283,279	
Change in net assets	\$ 1,346,622	\$ 78,367	\$ 1,424,989	\$ 1,424,989	\$ (415,014)	\$ (415,014)	
Net assets - beginning - as restated	12,916,581	2,066,716	14,983,297	14,983,297	9,477,976	9,477,976	
Net assets - ending	\$ 14,263,203	\$ 2,145,083	\$ 16,408,286	\$ 16,408,286	\$ 9,062,962	\$ 9,062,962	

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

THIS PAGE LEFT BLANK INTENTIONALLY

FUND FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

County of Surry, Virginia
Balance Sheet
Governmental Funds
June 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 8,820,474	\$ 455,656	\$ 9,276,130
Receivables (net of allowance for uncollectibles):			
Taxes receivable	780,605	-	780,605
Accounts receivable	10,262	4,898	15,160
Due from other governmental units	330,866	-	330,866
Total assets	<u>\$ 9,942,207</u>	<u>\$ 460,554</u>	<u>\$ 10,402,761</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 346,182	\$ -	\$ 346,182
Due to other governmental units	544,081	-	544,081
Deferred revenue	725,058	-	725,058
Total liabilities	<u>\$ 1,615,321</u>	<u>\$ -</u>	<u>\$ 1,615,321</u>
Fund balances:			
Reserved for:			
Future Capital Projects	\$ 496,748	\$ -	\$ 496,748
Unreserved, reported in:			
General fund	7,830,138	-	7,830,138
Special revenue funds	-	460,554	460,554
Total fund balances	<u>\$ 8,326,886</u>	<u>\$ 460,554</u>	<u>\$ 8,787,440</u>
Total liabilities and fund balances	<u>\$ 9,942,207</u>	<u>\$ 460,554</u>	<u>\$ 10,402,761</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, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	8,787,440
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		9,793,700
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		718,606
<p>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:</p>		
Capital leases	(1,246,081)	
General obligation bonds	(2,305,000)	
Compensated absences	(208,196)	
Landfill postclosure care	(1,253,394)	
Accrued interest payable	(23,872)	(5,036,543)
Net assets of governmental activities	\$	14,263,203

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, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 14,544,879	\$ -	\$ 14,544,879
Other local taxes	623,854	55,370	679,224
Permits, privilege fees, and regulatory licenses	33,924	-	33,924
Fines and forfeitures	24,690	-	24,690
Revenue from the use of money and property	250,258	48,782	299,040
Charges for services	39,097	-	39,097
Miscellaneous	15,135	6,597	21,732
Recovered costs	37,761	-	37,761
Intergovernmental revenues:			
Commonwealth	1,793,615	-	1,793,615
Federal	1,114,864	-	1,114,864
Total revenues	<u>\$ 18,478,077</u>	<u>\$ 110,749</u>	<u>\$ 18,588,826</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,281,332	\$ -	\$ 1,281,332
Judicial administration	275,953	-	275,953
Public safety	1,856,552	22,058	1,878,610
Public works	868,843	-	868,843
Health and welfare	2,149,582	6,852	2,156,434
Education	8,859,094	-	8,859,094
Parks, recreation, and cultural	438,274	-	438,274
Community development	307,119	85,537	392,656
Capital projects	1,590,035	-	1,590,035
Debt service:			
Principal retirement	729,284	-	729,284
Interest and other fiscal charges	172,529	-	172,529
Total expenditures	<u>\$ 18,528,597</u>	<u>\$ 114,447</u>	<u>\$ 18,643,044</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (50,520)</u>	<u>\$ (3,698)</u>	<u>\$ (54,218)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 49,103	\$ 49,103
Transfers out	(188,592)	-	(188,592)
Proceeds of capital leases	1,387,200	-	1,387,200
Total other financing sources (uses)	<u>\$ 1,198,608</u>	<u>\$ 49,103</u>	<u>\$ 1,247,711</u>
Net change in fund balances	\$ 1,148,088	\$ 45,405	\$ 1,193,493
Fund balances - beginning	7,178,798	415,149	7,593,947
Fund balances - ending	<u>\$ 8,326,886</u>	<u>\$ 460,554</u>	<u>\$ 8,787,440</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, 2005

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

Net change in fund balances - total governmental funds \$ 1,193,493

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	206,381	
Depreciation	(305,170)	
Transfer of joint tenancy assets to Component Unit from Primary Government	651,474	552,685

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 248,706

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	169,284	
Principal retired on school general obligation bonds	560,000	
County capital lease proceeds	(1,387,200)	
Decrease in landfill postclosure liability	21,624	(636,292)

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	5,009	
Decrease (increase) in interest payable	(16,979)	(11,970)

Change in net assets of governmental activities \$ 1,346,622

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, 2005

	Enterprise Fund <u>Water and Sewer</u>
ASSETS	
Noncurrent assets:	
Capital assets:	
Utility plant in service	\$ 3,211,833
Less accumulated depreciation	(416,375)
Land	3,636
Machinery and equipment	119,992
Total capital assets	<u>\$ 2,919,086</u>
Total noncurrent assets	<u>\$ 2,919,086</u>
Total assets	<u>\$ 2,919,086</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 6,278
Accrued interest payable	1,915
Bonds payable - current portion	41,107
Total current liabilities	<u>\$ 49,300</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 724,703
Total liabilities	<u>\$ 774,003</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 3,170,726
Unrestricted	<u>(1,025,643)</u>
Total net assets	<u>\$ 2,145,083</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, 2005

	Enterprise Fund <u>Water and Sewer</u>
OPERATING REVENUES	
Miscellaneous	\$ 225
Total operating revenues	<u>\$ 225</u>
OPERATING EXPENSES	
Contractual services	\$ 58,470
Utilitites	12,799
Depreciation	86,295
Total operating expenses	<u>\$ 157,564</u>
Operating income (loss)	<u>\$ (157,339)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest expense	\$ (23,775)
Total nonoperating revenues (expenses)	<u>\$ (23,775)</u>
Income before contributions and transfers	<u>\$ (181,114)</u>
Capital contributions and construction grants	\$ 119,992
Transfers in	139,489
Change in net assets	<u>\$ 78,367</u>
Total net assets - beginning - as restated	<u>2,066,716</u>
Total net assets - ending	<u><u>\$ 2,145,083</u></u>

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

County of Surry, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Enterprise Fund <u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 225
Payments to suppliers	(75,939)
Net cash provided (used by) operating activities	<u>\$ (75,714)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 139,489
Net cash provided (used) by noncapital financing activities	<u>\$ 139,489</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (39,901)
Interest payments	(23,874)
Net cash provided (used) by capital and related financing activities	<u>\$ (63,775)</u>
Net increase (decrease) in cash and cash equivalents	\$ -
Cash and cash equivalents - beginning - including restricted	-
Cash and cash equivalents - ending - including restricted	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	<u>\$ (157,339)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	86,295
Increase (decrease) in accounts payable	(4,670)
Total adjustments	<u>\$ 81,625</u>
Net cash provided (used) by operating activities	<u>\$ (75,714)</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, 2005

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 11,363
Total assets	\$ 11,363
LIABILITIES	
Due to other funds	\$ 6
Total liabilities	\$ 6
NET ASSETS	
Amounts held for others	\$ 11,357
Total net assets	\$ 11,357
Total liabilities and net assets	\$ 11,363

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, 2005

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.

Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement, known as the "Reporting Model" statement, affects the way the County prepares and presents financial information.

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

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.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2005

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

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.

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

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

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

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

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, 2005

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, 2005.

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, 2005.

C. Other Related Organizations

Included in the County's Financial Report

None

Excluded from the County's Comprehensive 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 Dinwiddie, Greensville, Surry and Sussex. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations. Surry County contributed \$52,501 to the District 19 Community Services Board for the fiscal year ended June 30, 2005.

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, 2005

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 provided have been met.

The government-wide statement of activities reflect 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, 2005

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

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

1. Governmental Funds

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

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

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

Enterprise Funds - Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The County's Enterprise Funds consist of the Water & Sewer Fund.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2005

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

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

1. Governmental Funds (Continued)

The County reports the following non-major governmental funds:

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

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

E. Cash and Cash Equivalents

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

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

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

F. Investments

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

G. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as “due 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 \$198,166 at June 30, 2005 is composed solely of property taxes.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2005

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

G. Receivables and payables (Continued)

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

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

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

Property, plant and equipment of the primary government, as well as the component units, 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 Government 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, 2005

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 general 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 obligation are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

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

Note 2—Stewardship, Compliance, and Accounting:

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, 2005

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, 2005.

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, 2005

Note 3—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2005 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

Locality's Rated Debt Investments' Values					
Rated Debt Investments	Fair Quality Ratings				
	AAAm	AA	A+	A-1+	Unrated
Local Government Investment Pool	\$ 7,840,359	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Money Market Fund	496,748	-	-	-	-
Virginia State Non-Arbitrage Pool	20,121	-	-	-	-
Total	\$ 8,357,228	\$ -	\$ -	\$ -	\$ -

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.

Investment Maturities (in years)					
Investment Type	Fair Value	Less Than			Greater Than
		1 Year	1-5 Years	6-10 Years	10 Years
Virginia State Non-Arbitrage Pool	\$ 20,121	\$ 20,121	\$ -	\$ -	\$ -
U.S. Treasury Money Market Fund	496,748	496,748	-	-	-
Total	\$ 516,869	\$ 516,869	\$ -	\$ -	\$ -

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2005

Note 4—Due to/from Other Governments:

At June 30, 2005, the County has receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Other Local Governments:		
County of Surry	\$ -	\$ 544,081
Commonwealth of Virginia:		
Local sales tax	124,662	-
Rolling stock tax	74	-
State Sales Tax	-	146,215
Fringe benefits	-	8,132
Constitutional officer reimbursements	56,622	-
ABC profits	3,475	-
Recordation tax	4,440	-
Mobile home titling tax	2,371	-
Wine tax	3,642	-
Comprehensive services	7,526	-
Welfare	19,655	-
Other categorical aid	29,471	-
Federal Government:		
School fund grants	-	103,071
Welfare	78,928	-
Total due from other governments	<u>\$ 330,866</u>	<u>\$ 801,499</u>

At June 30, 2005, amounts due to other local governments are as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Other Local Governments:		
Surry County School Board	<u>\$ 544,081</u>	<u>\$ -</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2005

Note 5—Due to/from Other Funds:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Component Unit-School Board:		
School Operating Fund	\$ -	\$ 1,125,272
School Cafeteria Fund	1,125,272	-
	<u>\$ 1,125,272</u>	<u>\$ 1,125,272</u>
Totals		

Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2005:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
<i>Primary Government:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 686,459	\$ -	\$ 1,301	\$ 685,158
Construction in progress	678,283	110,345	-	788,628
	<u>\$ 1,364,742</u>	<u>\$ 110,345</u>	<u>\$ 1,301</u>	<u>\$ 1,473,786</u>
Total capital assets not subject to depreciation				
Capital assets subject to depreciation:				
Buildings and improvements	\$ 5,428,509	\$ -	\$ -	\$ 5,428,509
Equipment	2,203,746	375,336	278,001	2,301,081
Jointly owned assets	5,114,975	1,163,098	-	6,278,073
	<u>\$ 12,747,230</u>	<u>\$ 1,538,434</u>	<u>\$ 278,001</u>	<u>\$ 14,007,663</u>
Total capital assets subject to depreciation				
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,538,274	\$ 141,439	\$ -	\$ 1,679,713
Equipment	1,082,705	272,446	278,001	1,077,150
Jointly owned assets	2,249,976	680,910	-	2,930,886
	<u>\$ 4,870,955</u>	<u>\$ 1,094,795</u>	<u>\$ 278,001</u>	<u>\$ 5,687,749</u>
Total accumulated depreciation				
Total capital assets subject to depreciation, net	<u>\$ 7,876,275</u>	<u>\$ 443,639</u>	<u>\$ -</u>	<u>\$ 8,319,914</u>
Governmental activities capital assets, net	<u>\$ 9,241,017</u>	<u>\$ 553,984</u>	<u>\$ 1,301</u>	<u>\$ 9,793,700</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2005

Note 6—Capital Assets: (Continued)

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<i>Proprietary Fund:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 3,636	\$ -	\$ -	\$ 3,636
Capital assets subject to depreciation:				
Buildings	\$ 3,211,833	\$ -	\$ -	\$ 3,211,833
Equipment	-	119,992	-	119,992
Total capital assets subject to depreciation	\$ 3,211,833	\$ 119,992	\$ -	\$ 3,331,825
Less: accumulated depreciation for:				
Buildings	\$ 330,079	\$ 80,296	\$ -	\$ 410,375
Equipment	-	6,000	-	6,000
Total accumulated depreciation	\$ 330,079	\$ 86,296	\$ -	\$ 416,375
Total capital assets subject to depreciation, net	\$ 2,881,754	\$ 33,696	\$ -	\$ 2,915,450
Proprietary fund capital assets, net	\$ 2,885,390	\$ 33,696	\$ -	\$ 2,919,086
	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 158,330	\$ -	\$ -	\$ 158,330
Construction in progress	-	691,562	-	691,562
Total capital assets not subject to depreciation	\$ 158,330	\$ 691,562	\$ -	\$ 849,892
Capital assets subject to depreciation:				
Equipment	\$ 2,243,740	\$ 142,095	\$ 32,000	\$ 2,353,835
Jointly owned assets	15,129,227	-	1,163,098	13,966,129
Total capital assets subject to depreciation	\$ 17,372,967	\$ 142,095	\$ 1,195,098	\$ 16,319,964
Less: accumulated depreciation for:				
Equipment	\$ 1,417,982	\$ 106,393	\$ 32,000	\$ 1,492,375
Jointly owned assets	6,655,042	376,595	511,624	6,520,013
Total accumulated depreciation	\$ 8,073,024	\$ 482,988	\$ 543,624	\$ 8,012,388
Total capital assets subject to depreciation, net	\$ 9,299,943	\$ (340,893)	\$ 651,474	\$ 8,307,576
Component unit school board capital assets, net	\$ 9,458,273	\$ 350,669	\$ 651,474	\$ 9,157,468

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2005

Note 6—Capital Assets: (Continued)

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

Governmental activities:		
General government	\$	265,387
Public safety		119,606
Public works		139,835
Health and welfare		15,911
Education		511,624
Parks, recreation and cultural		13,675
Community development		<u>28,757</u>
Total Governmental activities	\$	<u>1,094,795</u>
Component Unit School Board	\$	<u>482,988</u>

Note 7—Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Component Unit-School Board:		
School Operating Fund	\$ -	\$ 110,506
School Cafeteria Fund	<u>110,506</u>	<u>-</u>
Total	<u>\$ 110,506</u>	<u>\$ 110,506</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2005

Note 8—Long Term Obligations:

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

Primary Government:

	Amounts Payable at July 1, 2004	Increases	Decreases	Amounts Payable at June 30, 2005	Amounts Due Within One Year
Governmental Obligations:					
Incurred by County:					
Claims, judgments and compensated absences payable	\$ 191,217	\$ 20,149	\$ 3,170	\$ 208,196	\$ 20,820
Capital leases (Note 9)	28,165	217,000	41,272	203,893	52,263
Landfill post closure care	1,275,018	36,721	58,345	1,253,394	-
Total incurred by County	<u>\$ 1,494,400</u>	<u>\$ 273,870</u>	<u>\$ 102,787</u>	<u>\$ 1,665,483</u>	<u>\$ 73,083</u>
Incurred by School Board:					
State Literary Fund Loans	\$ 90,000	\$ -	\$ 90,000	\$ -	\$ -
General obligation bonds	2,775,000	-	470,000	2,305,000	445,000
Capital lease (Note 9)	-	1,170,200	128,012	1,042,188	224,509
Total incurred by School Board	<u>\$ 2,865,000</u>	<u>\$ 1,170,200</u>	<u>\$ 688,012</u>	<u>\$ 3,347,188</u>	<u>\$ 669,509</u>
Total General Fund Obligations	<u>\$ 4,359,400</u>	<u>\$ 1,444,070</u>	<u>\$ 790,799</u>	<u>\$ 5,012,671</u>	<u>\$ 742,592</u>
Incurred by Enterprise Fund:					
Revenue bond payable	\$ 805,711	\$ -	\$ 39,901	\$ 765,810	\$ 41,107
Total incurred by Enterprise Fund	<u>\$ 805,711</u>	<u>\$ -</u>	<u>\$ 39,901</u>	<u>\$ 765,810</u>	<u>\$ 41,107</u>
Total Primary Government Obligations	<u>\$ 5,165,111</u>	<u>\$ 1,444,070</u>	<u>\$ 830,700</u>	<u>\$ 5,778,481</u>	<u>\$ 783,699</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2005

Note 8—Long Term Obligations: (Continued)

Primary Government: (Continued)

Year Ending June 30	Enterprise Fund Obligations		School Obligations	
	Revolving Loans Payable		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 41,107	\$ 22,668	\$ 445,000	\$ 104,213
2007	42,350	21,426	415,000	83,176
2008	43,630	20,146	390,000	63,317
2009	44,948	18,827	355,000	44,778
2010	46,307	17,469	305,000	28,198
2011	47,706	16,069	250,000	13,890
2012	49,148	14,627	80,000	5,250
2013	50,634	13,141	30,000	2,500
2014	52,164	11,611	35,000	875
2015	53,741	10,034	-	-
2016	55,365	8,410	-	-
2017	57,039	6,737	-	-
2018	58,763	5,013	-	-
2019	60,539	3,237	-	-
2020	62,369	1,407	-	-
Total	<u>\$ 765,810</u>	<u>\$ 190,822</u>	<u>\$ 2,305,000</u>	<u>\$ 346,197</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2005

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Long-Term Obligations:

	<u>Total Amount</u>
<u>Incurring by County:</u>	
Capital leases (Note 9)	\$ 203,893
Landfill post closure care liability (Note 16)	\$ 1,253,394
Compensated absences (payable by General Fund)	\$ 208,196
Total incurred by County	<u>\$ 1,665,483</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%	\$ 1,510,000
\$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%	795,000
Total General Obligation Bonds	<u>\$ 2,305,000</u>
Capital Leases (Note 9)	<u>\$ 1,042,188</u>
Total incurred by School Board	<u>\$ 3,347,188</u>
<u>Enterprise Fund:</u>	
<u>Revolving Loans 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%	\$ 765,810
Total Long-Term Obligations, Enterprise Fund	<u>\$ 765,810</u>
Total Long-Term Obligations, Primary Government	<u><u>\$ 5,778,481</u></u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2005

Note 8—Long-Term Obligations: (Continued)

Component Unit - School Board:

	Amounts Payable at July 1, 2004	Increases	Decreases	Amounts Payable at June 30, 2005	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ -	\$ 114,627	\$ -	\$ 114,627	\$ 11,463
Total Component Unit-School Board	\$ -	\$ 114,627	\$ -	\$ 114,627	\$ 11,463

Note 9—Capital Leases:

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

The assets acquired through capital leases are as follows:

Asset:	Primary Government	
	Incurred by County	Incurred by School Board
Equipment	\$ 173,735	\$ 833,657
Less: accumulated depreciation	(30,947)	(16,179)
Total	\$ 142,788	\$ 817,478

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

Year Ended June 30	Primary Government	
	Incurred by County	Incurred by School Board
2006	\$ 57,457	\$ 251,576
2007	46,651	251,575
2008	46,652	251,575
2009	46,652	251,575
2010	19,439	104,824
Total minimum lease payments	\$ 216,851	\$ 1,111,125
Less: amount representing interest	(12,958)	(68,937)
Present value of minimum lease payments	\$ 203,893	\$ 1,042,188

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2005

Note 10—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$725,058 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$718,606 at June 30, 2004.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2005 but paid in advance by the taxpayers totaled \$6,452 at June 30, 2005.

Note 11— Commitments and Contingent Liabilities:

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

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

Note 12—Litigation:

In January, 2005 the County settled a lawsuit with a construction contractor for breach of contract. The County has paid the contractor \$115,000 in damages in the current fiscal year. At June 30, 2005, there were no other matters of litigation involving the County that would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 13 —Risk Management:

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

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

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2005

Note 13 –Risk Management: (Continued)

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

Note 14 –Defined Benefit Pension Plan:

A. Plan Description

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

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by downloading from their website at <http://www.varetire.org/pdf/2004AnnuRept.pdf> or writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their reported compensation to the VRS. This 5% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County and School Board non-professional employees' contribution rates for the fiscal year ended 2005 were 3% and .75% of annual covered payroll, respectively.

The School Board's professional employees contributed \$406,613, \$249,148, and \$245,314, to the teacher cost-sharing pool for the fiscal years ended June 30, 2005, 2004, and 2003 respectively. The County's current rate is 6.03% of annual covered payroll.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2005

Note 14 – Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost

For fiscal 2005, the County’s annual pension cost of \$81,282 was equal to the County’s required and actuarial contributions. The required contributions were determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method.

For fiscal 2005, the County School Board’s annual pension cost for the Board’s non-professional employees was \$8,972, which was equal to the Board’s required and actuarial contributions. The required contributions were determined as a part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method.

	<u>County</u>	<u>Non-Professional School Board Employees</u>
Valuation date	June 30, 2004	June 30, 2004
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth rate	3%	3%
Remaining amortization period	12 years	5 years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return ¹	8.00%	8.00%
Projected salary increases: ¹		
Non LEO Employees	4.25% to 6.10%	4.25% to 6.10%
LEO Employees	4.50% to 5.75%	4.50% to 5.75%
Cost-of-living adjustments	3.00%	3.00%

¹ Includes inflation at 3%

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2005	\$ 81,282	100%	\$ -
June 30, 2004	18,567	100%	-
June 30, 2003	17,941	100%	-
June 30, 2002	23,939	100%	-
School Board:			
Non-Professional:			
June 30, 2005	\$ 8,972	100%	\$ -
June 30, 2004	30,617	100%	-
June 30, 2003	30,538	100%	-
June 30, 2002	49,733	100%	-

(1) Employer portion only

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2005

Note 15 – Surety Bonds:

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

Note 16 – Landfill Closure and Postclosure Care Cost:

The County is currently operating a landfill and is in the process of developing a landfill closure plan. The landfill was closed in December 1998. The \$1,253,394 reported as landfill post closure liability at June 30, 2005, represents the estimated liability for post closure monitoring. This amount is based on what it would cost to perform all post closure care in 2005 over a remaining period of 24 years. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Note 17 – Adjustments to Beginning Net Assets:

The following adjustments were made to beginning fund balance and beginning net assets:

	<u>Primary Government</u>		<u>Primary Government</u>	
	General Fund	Enterprise Fund	Governmental Activities	Business-type Activities
Fund balance, as previously reported	\$ 7,167,849	\$ -	\$ -	\$ -
Net assets, as previously reported	-	-	14,985,312	-
Adjustments:				
Reclassify accounts payable	10,949	(10,949)	10,949	(10,949)
Reclassify capital assets	-	3,215,469	(3,215,469)	3,215,469
Reclassify accumulated depreciation	-	(330,079)	330,079	(330,079)
Reclassify debt service	-	(805,710)	805,710	(805,710)
Add interest payable	-	(2,015)	-	(2,015)
	<u>7,178,798</u>	<u>2,066,716</u>	<u>12,916,581</u>	<u>2,066,716</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***

THIS PAGE LEFT BLANK INTENTIONALLY

COMBINING AND INDIVIDUAL FUNDS STATEMENTS AND SCHEDULES

THIS PAGE LEFT BLANK INTENTIONALLY

County of Surry, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005

	<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	\$ 14,488,180	\$ 14,488,180	\$ 14,544,879	\$ 56,699
Other local taxes	328,300	328,300	623,854	295,554
Permits, privilege fees, and regulatory licenses	28,150	28,150	33,924	5,774
Fines and forfeitures	10,000	10,000	24,690	14,690
Revenue from the use of money and property	129,072	129,072	250,258	121,186
Charges for services	40,100	40,100	39,097	(1,003)
Miscellaneous	15,000	36,073	15,135	(20,938)
Recovered costs	2,100	2,100	37,761	35,661
Intergovernmental revenues:				
Commonwealth	2,109,378	2,084,320	1,793,615	(290,705)
Federal	3,236,551	3,426,101	1,114,864	(2,311,237)
Total revenues	<u>\$ 20,386,831</u>	<u>\$ 20,572,396</u>	<u>\$ 18,478,077</u>	<u>\$ (2,094,319)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,556,222	\$ 1,534,338	\$ 1,281,332	\$ 253,006
Judicial administration	318,312	330,765	275,953	54,812
Public safety	1,735,453	2,105,689	1,856,552	249,137
Public works	919,478	921,506	868,843	52,663
Health and welfare	2,322,755	2,322,755	2,149,582	173,173
Education	9,556,752	9,556,752	8,859,094	697,658
Parks, recreation, and cultural	466,155	466,155	438,274	27,881
Community development	369,815	369,815	307,119	62,696
Capital projects	4,048,000	4,263,697	1,590,035	2,673,662
Debt service:				
Principal retirement	869,564	869,564	729,284	140,280
Interest and other fiscal charges	168,507	168,507	172,529	(4,022)
Total expenditures	<u>\$ 22,331,013</u>	<u>\$ 22,909,543</u>	<u>\$ 18,528,597</u>	<u>\$ 4,380,946</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,944,182)</u>	<u>\$ (2,337,147)</u>	<u>\$ (50,520)</u>	<u>\$ 2,286,627</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (188,592)	\$ (188,592)
Proceeds of capital leases	1,173,000	1,387,200	1,387,200	-
Total other financing sources and uses	<u>\$ 1,173,000</u>	<u>\$ 1,387,200</u>	<u>\$ 1,198,608</u>	<u>\$ (188,592)</u>
Net change in fund balances	\$ (771,182)	\$ (949,947)	\$ 1,148,088	\$ 2,098,035
Fund balances - beginning	771,182	3,249,947	7,178,798	3,928,851
Fund balances - ending	<u>\$ -</u>	<u>\$ 2,300,000</u>	<u>\$ 8,326,886</u>	<u>\$ 6,026,886</u>

County of Surry, Virginia
 Schedule of Pension Funding Progress
 As of June 30, 2005

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)
6/30/2004	\$ 8,700,433	\$ 8,523,224	\$ (177,209)	102.08%	\$ 2,638,908	-6.72%
6/30/2003	8,570,934	7,909,687	(661,247)	108.36%	2,299,979	-28.75%
6/30/2002	8,480,532	7,283,232	(1,197,300)	116.44%	2,430,236	-49.27%
6/30/2001	8,253,145	6,645,362	(1,607,783)	124.19%	2,258,278	-71.20%
6/30/2000	7,544,363	6,127,586	(1,416,777)	123.12%	2,083,281	-68.01%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2004	\$ 3,635,421	\$ 3,603,172	\$ (32,249)	100.90%	\$ 996,227	-3.24%
6/30/2003	3,590,492	3,016,020	(574,472)	119.05%	945,295	-60.77%
6/30/2002	3,579,055	3,082,517	(496,538)	116.11%	925,275	-53.66%
6/30/2001	3,457,433	2,823,091	(634,342)	122.47%	960,663	-66.03%
6/30/2000	3,108,288	2,583,871	(524,417)	120.30%	918,463	-57.10%

OTHER SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

County of Surry, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Other local taxes	\$ 60,000	\$ 60,000	\$ 55,370	\$ (4,630)
Revenue from the use of money and property	70,895	70,895	48,782	(22,113)
Miscellaneous	255,000	255,000	6,597	(248,403)
Intergovernmental revenues:				
Commonwealth	50,026	50,026	-	(50,026)
Total revenues	<u>\$ 435,921</u>	<u>\$ 435,921</u>	<u>\$ 110,749</u>	<u>\$ (325,172)</u>
EXPENDITURES				
Current:				
Public safety	\$ 50,000	\$ 50,000	\$ 22,058	\$ 27,942
Health and welfare	53,739	53,739	6,852	46,887
Community development	335,000	335,000	85,537	249,463
Total expenditures	<u>\$ 438,739</u>	<u>\$ 438,739</u>	<u>\$ 114,447</u>	<u>\$ 324,292</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,818)</u>	<u>\$ (2,818)</u>	<u>\$ (3,698)</u>	<u>\$ (880)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 49,103	\$ 49,103
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,103</u>	<u>\$ 49,103</u>
Net change in fund balances	\$ (2,818)	\$ (2,818)	\$ 45,405	\$ 48,223
Fund balances - beginning	13,000	13,000	415,149	402,149
Fund balances - ending	<u>\$ 10,182</u>	<u>\$ 10,182</u>	<u>\$ 460,554</u>	<u>\$ 450,372</u>

County of Surry, Virginia
 Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2005

	Agency Funds			
	Special Welfare	Crater AAA	Emergency Food and Shelter	Total
ASSETS				
Cash and cash equivalents	\$ 3,641	\$ 6,811	\$ 911	\$ 11,363
Total assets	<u>\$ 3,641</u>	<u>\$ 6,811</u>	<u>\$ 911</u>	<u>\$ 11,363</u>
LIABILITIES				
Amounts held for others	\$ -	\$ -	\$ 6	\$ 6
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 6</u>
NET ASSETS				
Amounts held for others	\$ 3,641	\$ 6,811	\$ 905	\$ 11,357
Total net assets	<u>\$ 3,641</u>	<u>\$ 6,811</u>	<u>\$ 905</u>	<u>\$ 11,357</u>
Total liabilities and net assets	<u>\$ 3,641</u>	<u>\$ 6,811</u>	<u>\$ 911</u>	<u>\$ 11,363</u>

County of Surry, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2005

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,185,156	\$ -	\$ 1,185,156
Due from other funds	-	1,125,272	1,125,272
Due from other governmental units	801,499	-	801,499
Total assets	<u>\$ 1,986,655</u>	<u>\$ 1,125,272</u>	<u>\$ 3,111,927</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 70,120	\$ 10,495	\$ 80,615
Accrued liabilities	771,142	30,065	801,207
Reconciled overdraft payable	-	1,084,712	1,084,712
Due to other funds	1,125,272	-	1,125,272
Total liabilities	<u>\$ 1,966,534</u>	<u>\$ 1,125,272</u>	<u>\$ 3,091,806</u>
Fund balances:			
Unreserved:			
Undesignated	\$ 20,121	\$ -	\$ 20,121
Total fund balances	<u>\$ 20,121</u>	<u>\$ -</u>	<u>\$ 20,121</u>
Total liabilities and fund balances	<u>\$ 1,986,655</u>	<u>\$ 1,125,272</u>	<u>\$ 3,111,927</u>

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Total fund balances per above	\$ 20,121
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,157,468
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(114,627)
Net assets of governmental activities	<u>\$ 9,062,962</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, 2005

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 3,890	\$ -	\$ 3,890
Charges for services	-	255,207	255,207
Miscellaneous	53,442	19,316	72,758
Intergovernmental revenues:			
Local government	8,858,105	-	8,858,105
Commonwealth	2,723,298	5,917	2,729,215
Federal	595,972	245,631	841,603
Total revenues	<u>\$ 12,234,707</u>	<u>\$ 526,071</u>	<u>\$ 12,760,778</u>
EXPENDITURES			
Current:			
Education	\$ 12,123,783	\$ 636,577	\$ 12,760,360
Total expenditures	<u>\$ 12,123,783</u>	<u>\$ 636,577</u>	<u>\$ 12,760,360</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 110,924</u>	<u>\$ (110,506)</u>	<u>\$ 418</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 110,506	\$ 110,506
Transfers out	(110,506)	-	(110,506)
Total other financing sources and uses	<u>\$ (110,506)</u>	<u>\$ 110,506</u>	<u>\$ -</u>
Net change in fund balances	\$ 418	\$ -	\$ 418
Fund balances - beginning	19,703	-	19,703
Fund balances - ending	<u>\$ 20,121</u>	<u>\$ -</u>	<u>\$ 20,121</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 \$ 418

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	801,657	
Depreciation expense	(450,988)	
Transfer of joint tenancy assets to Component Unit from Primary Government	(651,474)	(300,805)

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. (114,627)

Change in net assets of governmental activities \$ (415,014)

County of Surry, Virginia
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2005

	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	\$ -	\$ -	\$ 3,890	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	275,000	275,000	255,207	(19,793)
Miscellaneous	55,000	55,000	53,442	-	-	19,316	19,316
Intergovernmental revenues:							
Local government	9,555,763	9,555,763	8,858,105	-	-	-	-
Commonwealth	2,544,702	2,544,702	2,723,298	2,484	2,484	5,917	3,433
Federal	610,854	610,854	595,972	215,043	215,043	245,631	30,588
Total revenues	\$ 12,766,319	\$ 12,766,319	\$ 12,234,707	\$ 492,527	\$ 492,527	\$ 526,071	\$ 33,544
EXPENDITURES							
Current:							
Education	\$ 12,610,388	\$ 12,610,388	\$ 12,123,783	\$ 648,458	\$ 648,458	\$ 636,577	\$ 11,881
Total expenditures	\$ 12,610,388	\$ 12,610,388	\$ 12,123,783	\$ 648,458	\$ 648,458	\$ 636,577	\$ 11,881
Excess (deficiency) of revenues over (under) expenditures	\$ 155,931	\$ 155,931	\$ 110,924	\$ (155,931)	\$ (155,931)	\$ (110,506)	\$ 45,425
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	(155,931)	(155,931)	(110,506)	45,425	-	-	(45,425)
Total other financing sources and uses	\$ (155,931)	\$ (155,931)	\$ (110,506)	\$ 45,425	\$ 155,931	\$ 110,506	\$ (45,425)
Net change in fund balances	\$ -	\$ -	\$ 418	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	19,703	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 20,121	\$ -	\$ -	\$ -	\$ -

THIS PAGE LEFT BLANK INTENTIONALLY

SUPPORTING SCHEDULES

THIS PAGE LEFT BLANK INTENTIONALLY

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Schedule 1
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 3,660,458	\$ 3,660,458	\$ 3,643,528	\$ (16,930)
Real and personal public service corporation taxes	10,362,722	10,362,722	10,192,257	(170,465)
Personal property taxes	400,000	400,000	603,555	203,555
Penalties	25,000	25,000	41,209	16,209
Interest	40,000	40,000	64,330	24,330
Total general property taxes	<u>\$ 14,488,180</u>	<u>\$ 14,488,180</u>	<u>\$ 14,544,879</u>	<u>\$ 56,699</u>
Other local taxes:				
Local sales and use taxes	\$ 170,000	\$ 170,000	\$ 408,239	\$ 238,239
Consumption tax	18,500	18,500	26,623	8,123
Business license taxes	44,800	44,800	65,897	21,097
Motor vehicle licenses	55,000	55,000	60,778	5,778
Taxes on recordation and wills	40,000	40,000	62,317	22,317
Total other local taxes	<u>\$ 328,300</u>	<u>\$ 328,300</u>	<u>\$ 623,854</u>	<u>\$ 295,554</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,000	\$ 2,000	\$ 1,615	\$ (385)
Permits and other licenses	26,150	26,150	32,309	6,159
Total permits, privilege fees, and regulatory licenses	<u>\$ 28,150</u>	<u>\$ 28,150</u>	<u>\$ 33,924</u>	<u>\$ 5,774</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 10,000	\$ 10,000	\$ 24,690	\$ 14,690
Revenue from use of money and property:				
Revenue from use of money	\$ 75,000	\$ 75,000	\$ 200,192	\$ 125,192
Revenue from use of property	54,072	54,072	50,066	(4,006)
Total revenue from use of money and property	<u>\$ 129,072</u>	<u>\$ 129,072</u>	<u>\$ 250,258</u>	<u>\$ 121,186</u>
Charges for services:				
Sheriff fees	\$ 300	\$ 300	\$ 299	\$ (1)
Charges for Commonwealth's Attorney	100	100	166	66
Courthouse maintenance fees	1,500	1,500	3,061	1,561
Charges for other court services	8,000	8,000	8,915	915
Charges for sanitation and waste removal	9,000	9,000	9,308	308
Charges for parks and recreation	21,200	21,200	17,348	(3,852)
Total charges for services	<u>\$ 40,100</u>	<u>\$ 40,100</u>	<u>\$ 39,097</u>	<u>\$ (1,003)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 15,000	\$ 36,073	\$ 15,135	\$ (20,938)
Recovered costs:				
Regional jail	\$ -	\$ -	\$ 28,929	\$ 28,929
VPI extension phone reimbursement	600	600	236	(364)

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

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: (Continued)				
Local health department	\$ 1,500	\$ 1,500	\$ 8,596	\$ 7,096
Total recovered costs	<u>\$ 2,100</u>	<u>\$ 2,100</u>	<u>\$ 37,761</u>	<u>\$ 35,661</u>
 Total revenue from local sources	 <u>\$ 15,040,902</u>	 <u>\$ 15,061,975</u>	 <u>\$ 15,569,598</u>	 <u>\$ 507,623</u>
 Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 6,028	\$ 6,028	\$ 6,949	\$ 921
Wine taxes	4,018	4,018	7,284	3,266
Rolling stock tax	30	30	74	44
Mobile home titling tax	35,000	35,000	16,487	(18,513)
Taxes on deeds	-	-	16,189	16,189
State recordation tax	20,000	20,000	15,098	(4,902)
Personal property tax relief funds	900,000	900,000	591,525	(308,475)
Total noncategorical aid	<u>\$ 965,076</u>	<u>\$ 965,076</u>	<u>\$ 653,606</u>	<u>\$ (311,470)</u>
 Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 59,000	\$ 59,000	\$ 62,989	\$ 3,989
Sheriff	395,000	404,863	411,313	6,450
Commissioner of revenue	57,000	57,000	64,758	7,758
Treasurer	57,000	57,000	68,926	11,926
Medical examiner	60	60	120	60
Registrar/electoral board	29,000	29,000	38,439	9,439
Clerk of the circuit court	90,000	102,453	99,414	(3,039)
Total shared expenses	<u>\$ 687,060</u>	<u>\$ 709,376</u>	<u>\$ 745,959</u>	<u>\$ 36,583</u>
 Other categorical aid:				
Public assistance and welfare administration	\$ 250,687	\$ 250,687	\$ 218,864	\$ (31,823)
Fire programs fund	-	12,000	12,000	-
Juvenile delinquency prevention	9,208	9,208	9,204	(4)
Comprehensive services act	50,000	50,000	45,880	(4,120)
Wireless funds	33,000	33,000	53,525	20,525
Emergency medical services	-	3,598	3,598	-
Disaster assistance	-	-	721	721
Victim-witness grant	19,000	19,000	17,883	(1,117)
Emergency services	-	25,000	25,000	-
Other state funds	90,000	-	-	-
Litter control	5,347	7,375	7,375	-
Total other categorical aid	<u>\$ 457,242</u>	<u>\$ 409,868</u>	<u>\$ 394,050</u>	<u>\$ (15,818)</u>
Total categorical aid	<u>\$ 1,144,302</u>	<u>\$ 1,119,244</u>	<u>\$ 1,140,009</u>	<u>\$ 20,765</u>
 Total revenue from the Commonwealth	 <u>\$ 2,109,378</u>	 <u>\$ 2,084,320</u>	 <u>\$ 1,793,615</u>	 <u>\$ (290,705)</u>

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2005

Schedule 1
 Page 3 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 the federal government:				
Payments in lieu of taxes	\$ -	\$ -	\$ 186	\$ 186
Categorical aid:				
Public assistance and welfare administration	\$ 929,051	\$ 929,051	\$ 843,474	\$ (85,577)
Drug seizure funds	-	8,005	59,520	51,515
State domestic preparedness equipment support program	-	88,509	88,509	-
Ground transportation safety	-	-	4,776	4,776
DEA reimbursement funds	-	-	16,888	16,888
Emergency management performance grants	-	-	2,000	2,000
Local law enforcement block grant	-	7,264	4,709	(2,555)
Disaster grants - public assistance	-	-	3,652	3,652
Terrorism prevention	-	85,772	85,772	-
Food and nutrition	7,500	7,500	5,378	(2,122)
Other federal funds	2,300,000	2,300,000	-	(2,300,000)
Total categorical aid	<u>\$ 3,236,551</u>	<u>\$ 3,426,101</u>	<u>\$ 1,114,678</u>	<u>\$ (2,311,423)</u>
Total revenue from the federal government	<u>\$ 3,236,551</u>	<u>\$ 3,426,101</u>	<u>\$ 1,114,864</u>	<u>\$ (2,311,237)</u>
Total General Fund	<u>\$ 20,386,831</u>	<u>\$ 20,572,396</u>	<u>\$ 18,478,077</u>	<u>\$ (2,094,319)</u>
Special Revenue Fund:				
County Special Revenue Fund:				
Revenue from local sources:				
Other local taxes:				
E-911 taxes	\$ 60,000	\$ 60,000	\$ 55,370	\$ (4,630)
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 62	\$ 62
Revenue from the use of property	70,895	70,895	48,720	(22,175)
Total revenue from use of money and property	<u>\$ 70,895</u>	<u>\$ 70,895</u>	<u>\$ 48,782</u>	<u>\$ (22,113)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 255,000	\$ 255,000	\$ 6,597	\$ (248,403)
Total revenue from local sources	<u>\$ 385,895</u>	<u>\$ 385,895</u>	<u>\$ 110,749</u>	<u>\$ (275,146)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Family and children grant	\$ 13,026	\$ 13,026	\$ -	\$ (13,026)

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2005

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>
Special Revenue Fund: (Continued)				
County Special Revenue Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Indoor plumbing grant	\$ 37,000	\$ 37,000	\$ -	\$ (37,000)
Total categorical aid	\$ 50,026	\$ 50,026	\$ -	\$ (50,026)
Total revenue from the Commonwealth	\$ 50,026	\$ 50,026	\$ -	\$ (50,026)
Total County Special Revenue Fund	\$ 435,921	\$ 435,921	\$ 110,749	\$ (325,172)
Total Primary Government	\$ 20,822,752	\$ 21,008,317	\$ 18,588,826	\$ (2,419,491)
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	\$ -	\$ -	\$ 3,290	\$ 3,290
Revenue from the use of property	-	-	600	600
Total revenue from use of money and property	\$ -	\$ -	\$ 3,890	\$ 3,890
Miscellaneous revenue:				
Miscellaneous	\$ 55,000	\$ 55,000	\$ 53,442	\$ (1,558)
Total revenue from local sources	\$ 55,000	\$ 55,000	\$ 57,332	\$ 2,332
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Surry	\$ 9,555,763	\$ 9,555,763	\$ 8,858,105	\$ (697,658)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 803,007	\$ 803,007	\$ 817,298	\$ 14,291
Basic school aid	900,191	900,191	895,472	(4,719)
Remedial summer education	12,635	12,635	13,224	589
Regular foster care	23,545	23,545	7,908	(15,637)
GED funding	7,859	7,859	7,859	-
Special education foster care	-	-	55,104	55,104
Gifted and talented	8,003	8,003	8,043	40
Remedial education	33,495	33,495	33,656	161
Special education	204,244	204,244	204,189	(55)
Textbook payment	13,293	13,293	13,361	68
Vocational education	46,556	46,556	46,779	223
School fringes	95,247	95,247	97,580	2,333
Mentor teacher program	-	-	1,004	1,004
State lottery payments	46,056	46,056	50,155	4,099

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2005

<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)				
Early reading intervention	\$ 2,078	\$ 2,078	\$ 3,117	\$ 1,039
Adult literacy	2,280	2,280	-	(2,280)
School construction	104,547	104,547	104,541	(6)
Enrollment loss	7,952	7,952	6,186	(1,766)
Vocational education equipment	1,549	1,549	-	(1,549)
At risk payments	37,092	37,092	36,569	(523)
Primary class size	33,109	33,109	31,809	(1,300)
Technology	128,000	128,000	256,000	128,000
SOL algebra readiness	3,724	3,724	3,204	(520)
At risk four-year olds	30,240	30,240	30,240	-
Total categorical aid	<u>\$ 2,544,702</u>	<u>\$ 2,544,702</u>	<u>\$ 2,723,298</u>	<u>\$ 178,596</u>
Total revenue from the Commonwealth	<u>\$ 2,544,702</u>	<u>\$ 2,544,702</u>	<u>\$ 2,723,298</u>	<u>\$ 178,596</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 237,825	\$ 237,825	\$ 245,766	\$ 7,941
Title VI-B, special education flow-through	204,332	204,332	195,105	(9,227)
Vocational education	27,000	27,000	21,431	(5,569)
Title VI-B, special education pre-school	5,333	5,333	4,158	(1,175)
Drug free schools	8,652	8,652	10,352	1,700
AP test fee	-	-	156	156
Title V	9,348	9,348	8,163	(1,185)
JROTC	35,000	35,000	55,302	20,302
Class size reduction	66,323	66,323	-	(66,323)
Title VI-rural	-	-	175	175
State assessments	-	-	3,191	3,191
Title II, Part A	7,041	7,041	50,126	43,085
Technology literacy challenge	-	-	2,047	2,047
Other federal funds	10,000	10,000	-	(10,000)
Total categorical aid	<u>\$ 610,854</u>	<u>\$ 610,854</u>	<u>\$ 595,972</u>	<u>\$ (14,882)</u>
Total revenue from the federal government	<u>\$ 610,854</u>	<u>\$ 610,854</u>	<u>\$ 595,972</u>	<u>\$ (14,882)</u>
Total School Operating Fund	<u>\$ 12,766,319</u>	<u>\$ 12,766,319</u>	<u>\$ 12,234,707</u>	<u>\$ (531,612)</u>
School Special Revenue Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 275,000	\$ 275,000	\$ 255,207	\$ (19,793)

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2005

Schedule 1
 Page 6 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>
School Special Revenue Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 19,316	\$ 19,316
Total revenue from local sources	<u>\$ 275,000</u>	<u>\$ 275,000</u>	<u>\$ 274,523</u>	<u>\$ (477)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 2,484	\$ 2,484	\$ 5,917	\$ 3,433
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 210,000	\$ 210,000	\$ 233,673	\$ 23,673
Summer feeding	5,043	5,043	11,958	6,915
Total categorical aid	<u>\$ 215,043</u>	<u>\$ 215,043</u>	<u>\$ 245,631</u>	<u>\$ 30,588</u>
Total revenue from the federal government	<u>\$ 215,043</u>	<u>\$ 215,043</u>	<u>\$ 245,631</u>	<u>\$ 30,588</u>
Total School Special Revenue Fund	<u>\$ 492,527</u>	<u>\$ 492,527</u>	<u>\$ 526,071</u>	<u>\$ 33,544</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 13,258,846</u>	<u>\$ 13,258,846</u>	<u>\$ 12,760,778</u>	<u>\$ (498,068)</u>

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Schedule 2
Page 1 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:				
General government administration:				
Legislative:				
Board of supervisors	\$ 503,820	\$ 429,936	\$ 277,510	\$ 152,426
General and financial administration:				
County administrator	\$ 294,281	\$ 294,281	\$ 243,347	\$ 50,934
Reassessment	70,000	122,000	121,244	756
Legal services	54,584	54,584	54,411	173
Commissioner of revenue	149,161	149,161	138,730	10,431
Treasurer	178,132	178,132	170,553	7,579
Board of equalization	2,000	2,000	665	1,335
Finance department	123,481	123,481	122,095	1,386
Other general and financial administration	102,950	102,950	80,207	22,743
Total general and financial administration	<u>\$ 974,589</u>	<u>\$ 1,026,589</u>	<u>\$ 931,252</u>	<u>\$ 95,337</u>
Board of elections:				
Electoral board and officials	\$ 77,813	\$ 77,813	\$ 72,570	\$ 5,243
Total general government administration	<u>\$ 1,556,222</u>	<u>\$ 1,534,338</u>	<u>\$ 1,281,332</u>	<u>\$ 253,006</u>
Judicial administration:				
Courts:				
Circuit court	\$ 10,600	\$ 10,600	\$ 8,607	\$ 1,993
General district court	7,086	7,086	6,956	130
Special magistrates	1,550	1,550	676	874
Clerk of the circuit court	194,484	206,937	160,106	46,831
Total courts	<u>\$ 213,720</u>	<u>\$ 226,173</u>	<u>\$ 176,345</u>	<u>\$ 49,828</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 104,592	\$ 104,592	\$ 99,608	\$ 4,984
Total judicial administration	<u>\$ 318,312</u>	<u>\$ 330,765</u>	<u>\$ 275,953</u>	<u>\$ 54,812</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,013,635	\$ 1,070,724	\$ 1,018,759	\$ 51,965
Virginia juvenile crime control act	12,415	12,415	12,760	(345)
Total law enforcement and traffic control	<u>\$ 1,026,050</u>	<u>\$ 1,083,139</u>	<u>\$ 1,031,519</u>	<u>\$ 51,620</u>
Fire and rescue services:				
Fire department/rescue services	\$ 218,466	\$ 297,064	\$ 291,001	\$ 6,063
Correction and detention:				
Confinement and care of prisoners	\$ 280,000	\$ 280,000	\$ 163,620	\$ 116,380

County of Surry, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2005

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	\$ 100,099	\$ 100,099	\$ 95,536	\$ 4,563
Other protection:				
Animal control	\$ 66,992	\$ 66,992	\$ 29,669	\$ 37,323
Emergency services	43,846	278,395	245,207	33,188
Total other protection	\$ 110,838	\$ 345,387	\$ 274,876	\$ 70,511
Total public safety	\$ 1,735,453	\$ 2,105,689	\$ 1,856,552	\$ 249,137
Public works:				
Sanitation and waste removal:				
Sanatation	\$ 510,612	\$ 510,612	\$ 483,731	\$ 26,881
Litter control	5,100	7,128	1,317	5,811
Total sanitation and waste removal	\$ 515,712	\$ 517,740	\$ 485,048	\$ 32,692
Maintenance of general buildings and grounds:				
General properties	\$ 403,766	\$ 403,766	\$ 383,795	\$ 19,971
Total public works	\$ 919,478	\$ 921,506	\$ 868,843	\$ 52,663
Health and welfare:				
Health:				
Supplement of local health department	\$ 192,340	\$ 192,340	\$ 192,318	\$ 22
Mental health and mental retardation:				
Chapter X Board	\$ 52,501	\$ 52,501	\$ 52,501	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,788,266	\$ 1,788,266	\$ 1,656,918	\$ 131,348
Area agency on aging	992	992	992	-
State and local hospitalization	6,812	6,812	6,693	119
Comprehensive services act	120,000	120,000	81,466	38,534
Lebanon Head Start	2,900	2,900	236	2,664
SSG improvement association	28,000	28,000	28,000	-
Office on youth	122,394	122,394	121,908	486
Southside legal aid	7,050	7,050	7,050	-
Geneive shelter	1,500	1,500	1,500	-
Total welfare	\$ 2,077,914	\$ 2,077,914	\$ 1,904,763	\$ 173,151
Total health and welfare	\$ 2,322,755	\$ 2,322,755	\$ 2,149,582	\$ 173,173

County of Surry, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2005

Schedule 2
 Page 3 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)				
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 989	\$ 989	\$ 989	\$ -
Contribution to County School Board	9,555,763	9,555,763	8,858,105	697,658
Total education	<u>\$ 9,556,752</u>	<u>\$ 9,556,752</u>	<u>\$ 8,859,094</u>	<u>\$ 697,658</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation center	\$ 338,868	\$ 338,868	\$ 310,987	\$ 27,881
Cultural enrichment:				
Surry county tourism committee	\$ 7,000	\$ 7,000	\$ 7,000	\$ -
Library:				
Contribution to regional library	\$ 120,287	\$ 120,287	\$ 120,287	\$ -
Total parks, recreation, and cultural	<u>\$ 466,155</u>	<u>\$ 466,155</u>	<u>\$ 438,274</u>	<u>\$ 27,881</u>
Community development:				
Planning and community development:				
Planning and zoning	\$ 194,244	\$ 194,244	\$ 155,294	\$ 38,950
Zoning board	6,400	6,400	2,333	4,067
Highway transportation safety commission	1,800	1,800	1,350	450
Planning district commission	11,300	11,300	9,696	1,604
Economic development	77,358	77,358	71,174	6,184
Other planning and community development	1,075	1,075	-	1,075
Total planning and community development	<u>\$ 292,177</u>	<u>\$ 292,177</u>	<u>\$ 239,847</u>	<u>\$ 52,330</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 8,400	\$ 8,400	\$ 8,400	\$ -
Cooperative extension program:				
Extension office	\$ 69,238	\$ 69,238	\$ 58,872	\$ 10,366
Total community development	<u>\$ 369,815</u>	<u>\$ 369,815</u>	<u>\$ 307,119</u>	<u>\$ 62,696</u>
Capital projects:				
Water system upgrade	\$ -	\$ -	\$ 119,992	\$ (119,992)
Landfill closure	100,000	100,000	96,746	3,254
Highway revenue sharing	50,000	50,000	99,429	(49,429)
Land use plan update	-	-	6,743	(6,743)
Technology upgrades	40,000	94,844	40,792	54,052

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Schedule 2
Page 4 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Capital projects: (Continued)				
Circuit courthouse renovations	\$ 220,000	\$ 168,000	\$ 63,604	\$ 104,396
E-911 dispatch center upgrade	100,000	100,000	53,620	46,380
Voting machines	90,000	90,000	-	90,000
Dendron sewer line project	2,300,000	2,300,000	46,741	2,253,259
Emergency services vehicles	-	53,497	52,490	1,007
Appraisal software	150,000	122,156	122,156	-
Recodification	15,000	15,000	-	15,000
School projects	983,000	1,170,200	887,722	282,478
Total capital projects	<u>\$ 4,048,000</u>	<u>\$ 4,263,697</u>	<u>\$ 1,590,035</u>	<u>\$ 2,673,662</u>
Debt service:				
Principal retirement	\$ 869,564	\$ 869,564	\$ 729,284	\$ 140,280
Interest and other fiscal charges	168,507	168,507	172,529	(4,022)
Total debt service	<u>\$ 1,038,071</u>	<u>\$ 1,038,071</u>	<u>\$ 901,813</u>	<u>\$ 136,258</u>
 Total General Fund	 <u>\$ 22,331,013</u>	 <u>\$ 22,909,543</u>	 <u>\$ 18,528,597</u>	 <u>\$ 4,380,946</u>
Special Revenue Fund:				
County Special Revenue Fund:				
Public Safety:				
Other Protection:				
E911	\$ 50,000	\$ 50,000	\$ 22,058	\$ 27,942
Total public safety	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 22,058</u>	<u>\$ 27,942</u>
Health and welfare:				
Welfare:				
Health care center	\$ 40,713	\$ 40,713	\$ 6,852	\$ 33,861
Family and children grant	13,026	13,026	-	13,026
Total welfare	<u>\$ 53,739</u>	<u>\$ 53,739</u>	<u>\$ 6,852</u>	<u>\$ 46,887</u>
Total health and welfare	<u>\$ 53,739</u>	<u>\$ 53,739</u>	<u>\$ 6,852</u>	<u>\$ 46,887</u>
Community development				
Indoor plumbing program	\$ 50,000	\$ 50,000	\$ 750	\$ 49,250
Economic development	285,000	285,000	84,787	200,213
Total community development	<u>\$ 335,000</u>	<u>\$ 335,000</u>	<u>\$ 85,537</u>	<u>\$ 249,463</u>
Total County Special Revenue Fund	<u>\$ 438,739</u>	<u>\$ 438,739</u>	<u>\$ 114,447</u>	<u>\$ 324,292</u>
Total Primary Government	<u>\$ 22,769,752</u>	<u>\$ 23,348,282</u>	<u>\$ 18,643,044</u>	<u>\$ 4,705,238</u>

County of Surry, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2005

<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	\$ 720,507	\$ 720,507	\$ 658,552	\$ 61,955
Instruction costs	9,480,521	9,451,021	9,051,033	399,988
Pupil transportation	827,576	827,576	820,892	6,684
Operation and maintenance of school plant	1,581,784	1,581,784	1,578,556	3,228
Facilities	-	29,500	14,750	14,750
Total operating costs	<u>\$ 12,610,388</u>	<u>\$ 12,610,388</u>	<u>\$ 12,123,783</u>	<u>\$ 24,662</u>
Total education	<u>\$ 12,610,388</u>	<u>\$ 12,610,388</u>	<u>\$ 12,123,783</u>	<u>\$ 486,605</u>
Total School Operating Fund	<u>\$ 12,610,388</u>	<u>\$ 12,610,388</u>	<u>\$ 12,123,783</u>	<u>\$ 486,605</u>
 School Special Revenue Fund				
Education:				
School food services:				
Instruction costs	\$ 648,458	\$ 648,458	\$ 636,577	\$ 11,881
Total education	<u>\$ 648,458</u>	<u>\$ 648,458</u>	<u>\$ 636,577</u>	<u>\$ 11,881</u>
Total School Special Revenue Fund	<u>\$ 648,458</u>	<u>\$ 648,458</u>	<u>\$ 636,577</u>	<u>\$ 11,881</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 13,258,846</u>	<u>\$ 13,258,846</u>	<u>\$ 12,760,360</u>	<u>\$ 498,486</u>

THIS PAGE LEFT BLANK INTENTIONALLY

STATISTICAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Water and Sewer	Total
2002-03	\$ 1,083,987	\$ 253,302	\$ 1,472,136	\$ 840,257	\$ 2,019,805	\$ 10,477,678	\$ 410,902	\$ 394,405	\$ 225,518	\$ -	\$ 17,177,990
2003-04	979,192	250,210	3,779,073	997,920	2,086,662	10,339,257	439,939	343,459	179,045	-	19,394,757
2004-05	1,584,888	275,953	1,866,039	1,059,305	2,177,704	9,095,340	452,777	634,133	167,521	181,339	17,494,999

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

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2002-03	\$ 76,683	\$ 2,107,511	\$ -	\$ 14,057,285	\$ 366,140	\$ 210,623	\$ 13,369	\$ 716,614	\$ 17,548,225	
2003-04	83,199	3,331,422	-	14,265,479	393,523	186,331	41,432	1,234,338	19,535,724	
2004-05	97,711	2,254,687	-	14,793,585	679,224	299,040	21,957	653,792	18,799,996	

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

FUND INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

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
1996	\$ 783,961	\$ 130,070	\$ 988,310	\$ 544,729	\$ 1,452,970	\$ 10,167,408	\$ 312,799	\$ 167,550	\$ 1,051,803	\$ 15,599,600
1997	866,203	165,632	923,359	564,394	1,493,694	10,300,209	316,988	191,765	1,169,566	15,991,810
1998	755,181	166,186	1,175,855	621,444	1,658,689	10,758,031	304,270	228,251	1,207,334	16,875,241
1999	857,760	170,687	1,113,263	613,922	1,855,720	11,621,006	343,388	188,820	1,195,979	17,960,545
2000	898,895	275,188	1,270,930	684,810	1,911,234	12,551,549	395,225	219,635	1,157,915	19,365,381
2001	1,113,579	259,815	1,448,110	783,692	1,996,938	12,765,492	425,490	224,010	1,119,953	20,137,079
2002	856,646	264,400	1,572,351	863,224	2,032,152	12,313,136	399,928	305,710	1,191,616	19,799,163
2003	877,618	262,536	1,511,527	805,372	2,005,392	13,071,071	394,307	318,987	1,048,791	20,295,601
2004	903,505	250,720	3,760,426	942,838	2,100,150	12,954,598	426,705	316,018	837,986	22,492,946
2005	1,281,332	275,953	1,878,610	868,843	2,156,434	12,761,349	438,274	392,656	901,813	20,955,264

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

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

(3) Excludes Capital Projects funds.

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
1996	\$ 11,136,013	\$ 301,486	\$ 18,136	\$ 17,327	\$ 407,882	\$ 242,284	\$ 150,574	\$ 35,002	\$ 3,623,658	\$ 15,932,362
1997	12,049,376	274,558	19,229	12,280	471,102	242,301	94,980	38,146	3,883,131	17,085,103
1998	12,671,174	283,028	22,578	15,669	478,232	273,104	101,377	42,531	4,236,582	18,124,275
1999	12,558,158	389,721	21,898	9,373	431,128	297,555	643,706	33,397	4,898,174	19,283,110
2000	13,553,862	294,733	20,797	14,521	421,788	260,194	73,182	28,792	6,202,456	20,870,325
2001	13,874,164	355,126	19,879	13,355	515,309	283,064	216,713	17,093	5,613,758	20,908,461
2002	15,002,921	375,330	15,935	23,586	417,461	287,384	338,406	85,799	5,787,045	22,333,867
2003	14,055,810	366,140	29,337	5,949	211,711	237,813	122,035	55,447	5,885,077	20,969,319
2004	14,831,392	393,523	23,299	23,316	189,046	285,250	83,657	52,742	7,497,570	23,379,795
2005	14,544,879	679,224	33,924	24,690	302,930	294,304	94,490	37,761	6,479,297	22,491,499

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

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

(3) Excludes Capital Projects funds.

Table 5

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

Fiscal Year	Total Tax Levy (1, 3)	Current Tax Collections (1, 3)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of		Outstanding Delinquent Taxes (1, 2)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1, 2)		
1996	\$ 11,154,699	\$ 10,925,698	97.95%	\$ 139,728	\$ 11,065,426	99.20%	\$ 471,405	4.23%	
1997	12,006,583	11,743,247	97.81%	207,849	11,951,096	99.54%	570,789	4.75%	
1998	12,668,273	12,434,366	98.15%	158,373	12,592,739	99.40%	612,566	4.84%	
1999	12,553,614	12,207,021	97.24%	255,993	12,463,014	99.28%	517,593	4.12%	
2000	13,765,226	13,378,917	97.19%	197,209	13,576,126	98.63%	654,340	4.75%	
2001	14,254,142	13,854,262	97.19%	63,373	13,917,635	97.64%	945,881	6.64%	
2002	15,568,140	15,255,053	97.99%	60,345	15,315,398	98.38%	1,076,724	6.92%	
2003	14,669,674	14,447,527	98.49%	149,450	14,596,977	99.50%	518,554	3.53%	
2004 (4)	15,358,307	15,377,233	100.12%	481,957	15,859,190	103.26%	550,792	3.59%	
2005 (4)	15,133,422	14,880,556	98.33%	150,309	15,030,865	99.32%	628,325	4.15%	

(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		Machinery and Tools	Public Service(2)			Total
		Real Estate (1)	Property and Mobile Homes		Real Estate	Real Estate	Personal Property	
1996	\$ 313,872,871	\$ 25,854,326	\$ 222,000	\$ 1,357,297,228	\$ -	\$ 1,697,246,426		
1997	334,750,155	27,306,330	219,500	1,461,618,811	-	1,823,894,796		
1998	339,101,671	28,424,528	215,000	1,442,108,898	-	1,809,850,097		
1999	343,549,609	29,584,614	215,000	1,400,484,798	-	1,773,834,021		
2000	390,509,996	30,935,097	225,000	1,486,873,981	-	1,908,544,074		
2001	394,035,736	38,679,275	230,080	1,351,002,478	-	1,783,947,569		
2002	433,814,351	38,454,170	215,400	1,477,770,849	-	1,950,254,770		
2003	435,431,747	39,423,638	201,660	1,351,947,273	-	1,827,004,318		
2004	454,168,629	39,897,173	246,469	1,423,102,752	-	1,917,415,023		
2005	461,603,600	38,700,295	275,325	1,273,917,022	-	1,774,496,242		

(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
1996	\$ 0.62	\$ 3.50	\$ 3.50
1997	0.62	3.50	3.50
1998	0.66	3.50	3.50
1999	0.66	3.50	3.50
2000	0.68	3.50	3.50
2001	0.75	3.50	3.50
2002	0.75	3.50	1.00
2003	0.75	3.50	1.00
2004	0.75	3.50	1.00
2005	0.80	3.50	1.00

(1) Per \$100 of assessed value.

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	
				Debt Service Monies Available	Debt Assumed by Other Localities (4)	Net Bonded Debt		Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1996	6,145	\$ 1,697,246,426	\$ 7,420,000	-	\$ -	\$ 7,420,000	0.44%	\$ 1,207	
1997	6,145	1,823,894,796	6,661,200	-	-	6,661,200	0.37%	1,084	
1998	6,145	1,809,850,097	5,807,800	-	-	5,807,800	0.32%	945	
1999	6,145	1,773,834,021	4,979,400	-	-	4,979,400	0.28%	810	
2000	6,145	1,908,544,074	5,741,274	-	-	5,741,274	0.30%	934	
2001	6,829	1,783,947,569	4,943,575	-	-	4,943,575	0.28%	724	
2002	6,829	1,950,254,770	4,180,000	-	-	4,180,000	0.21%	612	
2003	6,829	1,827,004,318	3,455,000	-	-	3,455,000	0.19%	506	
2004	6,829	1,917,415,023	2,865,000	-	-	2,865,000	0.15%	420	
2005	6,829	1,774,496,242	2,305,000	-	-	2,305,000	0.13%	338	

(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/post-closure care liability, capital leases, and compensated absences.

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

COMPLIANCE SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

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 aggregate 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, 2005, which collectively comprise the County of Surry, Virginia's basic financial statements and have issued our report thereon dated December 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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*.

However, we noted certain other matters that we reported to the management of the County of Surry, Virginia in a separate letter dated December 14, 2005.

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

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

Richmond, Virginia
December 14, 2005

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND 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 fiscal year ended June 30, 2005. 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 fiscal year ended June 30, 2005.

Internal Control Over Compliance

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

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

This report is intended for the information of the Board of Supervisors, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Ron T. C. #", with a long horizontal line extending to the right from the end of the signature.

Richmond, Virginia
December 14, 2005

County of Surry, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2005

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number		
Department of Health and Human Services:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Family Preservation and Support	93.556	\$	11,776
Temporary Assist to Needy Families (TANF)	93.558		95,811
Refugee and Entrant Assistance - Discretionary Grants	93.566		201
Low Income Home Energy Assistance	93.568		5,577
Payments to States for Child Care Assistance	93.575		111,524
Child Care and Development Fund	93.596		62,638
Foster Care - Title IV-E	93.658		123,318
Adoption Assistance	93.659		26
Social Services Block Grant	93.667		134,613
Independent Living	93.674		646
Medical Assistance Program (Title XIX)	93.778		117,770
State-wide Fraud Program	93.xxx		1,164
			\$ 665,064
Total Department Health and Human Services			
U. S. Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Disaster assistance	97.036	\$	3,652
State domestic preparedness equipment support program	97.004		88,509
Emergency management performance grant	97.042		2,000
Terrorism prevention	97.xxx		85,772
			\$ 179,933
Total U. S. Department of Homeland Security			
Department of Justice:			
Direct payments:			
Drug enforcement administration reimbursement	16.xxx	\$	16,888
Pass Through Payments:			
<i>Department of Criminal Justice Service:</i>			
Drug seizure funds	16.xxx	\$	59,520
Local law enforcement block grant	16.592		4,709
			\$ 64,229
Total Department of Justice - pass-through			
			\$ 81,117
Total Department of Justice			

County of Surry, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2005

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	
Department of Transportation:		
Pass Through Payments:		
<i>Department of Motor Vehicles:</i>		
State and community highway safety program	20.600	\$ 4,776
Department of the Defense:		
Direct Payments:		
Junior ROTC	12.xxx	\$ 55,302
Department of Agriculture:		
Direct Payments:		
Summer feeding program	10.559	\$ 18,217
Pass Through Payments:		
<i>Department of Agriculture:</i>		
Food Distribution	10.555	\$ 21,530
<i>Department of Education:</i>		
National school breakfast / lunch program	10.553/10.555	233,673
<i>Department of Social Services:</i>		
State Admin Matching Grants for Food Stamp Program	10.561	178,410
Total Department of Agriculture - pass-through payments		\$ 433,613
Total Department of Agriculture		\$ 451,830
Department of Education:		
Pass Through Payments:		
<i>Department of Education:</i>		
Title I: Educationally deprived children	84.010	\$ 245,766
Title VI-B: Handicapped state grants	84.027	195,105
Vocational Education: Basic grants to states	84.048	21,431
Title VI-B: Handicapped preschool incentive grant	84.173	4,158
Drug free schools and communities	84.186	10,352
Title VI: Improving school programs state block grant	84.298	8,163
Literacy challenge grant	84.318	2,047
AP test fee	84.330	156
Rural Education	84.358	175
Title II, Part A	84.367	50,126
State assessments	84.369	3,191
Total Department of Education		\$ 540,670

County of Surry, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number		
Department of the Interior:			
Direct Payments:			
Bureau of Land Management:			
Payments in lieu of taxes - public law 95-561	12.112	\$	<u>186</u>
Total Federal Expenditures		\$	<u><u>1,978,878</u></u>

THIS PAGE LEFT BLANK INTENTIONALLY

County of Surry, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

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	\$ 1,114,864
Component Unit Public Schools:	
School Operating Fund	\$ 595,972
School Cafeteria Fund	245,631
Total component unit public schools	<u>\$ 841,603</u>
Total federal expenditures per basic financial statements	<u>\$ 1,956,467</u>
Non-cash expenditures - value of donated commodities	<u>\$ 22,411</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 1,978,878</u></u>

THIS PAGE LEFT BLANK INTENTIONALLY

**County of Surry, Virginia
Schedule of Findings and Questioned Costs
For the year ended June 30, 2005**

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
 Reportable condition(s) 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
 Reportable condition(s) 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>
10.553/10.555/10.559	School Nutrition Cluster
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between type A
 and type B programs: \$300,000

Auditee qualified as low-risk auditee? ✓ yes no

Section II—Financial Statement Findings

None

Section III—Federal Award Findings and Questioned Costs

None

THIS PAGE LEFT BLANK INTENTIONALLY