

COUNTY OF SURRY,
VIRGINIA



ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2006

COUNTY OF SURRY, VIRGINIA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2006

INTRODUCTORY SECTION

COUNTY OF SURRY, VIRGINIA
 ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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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.....W. Allan Sharrett
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 (*as of June 30, 2006*) Linda E. Lewis
County Administrator Tyrone W. Franklin
Judge of the General District Court Jacqueline Waymack
Judge of the Juvenile and Domestic Relations Court J. Larry Palmer
County Attorney..... William Hefty



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

Samuel Argall, ca. 1609

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

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

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

Members of the Board:

I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Surry County (the “County”) for the fiscal year ended June 30, 2006. 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.

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

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, 2006 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.

Profile of the Government

The County of Surry, formed in 1652, is located strategically in southeastern Virginia, 10 miles south of Williamsburg, 50 miles southeast of Richmond and 40 miles northwest of Norfolk. The County covers 306 square miles and has a population of 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 carry out 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 (sheriff, volunteer fire protection and paid/volunteer rescue services), parks, recreation & culture services and activities, public works, health and welfare administration, planning & community development and general administrative services.

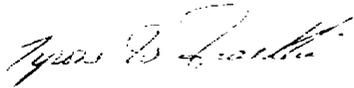
**The Honorable Members of the Board of Supervisors
County of Surry, Virginia**

Awards

The Government Finance Officers Association (GFOA) of the United States and Canada awarded the Distinguished Budget Presentation Award for its annual budget document dated July 1, 2006. In order to qualify for the award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communications device. This was the County's 1st year applying for and receiving this prestigious award.

Acknowledgements

The preparation of this report could not be accomplished without the dedicated services of the Finance staff. We would like to express our appreciation to this department and to the many other County departments who provided assistance to Robinson, Farmer, Cox Associates in preparation of a positive financial report. We also acknowledge the members of the Board of Supervisors for their leadership, guidance and establishment of policies for managing financial operations in a sound and progressive manner.



Tyrone W. Franklin
County Administrator



Melissa D. Rollins
Director of Finance &
Information Technology

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2006, 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, 2006, 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 12, 2006, 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, budgetary comparison information, and the Schedule of Pension Funding Progress as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Robinson, Fann, Cox Associates

Richmond, Virginia
December 12, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Surry, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2006. This discussion and analysis is intended to serve as an introduction to the County's basic financial statements, which have the following components: (1) management's discussion and analysis (MD & A), (2) government-wide financial statements, (3) fund financial statements, and (4) notes to the financial statements. Please read it in conjunction with the 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 \$18,065,297 (net assets). Of this amount, \$8,445,532 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 \$741,826 (Exhibit 5) after making contributions totaling \$10,146,982 to the School Board. The County's expenditures were in line with the budget.

- ▶ As of the close of the current fiscal year; the County's funds reported ending fund balances of \$9,529,266, an increase of \$741,826 in comparison with the prior year. The FY 06-07 budget includes a provision for use of \$1.750 mil of the fund balance remaining at the conclusion of FY 05-06 to finance operating expenses of the County during the year due to an excessive loss in local revenue for FY 06-07. Primarily, the County's ending fund balance at June 30th is used to fund financial obligations of the County from July through December 5th of each year at which time the County receives its largest payment of revenue. From July 1st, the beginning of its fiscal year, to December 5th, only a small percentage of the County's total revenue for fiscal year is received. This percentage includes portions of federal and state reimbursements, fees for services, permits and fines, and a very small amount of tax payments.
- ▶ At the end of the current fiscal year, unreserved fund balance for the general fund was \$8,921,596 or 44% of total general fund expenditures and other uses.
- ▶ The combined long-term obligations decreased \$767,340 during the current fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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.

In the past, the primary focus of local government financial statements has been summarized fund type information on current financial resources basis. However, with the implementation of Statement No. 34 of the Governmental Accounting Standards Board (GASB Statement No. 34) for June 30, 2003, the new focus is on the County as a whole (government-wide) and the fund financial statements. Each view provides a different snapshot of the County's finances. The government wide financial statements, which were new for fiscal year 2003, provide both long-term and short-term information about the County's overall financial status. The fund financial statements, which have been provided in the past, focused on the individual parts of the County government, reporting the County's operations in more detail than the government-wide statements. Both perspectives allow the user to address relevant questions, broaden the basis of comparison (year-to-year or government-to-government) and enhance the County's accountability.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

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

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

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

Financial Analysis of the County as a Whole

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 \$18,065,297 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Assets:

46% of the County's net assets at June 30, 2006 are unrestricted net assets. Unrestricted net assets are available to meet the County's ongoing obligations. The remaining balance of the County's net assets (54%) is its investment in capital assets (e.g. land, buildings, systems, machinery and equipment, and infrastructure), less accumulated depreciation and any debt used to acquire those assets that remain outstanding at year-end. The County uses these capital assets to provide services to citizens; consequently, these assets are available for future spending.

County of Surry, Virginia's Net Assets

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Current and other assets | \$ 11,759,288 | \$ 10,402,761 | \$ - | \$ - | \$ 11,759,288 | \$ 10,402,761 |
| Capital assets | 9,250,508 | 9,654,918 | 3,923,269 | 3,057,868 | 13,173,777 | 12,712,786 |
| Total assets | \$ 21,009,796 | \$ 20,057,679 | \$ 3,923,269 | \$ 3,057,868 | \$ 24,933,065 | \$ 23,115,547 |
| Current liabilities | \$ 1,347,728 | \$ 920,587 | \$ 8,899 | \$ 8,193 | \$ 1,356,627 | \$ 928,780 |
| Long-term liabilities outstanding | 4,786,438 | 5,012,671 | 724,703 | 765,810 | 5,511,141 | 5,778,481 |
| Total liabilities | \$ 6,134,166 | \$ 5,933,258 | \$ 733,602 | \$ 774,003 | \$ 6,867,768 | \$ 6,707,261 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | \$ 6,421,199 | \$ 6,103,837 | \$ 3,198,566 | \$ 3,309,508 | \$ 9,619,765 | \$ 9,413,345 |
| Restricted for: | | | | | | |
| Future Capital Projects | - | 496,748 | - | - | - | 496,748 |
| Unrestricted | 8,454,431 | 7,523,836 | (8,899) | (1,025,643) | 8,445,532 | 6,498,193 |
| Total net assets | \$ 14,875,630 | \$ 14,124,421 | \$ 3,189,667 | \$ 2,283,865 | \$ 18,065,297 | \$ 16,408,286 |

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

Changes in Net Assets - The County's net assets increased by \$1,657,011 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 | |
|---|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 111,124 | \$ 97,711 | \$ - | \$ - | \$ 111,124 | \$ 97,711 |
| Operating grants and contributions | 2,826,121 | 2,254,687 | 951,697 | 119,992 | 3,777,818 | 2,374,679 |
| Capital grants and contributions | 29,000 | - | - | - | 29,000 | - |
| General revenues: | | | | | | |
| General property taxes | 15,516,251 | 14,793,585 | - | - | 15,516,251 | 14,793,585 |
| Other local taxes | 597,105 | 679,224 | - | - | 597,105 | 679,224 |
| Grants and other contributions not restricted | 914,354 | 653,792 | - | - | 914,354 | 653,792 |
| Other general revenues | 621,370 | 320,772 | 1,637 | 225 | 623,007 | 320,997 |
| Transfers | (155,308) | (139,489) | 155,308 | 139,489 | - | - |
| Total revenues | \$ 20,460,017 | \$ 18,660,282 | \$ 1,108,642 | \$ 259,706 | \$ 21,568,659 | \$ 18,919,988 |
| Expenses: | | | | | | |
| General government administration | | | | | | |
| General government administration | \$ 1,278,906 | \$ 1,584,888 | \$ - | \$ - | \$ 1,278,906 | \$ 1,584,888 |
| Judicial administration | 337,970 | 275,953 | - | - | 337,970 | 275,953 |
| Public safety | 1,948,872 | 1,866,039 | - | - | 1,948,872 | 1,866,039 |
| Public works | 1,889,656 | 1,198,087 | 202,840 | 18,782 | 2,092,496 | 1,216,869 |
| Health and welfare | 2,185,792 | 2,177,704 | - | - | 2,185,792 | 2,177,704 |
| Education | 11,065,790 | 9,095,340 | - | - | 11,065,790 | 9,095,340 |
| Parks, recreation, and cultural | 481,350 | 452,777 | - | - | 481,350 | 452,777 |
| Community development | 387,025 | 634,133 | - | - | 387,025 | 634,133 |
| Interest and other fiscal charges | 133,447 | 167,521 | - | 23,775 | 133,447 | 191,296 |
| Total expenses | \$ 19,708,808 | \$ 17,452,442 | \$ 202,840 | \$ 42,557 | \$ 19,911,648 | \$ 17,494,999 |
| Change in net assets | \$ 751,209 | \$ 1,207,840 | \$ 905,802 | \$ 217,149 | \$ 1,657,011 | \$ 1,424,989 |
| Beginning of year | 14,124,421 | 12,916,581 | 2,283,865 | 2,066,716 | 16,408,286 | 14,983,297 |
| End of year | <u>\$ 14,875,630</u> | <u>\$ 14,124,421</u> | <u>\$ 3,189,667</u> | <u>\$ 2,283,865</u> | <u>\$ 18,065,297</u> | <u>\$ 16,408,286</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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Activities

The County's total revenues from general fund governmental activities were \$20.96 mil for the fiscal year ended June 30, 2006. The largest source of revenue (\$15.8 mil for fiscal year 2006) for the County is property taxes composed primarily of public service corporation taxes (\$10.8 mil), real estate taxes (\$4.2 mil) and personal property taxes (\$800,000). Approximately 80% of the County's revenue from governmental activities is derived from taxes.

The County's total general fund expenses of \$20.06 mil for the fiscal year ended June 20, 2006 cover a wide range of services, with 50% or \$10.1 mil for education (payments to the School System, a component unit, for Instruction), 11% or \$2.16 mil for health and welfare, 9.5% or \$1.90mil for public safety, 8.9% or \$1.78 mil for capital projects, 5.8% or \$1.17 mil related to general government administration and 4.2% or \$850,000 for public works. The remaining 10.6% include expenses for other services to include parks & recreation, community development and judicial administration.

General Fund Budgetary Highlights

The overall difference between current fiscal year original budget and the final amended budget was \$536,067 (2.0%). The increase in expenditure allocations is briefly summarized below:

- ▶ A decrease of \$61,200 in general government administration which represent governmental transfers from the Contingency Fund.
- ▶ An increase of \$65,428 in public safety (Fire and Rescue) is attributed to the additional allocation required for paid rescue squad services in the amount of \$52,000 and Fire Program grant funds for the fire departments in the amount of \$13,428.
- ▶ An increase of \$123,804 in Public Safety (Emergency Services) is due to the allocation of various state and federal grants related to Homeland Security and Radiological Preparedness.
- ▶ An increase of \$47,721 in judicial administration which represents the award of a state technology grant for the Clerk of Circuit Court.
- ▶ An increase of \$20,546 in public works is due to allocation of additional liter control grant funds received in the amount of \$5,350 and \$15,196 in insurance recovery proceeds for the Sanitation Department.
- ▶ An increase of \$329,478 in the allocation to the School System (Education) authorized as a carryover of unspent funds from FY 04-05.
- ▶ An increase of \$10,290 spread throughout various other departments.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2006 amounts to \$9,250,508 (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 \$3,554,012. Of this amount, \$1,860,000 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., capital leases and revenue bonds). During the current fiscal year, the County's total debt decreased by \$762,879. Additional information on the County of Surry, Virginia's long-term debt can be found in Note 8 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Economic Factors and Next Year's Budget and Rates

- ▶ The average unemployment rate for the County for the fiscal year ending June 30, 2006 was 3.3% percent. The rate was slightly higher than the state's average unemployment rate of 3.1% and lower than the national average of 4.6% for the same period.
- ▶ Inflationary trends in the region compare favorably to national indexes.
- ▶ The fiscal year 2007 budget increased by approximately 14% from the fiscal year 2006 budget. Tax rates for future periods are dependent on the effects of fluctuations in the assessed valuations of real property. For 2007, the real estate tax rate increased from \$0.77 per \$100 of assessed value to \$0.84 per \$100 of assessed value. The increase in the rate was primarily attributed to a \$347.8 mil decline in the assessed property value of public service corporations resulting in an excess of \$2.6 mil loss in local tax revenue.
- ▶ Beginning in tax year 2006, the Commonwealth of Virginia will no longer reimburse localities for personal property taxes assessments at the current rate of 70%. Rather, the Commonwealth will cap statewide reimbursements at \$950 million with each locality receiving a percentage based on tax year 2004 reimbursements. For FY 07, the County elected to provide a personal property tax rate relief of 60%.
- ▶ All other tax rates remained the same as FY 06.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

County of Surry, Virginia
Statement of Net Assets
June 30, 2006

| | Primary Government | | | Component Unit School Board |
|--|----------------------------|-----------------------------|--------------------------|--------------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 10,958,014 | \$ - | \$ 10,958,014 | \$ 191,656 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes receivable | 450,908 | - | 450,908 | - |
| Accounts receivable | 16,467 | - | 16,467 | - |
| Due from other governmental units | 333,899 | - | 333,899 | 1,002,982 |
| Capital assets (net of accumulated depreciation): | | | | |
| Land | 685,158 | 3,636 | 688,794 | 158,330 |
| Buildings and system | 6,285,035 | 2,721,162 | 9,006,197 | 7,569,744 |
| Machinery and equipment | 1,114,034 | 107,992 | 1,222,026 | 1,511,137 |
| Construction in progress | 1,166,281 | 1,090,479 | 2,256,760 | - |
| Total assets | <u>\$ 21,009,796</u> | <u>\$ 3,923,269</u> | <u>\$ 24,933,065</u> | <u>\$ 10,433,849</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 559,357 | \$ 7,087 | \$ 566,444 | \$ 97,091 |
| Accrued liabilities | - | - | - | 1,076,570 |
| Accrued interest payable | 20,000 | 1,812 | 21,812 | - |
| Due to other governmental units | 766,122 | - | 766,122 | - |
| Deferred revenue | 2,249 | - | 2,249 | - |
| Long-term liabilities: | | | | |
| Due within one year | 711,140 | 42,350 | 753,490 | 24,461 |
| Due in more than one year | 3,575,298 | 682,353 | 4,257,651 | 220,150 |
| Revenue anticipation note payable | 500,000 | - | 500,000 | - |
| Total liabilities | <u>\$ 6,134,166</u> | <u>\$ 733,602</u> | <u>\$ 6,867,768</u> | <u>\$ 1,418,272</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | \$ 6,421,199 | \$ 3,198,566 | \$ 9,619,765 | \$ 9,239,211 |
| Unrestricted (deficit) | 8,454,431 | (8,899) | 8,445,532 | (223,634) |
| Total net assets | <u>\$ 14,875,630</u> | <u>\$ 3,189,667</u> | <u>\$ 18,065,297</u> | <u>\$ 9,015,577</u> |
| Total Liabilities and Net Assets | <u>\$ 21,009,796</u> | <u>\$ 3,923,269</u> | <u>\$ 24,933,065</u> | <u>\$ 10,433,849</u> |

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

County of Surry, Virginia
Statement of Activities
For the Year Ended June 30, 2006

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|--|------------------|----------------------|------------------------------------|---|-------------------------|----------------------------------|-----------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Primary Business-type Activities | Component Unit School Board |
| PRIMARY GOVERNMENT: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government administration | \$ 1,278,906 | \$ - | \$ 178,280 | \$ - | \$ (1,100,626) | \$ (1,100,626) | |
| Judicial administration | 337,970 | 37,681 | 186,335 | - | (113,954) | (113,954) | |
| Public safety | 1,948,872 | 40,284 | 599,005 | - | (1,309,583) | (1,309,583) | |
| Public works | 1,889,656 | 14,126 | 638,273 | - | (1,237,257) | (1,237,257) | |
| Health and welfare | 2,185,792 | - | 1,114,378 | - | (1,071,414) | (1,071,414) | |
| Education | 11,065,790 | - | - | - | (11,065,790) | (11,065,790) | |
| Parks, recreation, and cultural | 481,350 | 19,033 | - | - | (462,317) | (462,317) | |
| Community development | 387,025 | - | 109,850 | 29,000 | (248,175) | (248,175) | |
| Interest on long-term debt | 133,447 | - | - | - | (133,447) | (133,447) | |
| Total governmental activities | \$ 19,708,808 | \$ 111,124 | \$ 2,826,121 | \$ 29,000 | \$ (16,742,563) | \$ (16,742,563) | |
| Business-type activities: | | | | | | | |
| Water and sewer | \$ 202,840 | \$ - | \$ 951,697 | \$ - | \$ 748,857 | \$ 748,857 | |
| Total business-type activities | \$ 202,840 | \$ - | \$ 951,697 | \$ - | \$ 748,857 | \$ 748,857 | |
| Total primary government | \$ 19,911,648 | \$ 111,124 | \$ 3,777,818 | \$ 29,000 | \$ (15,993,706) | \$ (15,993,706) | |
| COMPONENT UNITS: | | | | | | | |
| School Board | \$ 14,758,387 | \$ 284,440 | \$ 3,468,841 | \$ - | \$ (11,005,106) | \$ (11,005,106) | |
| Total component units | \$ 14,758,387 | \$ 284,440 | \$ 3,468,841 | \$ - | \$ (11,005,106) | \$ (11,005,106) | |
| General revenues: | | | | | | | |
| General property taxes | | | | | \$ 15,516,251 | \$ 15,516,251 | |
| Other local taxes: | | | | | | | |
| Local sales and use taxes | | | | | 342,371 | 342,371 | |
| Other local taxes | | | | | 254,734 | 254,734 | |
| Unrestricted revenues from use of money and property | | | | | 512,313 | 512,313 | 61,012 |
| Miscellaneous | | | | | 109,057 | 110,694 | 80,219 |
| Payments from Surry County | | | | | - | - | 10,816,490 |
| Grants and contributions not restricted to specific programs | | | | | 914,354 | 914,354 | - |
| Transfers | | | | | (155,308) | 155,308 | - |
| Total general revenues | | | | | \$ 17,493,772 | \$ 156,945 | \$ 17,650,717 |
| Change in net assets | | | | | \$ 751,209 | \$ 905,802 | \$ 1,657,011 |
| Net assets - beginning - as restated | | | | | 14,124,421 | 2,283,865 | 16,408,286 |
| Net assets - ending | | | | | \$ 14,875,630 | \$ 3,189,667 | \$ 18,065,297 |

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

FUND FINANCIAL STATEMENTS

County of Surry, Virginia
Balance Sheet
Governmental Funds
June 30, 2006

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|--|----------------------|---|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 10,346,018 | \$ 611,996 | \$ 10,958,014 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | 450,908 | - | 450,908 |
| Accounts receivable | 11,852 | 4,615 | 16,467 |
| Due from other governmental units | 333,899 | - | 333,899 |
| Total assets | <u>\$ 11,142,677</u> | <u>\$ 616,611</u> | <u>\$ 11,759,288</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 550,416 | \$ 8,941 | \$ 559,357 |
| Due to other governmental units | 766,122 | - | 766,122 |
| Deferred revenue | 404,543 | - | 404,543 |
| Revenue anticipation note payable | 500,000 | - | 500,000 |
| Total liabilities | <u>\$ 2,221,081</u> | <u>\$ 8,941</u> | <u>\$ 2,230,022</u> |
| Fund balances: | | | |
| Unreserved, reported in: | | | |
| General fund | \$ 8,921,596 | \$ - | \$ 8,921,596 |
| Special revenue funds | - | 607,670 | 607,670 |
| Total fund balances | <u>\$ 8,921,596</u> | <u>\$ 607,670</u> | <u>\$ 9,529,266</u> |
| Total liabilities and fund balances | <u>\$ 11,142,677</u> | <u>\$ 616,611</u> | <u>\$ 11,759,288</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, 2006

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

| | | |
|--|----|--------------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | \$ | 9,529,266 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 9,250,508 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | 402,294 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment: | | |
| Capital leases | | (969,309) |
| General obligation bonds | | (1,860,000) |
| Compensated absences | | (222,326) |
| Landfill postclosure care | | (1,234,803) |
| Accrued interest payable | | (20,000) |
| | | <u>(4,306,438)</u> |
| Net assets of governmental activities | \$ | <u>14,875,630</u> |

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

County of Surry, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

| | <u>General</u> | Other Governmental <u>Funds</u> | <u>Total</u> |
|--|----------------------|---------------------------------------|----------------------|
| REVENUES | | | |
| General property taxes | \$ 15,832,563 | \$ - | \$ 15,832,563 |
| Other local taxes | 541,560 | 55,545 | 597,105 |
| Permits, privilege fees, and regulatory licenses | 39,985 | - | 39,985 |
| Fines and forfeitures | 26,313 | - | 26,313 |
| Revenue from the use of money and property | 471,453 | 40,860 | 512,313 |
| Charges for services | 44,826 | - | 44,826 |
| Miscellaneous | 109,291 | (234) | 109,057 |
| Recovered costs | 35,170 | - | 35,170 |
| Intergovernmental revenues: | | | |
| Commonwealth | 2,117,101 | 129,000 | 2,246,101 |
| Federal | 1,523,374 | - | 1,523,374 |
| Total revenues | <u>\$ 20,741,636</u> | <u>\$ 225,171</u> | <u>\$ 20,966,807</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government administration | \$ 1,170,523 | \$ - | \$ 1,170,523 |
| Judicial administration | 339,890 | - | 339,890 |
| Public safety | 1,873,954 | 35,246 | 1,909,200 |
| Public works | 850,183 | - | 850,183 |
| Health and welfare | 2,157,463 | 9,657 | 2,167,120 |
| Education | 10,148,083 | - | 10,148,083 |
| Parks, recreation, and cultural | 467,439 | - | 467,439 |
| Community development | 337,581 | 33,152 | 370,733 |
| Capital projects | 1,787,410 | - | 1,787,410 |
| Debt service: | | | |
| Principal retirement | 721,773 | - | 721,773 |
| Interest and other fiscal charges | 137,319 | - | 137,319 |
| Total expenditures | <u>\$ 19,991,618</u> | <u>\$ 78,055</u> | <u>\$ 20,069,673</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 750,018</u> | <u>\$ 147,116</u> | <u>\$ 897,134</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers out | \$ (155,308) | \$ - | \$ (155,308) |
| Total other financing sources (uses) | <u>\$ (155,308)</u> | <u>\$ -</u> | <u>\$ (155,308)</u> |
| Net change in fund balances | \$ 594,710 | \$ 147,116 | \$ 741,826 |
| Fund balances - beginning | 8,326,886 | 460,554 | 8,787,440 |
| Fund balances - ending | <u>\$ 8,921,596</u> | <u>\$ 607,670</u> | <u>\$ 9,529,266</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, 2006

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

| | | |
|--|----|---------|
| Net change in fund balances - total governmental funds | \$ | 741,826 |
|--|----|---------|

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 | 605,969 | |
| Depreciation | (340,871) | |
| Transfer of joint tenancy assets to Component Unit from Primary Government | (669,508) | (404,410) |

| | | |
|--|--|-----------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (316,312) |
|--|--|-----------|

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 | 276,773 | |
| Principal retired on school general obligation bonds | 445,000 | |
| Decrease in landfill postclosure liability | 18,591 | 740,364 |

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 | (14,131) | |
| Decrease (increase) in interest payable | 3,872 | (10,259) |

| | | |
|---|----|---------|
| Change in net assets of governmental activities | \$ | 751,209 |
|---|----|---------|

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, 2006

| | Enterprise Fund <u>Water and Sewer</u> |
|---|--|
| ASSETS | |
| Noncurrent assets: | |
| Capital assets: | |
| Utility plant in service | \$ 3,211,833 |
| Less accumulated depreciation | (502,671) |
| Land | 3,636 |
| Machinery and equipment | 119,992 |
| Construction in progress | 1,090,479 |
| Total capital assets | <u>\$ 3,923,269</u> |
| Total noncurrent assets | <u>\$ 3,923,269</u> |
| | |
| Total assets | <u>\$ 3,923,269</u> |
| | |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 7,087 |
| Accrued interest payable | 1,812 |
| Bonds payable - current portion | 42,350 |
| Total current liabilities | <u>\$ 51,249</u> |
| | |
| Noncurrent liabilities: | |
| Bonds payable - net of current portion | \$ 682,353 |
| Total liabilities | <u>\$ 733,602</u> |
| | |
| NET ASSETS | |
| Invested in capital assets, net of related debt | \$ 3,198,566 |
| Unrestricted | <u>(8,899)</u> |
| | |
| Total net assets | <u>\$ 3,189,667</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, 2006

| | Enterprise Fund <u>Water and Sewer</u> |
|---|--|
| OPERATING REVENUES | |
| Miscellaneous | \$ 1,637 |
| Total operating revenues | <u>\$ 1,637</u> |
| OPERATING EXPENSES | |
| Contractual services | \$ 80,208 |
| Utilitites | 13,772 |
| Depreciation | 86,295 |
| Total operating expenses | <u>\$ 180,275</u> |
| Operating income (loss) | <u>\$ (178,638)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest expense | \$ (22,565) |
| Total nonoperating revenues (expenses) | <u>\$ (22,565)</u> |
| Income before contributions and transfers | <u>\$ (201,203)</u> |
| Capital contributions and construction grants | \$ 951,697 |
| Transfers in | 155,308 |
| Change in net assets | <u>\$ 905,802</u> |
| Total net assets - beginning - as restated | <u>2,283,865</u> |
| Total net assets - ending | <u><u>\$ 3,189,667</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, 2006

| | Enterprise Fund <u>Water and Sewer</u> |
|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers and users | \$ 1,637 |
| Payments to suppliers | (93,171) |
| Net cash provided (used by) operating activities | <u>\$ (91,534)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers from other funds | \$ 155,308 |
| Net cash provided (used) by noncapital financing activities | <u>\$ 155,308</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Principal payments on bonds | \$ (41,107) |
| Interest payments | (22,667) |
| Net cash provided (used) by capital and related financing activities | <u>\$ (63,774)</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) | \$ (178,638) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| Depreciation expense | 86,295 |
| Increase (decrease) in accounts payable | 809 |
| Total adjustments | <u>\$ 87,104</u> |
| Net cash provided (used) by operating activities | <u>\$ (91,534)</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, 2006

| | Agency Funds |
|------------------------------|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 7,093 |
| Total assets | \$ 7,093 |
| LIABILITIES | |
| Reconciled overdraft payable | \$ 704 |
| Due to other funds | \$ 6,389 |
| Total liabilities | \$ 7,093 |

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, 2006

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-wide and Fund Financial Statements

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

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

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2006

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

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, 2006

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, 2006.

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, 2006.

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 \$53,551 to the District 19 Community Services Board for the fiscal year ended June 30, 2006.

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, 2006

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, 2006

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.

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, 2006

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

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

Governmental Funds (Continued)

The County reports the following non-major governmental funds:

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

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

E. Cash and Cash Equivalents

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

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 \$219,769 at June 30, 2006 is composed solely of property taxes.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2006

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, 2006

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, 2006

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, 2006.

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, 2006

Note 3—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2006 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

| <u>Locality's Rated Debt Investments' Values</u> | |
|--|-----------------------------|
| <u>Rated Debt Investments</u> | <u>Fair Quality Ratings</u> |
| | <u>AAAm</u> |
| Local Government Investment Pool | \$ 9,227,858 |
| U.S. Treasury Money Market Fund | 487,200 |
| Virginia State Non-Arbitrage Pool | 104,060 |
| Total | <u>\$ 9,819,118</u> |

Interest Rate Risk

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

| <u>Investment Maturities (in years)</u> | | |
|---|-------------------|-------------------------|
| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less Than 1 Year</u> |
| Virginia State Non-Arbitrage Pool | \$ 104,060 | \$ 104,060 |
| U.S. Treasury Money Market Fund | 487,200 | 487,200 |
| Total | <u>\$ 591,260</u> | <u>\$ 591,260</u> |

External Investment Pools

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2006

Note 4—Due to/from Other Governments:

At June 30, 2006, the County has receivables due from other governments as follows:

| | Primary Government | Component Unit School Board |
|---------------------------------------|-----------------------|-----------------------------------|
| Other Local Governments: | | |
| County of Surry | \$ - | \$ 766,122 |
| Commonwealth of Virginia: | | |
| Local sales tax | 66,845 | - |
| Rolling stock tax | 210 | - |
| State Sales Tax | - | 173,367 |
| Constitutional officer reimbursements | 124,670 | - |
| ABC profits | 3,475 | - |
| Recordation tax | 3,264 | - |
| Mobile home titling tax | 161 | - |
| Wine tax | 3,642 | - |
| Comprehensive services | 7,526 | - |
| Welfare | 22,004 | - |
| Other categorical aid | 18,353 | - |
| Federal Government: | | |
| School fund grants | - | 63,493 |
| Welfare | 83,749 | - |
| Total due from other governments | <u>\$ 333,899</u> | <u>\$ 1,002,982</u> |

At June 30, 2006, amounts due to other local governments are as follows:

| | Primary Government | Component Unit School Board |
|---------------------------|-----------------------|-----------------------------------|
| Other Local Governments: | | |
| Surry County School Board | <u>\$ 766,122</u> | <u>\$ -</u> |

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2006

Note 5—Due to/from Other Funds:

| | Interfund Receivable | Interfund Payable |
|------------------------------|-------------------------|----------------------|
| Component Unit-School Board: | | |
| School Operating Fund | \$ - | \$ 43,566 |
| School Cafeteria Fund | 43,566 | - |
| | <u>43,566</u> | <u>-</u> |
| Totals | <u>\$ 43,566</u> | <u>\$ 43,566</u> |

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

Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2006:

| | Balance July 1, 2005 | Additions | Deletions | Balance June 30, 2006 |
|---|-------------------------|---------------------|-------------------|--------------------------|
| <i>Primary Government:</i> | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land and land improvements | \$ 685,158 | \$ - | \$ - | \$ 685,158 |
| Construction in progress | 649,846 | 516,435 | - | 1,166,281 |
| | <u>1,335,004</u> | <u>516,435</u> | <u>-</u> | <u>1,851,439</u> |
| Total capital assets not subject to depreciation | <u>\$ 1,335,004</u> | <u>\$ 516,435</u> | <u>\$ -</u> | <u>\$ 1,851,439</u> |
| Capital assets subject to depreciation: | | | | |
| Buildings and improvements | \$ 5,428,509 | \$ - | \$ - | \$ 5,428,509 |
| Equipment | 2,301,081 | 89,534 | - | 2,390,615 |
| Jointly owned assets | 6,278,073 | - | 988,209 | 5,289,864 |
| | <u>14,007,663</u> | <u>89,534</u> | <u>988,209</u> | <u>13,108,988</u> |
| Total capital assets subject to depreciation | <u>\$ 14,007,663</u> | <u>\$ 89,534</u> | <u>\$ 988,209</u> | <u>\$ 13,108,988</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | \$ 1,679,713 | \$ 141,440 | \$ - | \$ 1,821,153 |
| Equipment | 1,077,150 | 199,431 | - | 1,276,581 |
| Jointly owned assets | 2,930,886 | - | 318,701 | 2,612,185 |
| | <u>5,687,749</u> | <u>340,871</u> | <u>318,701</u> | <u>5,709,919</u> |
| Total accumulated depreciation | <u>\$ 5,687,749</u> | <u>\$ 340,871</u> | <u>\$ 318,701</u> | <u>\$ 5,709,919</u> |
| Total capital assets subject to depreciation, net | <u>\$ 8,319,914</u> | <u>\$ (251,337)</u> | <u>\$ 669,508</u> | <u>\$ 7,399,069</u> |
| Governmental activities capital assets, net | <u>\$ 9,654,918</u> | <u>\$ 265,098</u> | <u>\$ 669,508</u> | <u>\$ 9,250,508</u> |

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2006

Note 6—Capital Assets: (Continued)

| | Balance July 1, 2005 | Additions | Deletions | Balance June 30, 2006 |
|---|-------------------------|--------------|------------|--------------------------|
| <i>Proprietary Fund:</i> | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land and land improvements | \$ 3,636 | \$ - | \$ - | \$ 3,636 |
| Construction in progress | 138,782 | 951,697 | - | 1,090,479 |
| Total capital assets not subject to depreciation | \$ 142,418 | \$ 951,697 | \$ - | \$ 1,094,115 |
| Capital assets subject to depreciation: | | | | |
| Buildings | \$ 3,211,833 | \$ - | \$ - | \$ 3,211,833 |
| Equipment | 119,992 | - | - | 119,992 |
| Total capital assets subject to depreciation | \$ 3,331,825 | \$ - | \$ - | \$ 3,331,825 |
| Less: accumulated depreciation for: | | | | |
| Buildings | \$ 410,375 | \$ 80,296 | \$ - | \$ 490,671 |
| Equipment | 6,000 | 6,000 | - | 12,000 |
| Total accumulated depreciation | \$ 416,375 | \$ 86,296 | \$ - | \$ 502,671 |
| Total capital assets subject to depreciation, net | \$ 2,915,450 | \$ (86,296) | \$ - | \$ 2,829,154 |
| Proprietary fund capital assets, net | \$ 3,057,868 | \$ 865,401 | \$ - | \$ 3,923,269 |
| | | | | |
| | Balance July 1, 2005 | Additions | Deletions | Balance June 30, 2006 |
| <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 | 45,638 | 737,200 | - |
| Total capital assets not subject to depreciation | \$ 849,892 | \$ 45,638 | \$ 737,200 | \$ 158,330 |
| Capital assets subject to depreciation: | | | | |
| Equipment | \$ 2,353,835 | \$ 751,077 | \$ 124,000 | \$ 2,980,912 |
| Jointly owned assets | 13,966,129 | 988,209 | - | 14,954,338 |
| Total capital assets subject to depreciation | \$ 16,319,964 | \$ 1,739,286 | \$ 124,000 | \$ 17,935,250 |
| Less: accumulated depreciation for: | | | | |
| Equipment | \$ 1,492,375 | \$ 101,400 | \$ 124,000 | \$ 1,469,775 |
| Jointly owned assets | 6,520,013 | 864,581 | - | 7,384,594 |
| Total accumulated depreciation | \$ 8,012,388 | \$ 965,981 | \$ 124,000 | \$ 8,854,369 |
| Total capital assets subject to depreciation, net | \$ 8,307,576 | \$ 773,305 | \$ - | \$ 9,080,881 |
| Component unit school board capital assets, net | \$ 9,157,468 | \$ 818,943 | \$ 737,200 | \$ 9,239,211 |

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2006

Note 6—Capital Assets: (Continued)

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

| | | |
|--------------------------------|----|-----------|
| Governmental activities: | | |
| General government | \$ | 96,100 |
| Public safety | | 137,513 |
| Public works | | 55,315 |
| Health and welfare | | 9,511 |
| Education | | (318,701) |
| Parks, recreation and cultural | | 13,675 |
| Community development | | 28,757 |
| | | <hr/> |
| Total Governmental activities | \$ | 22,170 |
| | | <hr/> |
| Component Unit School Board | \$ | 965,981 |
| | | <hr/> |

Note 7—Interfund Transfers:

Interfund transfers for the year ended June 30, 2006, consisted of the following:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------|---------------------|----------------------|
| Component Unit-School Board: | | |
| School Operating Fund | \$ - | \$ 106,268 |
| School Cafeteria Fund | 106,268 | - |
| | <hr/> | <hr/> |
| Total | \$ 106,268 | \$ 106,268 |
| | <hr/> | <hr/> |

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2006

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, 2005 | Increases | Decreases | Amounts Payable at June 30, 2006 | Amounts Due Within One Year |
|--|---------------------------------------|------------------|-------------------|--|-----------------------------------|
| Governmental Obligations: | | | | | |
| Incurred by County: | | | | | |
| Claims, judgments and compensated absences payable | \$ 208,196 | \$ 34,950 | \$ 20,820 | \$ 222,326 | \$ 22,233 |
| Capital leases (Note 9) | 203,893 | - | 52,263 | 151,630 | 42,847 |
| Landfill post closure care | 1,253,394 | 35,095 | 53,686 | 1,234,803 | - |
| Total incurred by County | <u>\$ 1,665,483</u> | <u>\$ 70,045</u> | <u>\$ 126,769</u> | <u>\$ 1,608,759</u> | <u>\$ 65,080</u> |
| Incurred by School Board: | | | | | |
| General obligation bonds | \$ 2,305,000 | \$ - | \$ 445,000 | \$ 1,860,000 | \$ 415,000 |
| Capital lease (Note 9) | 1,042,188 | - | 224,509 | 817,679 | 231,060 |
| Total incurred by School Board | <u>\$ 3,347,188</u> | <u>\$ -</u> | <u>\$ 669,509</u> | <u>\$ 2,677,679</u> | <u>\$ 646,060</u> |
| Total General Fund Obligations | <u>\$ 5,012,671</u> | <u>\$ 70,045</u> | <u>\$ 796,278</u> | <u>\$ 4,286,438</u> | <u>\$ 711,140</u> |
| Incurred by Enterprise Fund: | | | | | |
| Revenue bond payable | \$ 765,810 | \$ - | \$ 41,107 | \$ 724,703 | \$ 42,350 |
| Total incurred by Enterprise Fund | <u>\$ 765,810</u> | <u>\$ -</u> | <u>\$ 41,107</u> | <u>\$ 724,703</u> | <u>\$ 42,350</u> |
| Total Primary Government Obligations | <u>\$ 5,778,481</u> | <u>\$ 70,045</u> | <u>\$ 837,385</u> | <u>\$ 5,011,141</u> | <u>\$ 753,490</u> |

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2006

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 |
| 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>\$ 724,703</u> | <u>\$ 168,154</u> | <u>\$ 1,860,000</u> | <u>\$ 241,984</u> |

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2006

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

| | <u>Total Amount</u> |
|---|----------------------------|
| <i><u>Incurred by County:</u></i> | |
| Capital leases (Note 9) | \$ 151,630 |
| Landfill post closure care liability (Note 16) | \$ 1,234,803 |
| Compensated absences (payable by General Fund) | \$ 222,326 |
| Total incurred by County | <u>\$ 1,608,759</u> |
| <i><u>Incurred by School Board:</u></i> | |
| <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% | \$ 1,200,000 |
| \$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% | 660,000 |
| Total General Obligation Bonds | <u>\$ 1,860,000</u> |
| Capital Leases (Note 9) | <u>\$ 817,679</u> |
| Total incurred by School Board | <u>\$ 2,677,679</u> |
| <i><u>Enterprise Fund:</u></i> | |
| <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% | <u>\$ 724,703</u> |
| Total Long-Term Obligations, Enterprise Fund | <u>\$ 724,703</u> |
| Total Long-Term Obligations, Primary Government | <u><u>\$ 5,011,141</u></u> |

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2006

Note 8—Long-Term Obligations: (Continued)

Component Unit - School Board:

| | Amounts Payable at July 1, 2005 | Increases | Decreases | Amounts Payable at June 30, 2006 | Amounts Due Within One Year |
|-----------------------------------|---------------------------------------|-------------------|-------------|--|-----------------------------------|
| Component Unit-School Board: | | | | | |
| Compensated absences | \$ 114,627 | \$ 129,984 | \$ - | \$ 244,611 | \$ 24,461 |
| Total Component Unit-School Board | <u>\$ 114,627</u> | <u>\$ 129,984</u> | <u>\$ -</u> | <u>\$ 244,611</u> | <u>\$ 24,461</u> |

Note 9—Capital Leases:

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

The assets acquired through capital leases are as follows:

| | Primary Government | |
|--------------------------------|-----------------------|-----------------------------|
| | Incurred by County | Incurred by School Board |
| Asset: | | |
| Equipment | \$ 173,735 | \$ 879,295 |
| Less: accumulated depreciation | (90,125) | (38,393) |
| Total | <u>\$ 83,610</u> | <u>\$ 840,902</u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

| Year Ended June 30 | Primary Government | |
|---|-----------------------|-----------------------------|
| | Incurred by County | Incurred by School Board |
| 2007 | \$ 46,651 | \$ 251,575 |
| 2008 | 46,652 | 251,575 |
| 2009 | 46,652 | 251,575 |
| 2010 | 19,439 | 104,824 |
| Total minimum lease payments | \$ 159,394 | \$ 859,549 |
| Less: amount representing interest | (7,764) | (41,870) |
| Present value of minimum lease payments | <u>\$ 151,630</u> | <u>\$ 817,679</u> |

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2006

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 \$404,543 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$402,294 at June 30, 2006.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2006 but paid in advance by the taxpayers totaled \$2,249 at June 30, 2006.

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:

At June 30, 2006, there were no matters of litigation involving the County that would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 13 —Risk Management:

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, 2006

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/pdf/2005AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their reported compensation to the VRS. This 5% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County and School Board non-professional employees' contribution rates for the fiscal year ended 2006 were 3% and .75% of annual covered payroll, respectively.

The School Board contributed \$467,800, \$406,613, and \$249,148 to the teacher cost-sharing pool for professional employees for the fiscal years ended June 30, 2006, 2005, and 2004 respectively. The County's current rate is 6.62% of annual covered payroll.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2006

Note 14 –Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost

For fiscal 2006, the County’s annual pension cost of \$80,972 was equal to the County’s required and actual 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 2006, the County School Board’s annual pension cost for the Board’s non-professional employees was \$7,417, which was equal to the Board’s required and actual contributions. The required contributions were determined as a part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method.

| | County | Non-Professional School Board Employees |
|--|---------------------|--|
| Valuation date | June 30, 2003 | June 30, 2003 |
| 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 | 14 years | 18 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%

Three-Year Trend Information

| Fiscal Year Ending | Annual Pension Cost (APC) (1) | Percentage of APC Contributed | Net Pension Obligation |
|-----------------------|-------------------------------------|-------------------------------------|------------------------------|
| County: | | | |
| June 30, 2006 | \$ 80,972 | 100% | \$ - |
| June 30, 2005 | 81,282 | 100% | - |
| June 30, 2004 | 18,567 | 100% | - |
| School Board: | | | |
| Non-Professional: | | | |
| June 30, 2006 | \$ 7,419 | 100% | \$ - |
| June 30, 2005 | 8,972 | 100% | - |
| June 30, 2004 | 30,617 | 100% | - |

(1) Employer portion only

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2006

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 \$1,234,803 reported as landfill post closure liability at June 30, 2006, represents the estimated liability for post closure monitoring. This amount is based on what it would cost to perform all post closure care in 2006 over a remaining period of 23 years. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Note 17 – Changes to Beginning Net Assets:

The following adjustments were made to beginning net assets:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|---|------------------------------------|-------------------------------------|
| Net assets as previously reported | \$ 14,263,203 | \$ 2,145,083 |
| Adjustment for capital contributions made | <u>(138,782)</u> | <u>138,782</u> |
| Net assets as restated | <u>\$ 14,124,421</u> | <u>\$ 2,283,865</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***

COMBINING AND INDIVIDUAL FUNDS STATEMENTS AND SCHEDULES

County of Surry, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|----------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| General property taxes | \$ 15,889,117 | \$ 15,889,117 | \$ 15,832,563 | \$ (56,554) |
| Other local taxes | 363,300 | 363,300 | 541,560 | 178,260 |
| Permits, privilege fees, and regulatory licenses | 33,650 | 33,650 | 39,985 | 6,335 |
| Fines and forfeitures | 25,000 | 25,000 | 26,313 | 1,313 |
| Revenue from the use of money and property | 174,072 | 174,072 | 471,453 | 297,381 |
| Charges for services | 32,400 | 32,400 | 44,826 | 12,426 |
| Miscellaneous | 15,100 | 31,470 | 109,291 | 77,821 |
| Recovered costs | 2,100 | 7,100 | 35,170 | 28,070 |
| Intergovernmental revenues: | | | | |
| Commonwealth | 1,898,582 | 1,997,773 | 2,117,101 | 119,328 |
| Federal | 2,851,362 | 2,918,854 | 1,523,374 | (1,395,480) |
| Total revenues | \$ 21,284,683 | \$ 21,472,736 | \$ 20,741,636 | \$ (731,100) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 1,510,274 | \$ 1,449,074 | \$ 1,170,523 | \$ 278,551 |
| Judicial administration | 344,018 | 391,739 | 339,890 | 51,849 |
| Public safety | 1,775,305 | 1,966,511 | 1,873,954 | 92,557 |
| Public works | 958,511 | 979,057 | 850,183 | 128,874 |
| Health and welfare | 2,426,731 | 2,427,347 | 2,157,463 | 269,884 |
| Education | 9,974,532 | 10,304,010 | 10,148,083 | 155,927 |
| Parks, recreation, and cultural | 471,715 | 478,915 | 467,439 | 11,476 |
| Community development | 374,249 | 374,749 | 337,581 | 37,168 |
| Capital projects | 11,425,000 | 11,425,000 | 1,787,410 | 9,637,590 |
| Debt service: | | | | |
| Principal retirement | 723,099 | 723,099 | 721,773 | 1,326 |
| Interest and other fiscal charges | 139,614 | 139,614 | 137,319 | 2,295 |
| Total expenditures | \$ 30,123,048 | \$ 30,659,115 | \$ 19,991,618 | \$ 10,667,497 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (8,838,365) | \$ (9,186,379) | \$ 750,018 | \$ 9,936,397 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 93,000 | \$ 93,000 | \$ - | \$ (93,000) |
| Transfers out | \$ (63,775) | \$ (63,775) | \$ (155,308) | \$ (91,533) |
| Proceeds of general obligation bonds | 8,700,000 | 8,700,000 | | (8,700,000) |
| Total other financing sources and uses | \$ 8,729,225 | \$ 8,729,225 | \$ (155,308) | \$ (8,884,533) |
| Net change in fund balances | \$ (109,140) | \$ (457,154) | \$ 594,710 | \$ 1,051,864 |
| Fund balances - beginning | 109,140 | 653,313 | 8,326,886 | 7,673,573 |
| Fund balances - ending | \$ - | \$ 196,159 | \$ 8,921,596 | \$ 8,725,437 |

County of Surry, Virginia
Schedule of Pension Funding Progress
As of June 30, 2006

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) |
| 6/30/2005 | \$ 9,020,559 | \$ 10,220,218 | \$ 1,199,659 | 88.26% | \$ 2,879,240 | 41.67% |
| 6/30/2004 | 8,700,433 | 8,523,224 | (177,209) | 102.08% | 2,638,908 | -6.72% |
| 6/30/2003 | 8,570,934 | 7,909,687 | (661,247) | 108.36% | 2,299,979 | -28.75% |
| 6/30/2002 | 8,480,532 | 7,283,232 | (1,197,300) | 116.44% | 2,430,236 | -49.27% |
| 6/30/2001 | 8,253,145 | 6,645,362 | (1,607,783) | 124.19% | 2,258,278 | -71.20% |
| 6/30/2000 | 7,544,363 | 6,127,586 | (1,416,777) | 123.12% | 2,083,281 | -68.01% |

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) (3) - (2) | Funded Ratio Assets as % of AAL (2) / (3) | Annual Covered Payroll | UAAL as a % of Covered Payroll (4) / (6) |
|--------------------------------|---------------------------------|---|-------------------------------------|---|------------------------------|--|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 6/30/2005 | \$ 3,677,448 | \$ 3,715,367 | \$ 37,919 | 98.98% | \$ 955,447 | 3.97% |
| 6/30/2004 | 3,635,421 | 3,603,172 | (32,249) | 100.90% | 996,227 | -3.24% |
| 6/30/2003 | 3,590,492 | 3,016,020 | (574,472) | 119.05% | 945,295 | -60.77% |
| 6/30/2002 | 3,579,055 | 3,082,517 | (496,538) | 116.11% | 925,275 | -53.66% |
| 6/30/2001 | 3,457,433 | 2,823,091 | (634,342) | 122.47% | 960,663 | -66.03% |
| 6/30/2000 | 3,108,288 | 2,583,871 | (524,417) | 120.30% | 918,463 | -57.10% |

OTHER SUPPLEMENTARY INFORMATION

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, 2006

| | Budgeted Amounts | | Actual | Variance with |
|---|--------------------|--------------------|-------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Other local taxes | \$ 60,000 | \$ 60,000 | \$ 55,545 | \$ (4,455) |
| Revenue from the use of money and property | 70,106 | 70,106 | 40,860 | (29,246) |
| Miscellaneous | 200,000 | 200,000 | (234) | (200,234) |
| Intergovernmental revenues: | | | | |
| Commonwealth | 70,000 | 70,000 | 129,000 | 59,000 |
| Total revenues | <u>\$ 400,106</u> | <u>\$ 400,106</u> | <u>\$ 225,171</u> | <u>\$ (174,935)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | \$ 60,000 | \$ 60,000 | \$ 35,246 | \$ 24,754 |
| Health and welfare | 40,713 | 40,713 | 9,657 | 31,056 |
| Community development | 279,211 | 279,211 | 33,152 | 246,059 |
| Total expenditures | <u>\$ 379,924</u> | <u>\$ 379,924</u> | <u>\$ 78,055</u> | <u>\$ 301,869</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 20,182</u> | <u>\$ 20,182</u> | <u>\$ 147,116</u> | <u>\$ 126,934</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>\$ (93,000)</u> | <u>\$ (93,000)</u> | <u>\$ -</u> | <u>\$ 93,000</u> |
| Net change in fund balances | \$ (72,818) | \$ (72,818) | \$ 147,116 | \$ 219,934 |
| Fund balances - beginning | 73,000 | 73,000 | 460,554 | 387,554 |
| Fund balances - ending | <u>\$ 182</u> | <u>\$ 182</u> | <u>\$ 607,670</u> | <u>\$ 607,488</u> |

County of Surry, Virginia
 Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2006

| | <u>Agency Funds</u> | | | |
|------------------------------|----------------------------|-----------------------|---|-----------------|
| | <u>Special Welfare</u> | <u>Crater AAA</u> | <u>Emergency Food and Shelter</u> | <u>Total</u> |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 5,731 | \$ - | \$ 1,362 | \$ 7,093 |
| Total assets | <u>\$ 5,731</u> | <u>\$ -</u> | <u>\$ 1,362</u> | <u>\$ 7,093</u> |
| LIABILITIES | | | | |
| Reconciled overdraft payable | \$ - | \$ 704 | \$ - | \$ 704 |
| Amounts held for others | 5,731 | (704) | 1,362 | 6,389 |
| Total liabilities | <u>\$ 5,731</u> | <u>\$ -</u> | <u>\$ 1,362</u> | <u>\$ 7,093</u> |

County of Surry, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2006

| | School Operating Fund | School Cafeteria Fund | Total Governmental Funds |
|--------------------------------------|-----------------------------|-----------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 191,656 | \$ - | \$ 191,656 |
| Due from other funds | - | 43,566 | 43,566 |
| Due from other governmental units | 989,277 | 13,705 | 1,002,982 |
| Total assets | <u>\$ 1,180,933</u> | <u>\$ 57,271</u> | <u>\$ 1,238,204</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 89,781 | \$ 7,310 | \$ 97,091 |
| Accrued liabilities | 1,026,609 | 49,961 | 1,076,570 |
| Due to other funds | 43,566 | - | 43,566 |
| Total liabilities | <u>\$ 1,159,956</u> | <u>\$ 57,271</u> | <u>\$ 1,217,227</u> |
| Fund balances: | | | |
| Unreserved: | | | |
| Undesignated | \$ 20,977 | \$ - | \$ 20,977 |
| Total fund balances | <u>\$ 20,977</u> | <u>\$ -</u> | <u>\$ 20,977</u> |
| Total liabilities and fund balances | <u>\$ 1,180,933</u> | <u>\$ 57,271</u> | <u>\$ 1,238,204</u> |

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

| | |
|--|---------------------|
| Total fund balances per above | \$ 20,977 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 9,239,211 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (244,611) |
| Net assets of governmental activities | <u>\$ 9,015,577</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, 2006

| | <u>School Operating Fund</u> | <u>School Cafeteria Fund</u> | <u>Total Governmental Funds</u> |
|---|--------------------------------------|--------------------------------------|---|
| REVENUES | | | |
| Revenue from the use of money and property | \$ 61,012 | \$ - | \$ 61,012 |
| Charges for services | - | 284,440 | 284,440 |
| Miscellaneous | 80,219 | - | 80,219 |
| Intergovernmental revenues: | | | |
| Local government | 10,146,982 | - | 10,146,982 |
| Commonwealth | 2,553,011 | 6,812 | 2,559,823 |
| Federal | 647,989 | 261,029 | 909,018 |
| Total revenues | <u>\$ 13,489,213</u> | <u>\$ 552,281</u> | <u>\$ 14,041,494</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Education | \$ 13,382,089 | \$ 658,549 | \$ 14,040,638 |
| Total expenditures | <u>\$ 13,382,089</u> | <u>\$ 658,549</u> | <u>\$ 14,040,638</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 107,124</u> | <u>\$ (106,268)</u> | <u>\$ 856</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | \$ - | \$ 106,268 | \$ 106,268 |
| Transfers out | (106,268) | - | (106,268) |
| Total other financing sources and uses | <u>\$ (106,268)</u> | <u>\$ 106,268</u> | <u>\$ -</u> |
| Net change in fund balances | \$ 856 | \$ - | \$ 856 |
| Fund balances - beginning | 20,121 | - | 20,121 |
| Fund balances - ending | <u>\$ 20,977</u> | <u>\$ -</u> | <u>\$ 20,977</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 \$ 856

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 | 59,515 | |
| Depreciation expense | (101,400) | |
| Transfer of joint tenancy assets to Component Unit from Primary Government | 123,628 | 81,743 |

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. (129,984)

Change in net assets of governmental activities \$ (47,385)

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, 2006

| | 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 | \$ - | \$ 57,300 | \$ 61,012 | \$ 3,712 | \$ - | \$ - | \$ - |
| Charges for services | - | - | - | - | 275,000 | 284,440 | 9,440 |
| Miscellaneous | 25,000 | 52,690 | 80,219 | 27,529 | - | - | - |
| Intergovernmental revenues: | | | | | | | |
| Local government | 9,973,431 | 10,302,909 | 10,146,982 | (155,927) | - | - | - |
| Commonwealth | 2,713,891 | 2,716,977 | 2,553,011 | (163,966) | 8,498 | 6,812 | (1,686) |
| Federal | 625,840 | 694,292 | 647,989 | (46,303) | 210,000 | 261,029 | 51,029 |
| Total revenues | \$ 13,338,162 | \$ 13,824,168 | \$ 13,489,213 | \$ (334,955) | \$ 493,498 | \$ 552,281 | \$ 58,783 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| Education | \$ 13,123,497 | \$ 13,593,003 | \$ 13,382,089 | \$ 210,914 | \$ 708,163 | \$ 658,549 | \$ 66,114 |
| Total expenditures | \$ 13,123,497 | \$ 13,593,003 | \$ 13,382,089 | \$ 210,914 | \$ 708,163 | \$ 658,549 | \$ 66,114 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 214,665 | \$ 231,165 | \$ 107,124 | \$ (124,041) | \$ (214,665) | \$ (106,268) | \$ 124,897 |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | \$ - | \$ - | \$ - | \$ - | \$ 214,665 | \$ 106,268 | \$ (124,897) |
| Transfers out | (214,665) | (231,165) | (106,268) | 124,897 | - | - | - |
| Total other financing sources and uses | \$ (214,665) | \$ (231,165) | \$ (106,268) | \$ 124,897 | \$ 214,665 | \$ 106,268 | \$ (124,897) |
| Net change in fund balances | \$ - | \$ - | \$ 856 | \$ 856 | \$ - | \$ - | \$ - |
| Fund balances - beginning | - | - | 20,121 | 20,121 | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ 20,977 | \$ 20,977 | \$ - | \$ - | \$ - |

SUPPORTING SCHEDULES

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2006

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 | \$ 4,197,212 | \$ 4,197,212 | \$ 4,181,634 | \$ (15,578) |
| Real and personal public service corporation taxes | 11,002,011 | 11,002,011 | 10,817,591 | (184,420) |
| Personal property taxes | 609,894 | 609,894 | 705,754 | 95,860 |
| Penalties | 35,000 | 35,000 | 47,467 | 12,467 |
| Interest | 45,000 | 45,000 | 80,117 | 35,117 |
| Total general property taxes | <u>\$ 15,889,117</u> | <u>\$ 15,889,117</u> | <u>\$ 15,832,563</u> | <u>\$ (56,554)</u> |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 190,650 | \$ 190,650 | \$ 342,371 | \$ 151,721 |
| Consumption tax | 17,450 | 17,450 | 9,385 | (8,065) |
| Business license taxes | 55,200 | 55,200 | 54,677 | (523) |
| Motor vehicle licenses | 60,000 | 60,000 | 62,111 | 2,111 |
| Taxes on recordation and wills | 40,000 | 40,000 | 73,016 | 33,016 |
| Total other local taxes | <u>\$ 363,300</u> | <u>\$ 363,300</u> | <u>\$ 541,560</u> | <u>\$ 178,260</u> |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | \$ 2,000 | \$ 2,000 | \$ 1,740 | \$ (260) |
| Permits and other licenses | 31,650 | 31,650 | 38,245 | 6,595 |
| Total permits, privilege fees, and regulatory licenses | <u>\$ 33,650</u> | <u>\$ 33,650</u> | <u>\$ 39,985</u> | <u>\$ 6,335</u> |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 25,000 | \$ 25,000 | \$ 26,313 | \$ 1,313 |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 120,000 | \$ 120,000 | \$ 407,111 | \$ 287,111 |
| Revenue from use of property | 54,072 | 54,072 | 64,342 | 10,270 |
| Total revenue from use of money and property | <u>\$ 174,072</u> | <u>\$ 174,072</u> | <u>\$ 471,453</u> | <u>\$ 297,381</u> |
| Charges for services: | | | | |
| Sheriff fees | \$ 300 | \$ 300 | \$ 299 | \$ (1) |
| Charges for Commonwealth's Attorney | 100 | 100 | 144 | 44 |
| Courthouse maintenance fees | 2,000 | 2,000 | 3,260 | 1,260 |
| Charges for other court services | 7,500 | 7,500 | 11,224 | 3,724 |
| Charges for sanitation and waste removal | 7,500 | 7,500 | 10,866 | 3,366 |
| Charges for parks and recreation | 15,000 | 15,000 | 19,033 | 4,033 |
| Total charges for services | <u>\$ 32,400</u> | <u>\$ 32,400</u> | <u>\$ 44,826</u> | <u>\$ 12,426</u> |
| Miscellaneous revenue: | | | | |
| Miscellaneous | \$ 15,100 | \$ 31,470 | \$ 109,291 | \$ 77,821 |
| Recovered costs: | | | | |
| Regional jail | \$ - | \$ - | \$ 11,444 | \$ 11,444 |
| VPI extension phone reimbursement | 600 | 600 | - | (600) |

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2006

| <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 | \$ 3,542 | \$ 2,042 |
| Jurors and witnesses | - | - | 1,920 | 1,920 |
| HRPDC | - | 5,000 | 16,000 | 11,000 |
| Crater youth care | - | - | 2,264 | 2,264 |
| Total recovered costs | <u>\$ 2,100</u> | <u>\$ 7,100</u> | <u>\$ 35,170</u> | <u>\$ 28,070</u> |
| Total revenue from local sources | <u>\$ 16,534,739</u> | <u>\$ 16,556,109</u> | <u>\$ 17,101,161</u> | <u>\$ 545,052</u> |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| ABC profits | \$ 3,475 | \$ 3,475 | \$ 3,475 | \$ - |
| Wine taxes | 3,642 | 3,642 | 3,642 | - |
| Rolling stock tax | 30 | 30 | 210 | 180 |
| Mobile home titling tax | 35,000 | 35,000 | 4,038 | (30,962) |
| Taxes on deeds | - | - | 14,663 | 14,663 |
| State recordation tax | 20,000 | 20,000 | 14,504 | (5,496) |
| Personal property tax relief funds | 600,000 | 600,000 | 873,633 | 273,633 |
| Total noncategorical aid | <u>\$ 662,147</u> | <u>\$ 662,147</u> | <u>\$ 914,165</u> | <u>\$ 252,018</u> |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commonwealth's attorney | \$ 65,128 | \$ 65,128 | \$ 65,636 | \$ 508 |
| Sheriff | 415,229 | 415,229 | 418,386 | 3,157 |
| Commissioner of revenue | 64,783 | 64,783 | 67,676 | 2,893 |
| Treasurer | 70,950 | 70,950 | 73,586 | 2,636 |
| Medical examiner | 65 | 65 | - | (65) |
| Registrar/electoral board | 31,000 | 31,000 | 37,018 | 6,018 |
| Clerk of the circuit court | 92,398 | 140,119 | 120,699 | (19,420) |
| Total shared expenses | <u>\$ 739,553</u> | <u>\$ 787,274</u> | <u>\$ 783,001</u> | <u>\$ (4,273)</u> |
| Other categorical aid: | | | | |
| Public assistance and welfare administration | \$ 407,174 | \$ 407,174 | \$ 204,386 | \$ (202,788) |
| Fire programs fund | - | 13,428 | 13,428 | - |
| Juvenile delinquency prevention | 9,208 | 9,208 | 9,204 | (4) |
| Asset forfeiture | - | 215 | 215 | - |
| Comprehensive services act | 50,000 | 50,000 | 26,525 | (23,475) |
| Wireless funds | - | - | 26,654 | 26,654 |
| Emergency medical services | - | - | 6,005 | 6,005 |
| Animal friendly plates | - | - | 170 | 170 |
| Disaster recovery | - | - | 105,145 | 105,145 |
| Victim-witness grant | 19,000 | 19,000 | 18,353 | (647) |
| Litter control | 4,500 | 9,850 | 9,850 | - |

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2006

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| General Fund: (Continued) | | | | |
| Revenue from the Commonwealth: (Continued) | | | | |
| Categorical aid: (Continued) | | | | |
| Other categorical aid: (Continued) | | | | |
| Other state funds | \$ 7,000 | \$ 39,477 | \$ - | \$ (39,477) |
| Total other categorical aid | <u>\$ 496,882</u> | <u>\$ 548,352</u> | <u>\$ 419,935</u> | <u>\$ (128,417)</u> |
| Total categorical aid | <u>\$ 1,236,435</u> | <u>\$ 1,335,626</u> | <u>\$ 1,202,936</u> | <u>\$ (132,690)</u> |
| Total revenue from the Commonwealth | <u>\$ 1,898,582</u> | <u>\$ 1,997,773</u> | <u>\$ 2,117,101</u> | <u>\$ 119,328</u> |
| Revenue from the federal government: | | | | |
| Payments in lieu of taxes | \$ - | \$ - | \$ 189 | \$ 189 |
| Categorical aid: | | | | |
| Public assistance and welfare administration | \$ 851,362 | \$ 851,362 | \$ 883,467 | \$ 32,105 |
| Drug seizure funds | - | - | 26,825 | 26,825 |
| State homeland security | - | 67,492 | 67,492 | - |
| Disaster recovery | - | - | 533,128 | 533,128 |
| DEA reimbursement funds | - | - | 12,273 | 12,273 |
| Rural development | 2,000,000 | 2,000,000 | - | (2,000,000) |
| Total categorical aid | <u>\$ 2,851,362</u> | <u>\$ 2,918,854</u> | <u>\$ 1,523,185</u> | <u>\$ (1,395,669)</u> |
| Total revenue from the federal government | <u>\$ 2,851,362</u> | <u>\$ 2,918,854</u> | <u>\$ 1,523,374</u> | <u>\$ (1,395,480)</u> |
| Total General Fund | <u>\$ 21,284,683</u> | <u>\$ 21,472,736</u> | <u>\$ 20,741,636</u> | <u>\$ (731,100)</u> |
| Special Revenue Fund: | | | | |
| County Special Revenue Fund: | | | | |
| Revenue from local sources: | | | | |
| Other local taxes: | | | | |
| E-911 taxes | \$ 60,000 | \$ 60,000 | \$ 55,545 | \$ (4,455) |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ - | \$ - | \$ 147 | \$ 147 |
| Revenue from the use of property | 70,106 | 70,106 | 40,713 | (29,393) |
| Total revenue from use of money and property | <u>\$ 70,106</u> | <u>\$ 70,106</u> | <u>\$ 40,860</u> | <u>\$ (29,246)</u> |
| Miscellaneous revenue: | | | | |
| Miscellaneous | \$ 200,000 | \$ 200,000 | \$ (234) | \$ (200,234) |
| Total revenue from local sources | <u>\$ 330,106</u> | <u>\$ 330,106</u> | <u>\$ 96,171</u> | <u>\$ (233,935)</u> |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Governor's opportunity fund | \$ - | \$ - | \$ 100,000 | \$ 100,000 |

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2006

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 | \$ 29,000 | \$ (8,000) |
| Wireless grant | 33,000 | 33,000 | - | (33,000) |
| Total categorical aid | <u>\$ 70,000</u> | <u>\$ 70,000</u> | <u>\$ 129,000</u> | <u>\$ 59,000</u> |
| Total revenue from the Commonwealth | <u>\$ 70,000</u> | <u>\$ 70,000</u> | <u>\$ 129,000</u> | <u>\$ 59,000</u> |
| Total County Special Revenue Fund | <u>\$ 400,106</u> | <u>\$ 400,106</u> | <u>\$ 225,171</u> | <u>\$ (174,935)</u> |
| Total Primary Government | <u>\$ 21,684,789</u> | <u>\$ 21,872,842</u> | <u>\$ 20,966,807</u> | <u>\$ (906,035)</u> |
| 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 | \$ - | \$ - | \$ 3,112 | \$ 3,112 |
| Revenue from the use of property | - | 57,300 | 57,900 | 600 |
| Total revenue from use of money and property | <u>\$ -</u> | <u>\$ 57,300</u> | <u>\$ 61,012</u> | <u>\$ 3,712</u> |
| Miscellaneous revenue: | | | | |
| Miscellaneous | <u>\$ 25,000</u> | <u>\$ 52,690</u> | <u>\$ 80,219</u> | <u>\$ 27,529</u> |
| Total revenue from local sources | <u>\$ 25,000</u> | <u>\$ 109,990</u> | <u>\$ 141,231</u> | <u>\$ 31,241</u> |
| Intergovernmental revenues: | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Surry | <u>\$ 9,973,431</u> | <u>\$ 10,302,909</u> | <u>\$ 10,146,982</u> | <u>\$ (155,927)</u> |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Share of state sales tax | \$ 878,703 | \$ 878,703 | \$ 950,825 | \$ 72,122 |
| Basic school aid | 943,559 | 943,559 | 877,875 | (65,684) |
| Remedial summer education | 15,580 | 15,580 | 8,436 | (7,144) |
| Regular foster care | 25,770 | 25,770 | 8,744 | (17,026) |
| GED funding | 7,859 | 7,859 | - | (7,859) |
| Special education foster care | - | - | 1,562 | 1,562 |
| Gifted and talented | 8,102 | 8,102 | 7,812 | (290) |
| Remedial education | 33,899 | 33,899 | 32,686 | (1,213) |
| English as a second language | - | - | 290 | 290 |
| Special education | 206,021 | 206,021 | 198,970 | (7,051) |
| Textbook payment | 13,457 | 13,457 | 12,976 | (481) |
| Standards of Learning algebra | 3,204 | 3,204 | 3,724 | 520 |
| Vocational education | 47,757 | 47,757 | 46,048 | (1,709) |

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2006

Schedule 1
 Page 5 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> |
|--|----------------------------|-------------------------|----------------------|---|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| Revenue from the Commonwealth: (Continued) | | | | |
| Categorical aid: (Continued) | | | | |
| Early reading intervention | \$ 3,117 | \$ 3,117 | \$ 2,597 | \$ (520) |
| School fringes | 115,014 | 115,014 | 102,991 | (12,023) |
| State lottery payments | 52,285 | 52,285 | 49,526 | (2,759) |
| Adult literacy | 2,280 | 2,280 | - | (2,280) |
| Middle school teacher corp. | - | - | 5,000 | 5,000 |
| School construction | 104,442 | 104,442 | 104,428 | (14) |
| Enrollment loss | 345 | 345 | 7,894 | 7,549 |
| Vocational education equipment | 1,499 | 1,499 | 3,098 | 1,599 |
| Salary supplement | 20,254 | 20,254 | 19,529 | (725) |
| At risk payments | 38,455 | 38,455 | 38,621 | 166 |
| Primary class size | 31,889 | 31,889 | 33,685 | 1,796 |
| Technology | 128,000 | 128,000 | - | (128,000) |
| At risk four-year olds | 32,400 | 32,400 | 32,400 | - |
| Mentor teacher program | - | 3,086 | 3,294 | 208 |
| Total categorical aid | <u>\$ 2,713,891</u> | <u>\$ 2,716,977</u> | <u>\$ 2,553,011</u> | <u>\$ (163,966)</u> |
| Total revenue from the Commonwealth | <u>\$ 2,713,891</u> | <u>\$ 2,716,977</u> | <u>\$ 2,553,011</u> | <u>\$ (163,966)</u> |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Title I | \$ 234,362 | \$ 284,362 | \$ 209,793 | \$ (74,569) |
| Title VI-B, special education flow-through | 232,378 | 232,378 | 259,826 | 27,448 |
| Vocational education | 27,000 | 27,000 | 21,070 | (5,930) |
| Title VI-B, special education pre-school | 5,323 | 5,323 | 4,778 | (545) |
| Drug free schools | 7,738 | 7,738 | 8,115 | 377 |
| Title V | - | - | 5,925 | 5,925 |
| JROTC | 35,000 | 35,000 | 53,332 | 18,332 |
| Class size reduction | 67,257 | 67,257 | - | (67,257) |
| Title II, Part A | 6,782 | 6,782 | 76,423 | 69,641 |
| Technology literacy challenge | - | - | 8,727 | 8,727 |
| Other federal funds | 10,000 | 28,452 | - | (28,452) |
| Total categorical aid | <u>\$ 625,840</u> | <u>\$ 694,292</u> | <u>\$ 647,989</u> | <u>\$ (46,303)</u> |
| Total revenue from the federal government | <u>\$ 625,840</u> | <u>\$ 694,292</u> | <u>\$ 647,989</u> | <u>\$ (46,303)</u> |
| Total School Operating Fund | <u>\$ 13,338,162</u> | <u>\$ 13,824,168</u> | <u>\$ 13,489,213</u> | <u>\$ (334,955)</u> |
| School Special Revenue Fund: | | | | |
| Revenue from local sources: | | | | |
| Charges for services: | | | | |
| Cafeteria sales | \$ 275,000 | \$ 275,000 | \$ 284,440 | \$ 9,440 |

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2006

| <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) | | | | |
| Intergovernmental revenues: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| School food program | \$ 8,498 | \$ 8,498 | \$ 6,812 | \$ (1,686) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| School food program | \$ 210,000 | \$ 210,000 | \$ 254,084 | \$ 44,084 |
| Summer feeding | - | - | 6,945 | 6,945 |
| Total categorical aid | <u>\$ 210,000</u> | <u>\$ 210,000</u> | <u>\$ 261,029</u> | <u>\$ 51,029</u> |
| Total revenue from the federal government | <u>\$ 210,000</u> | <u>\$ 210,000</u> | <u>\$ 261,029</u> | <u>\$ 51,029</u> |
| Total School Special Revenue Fund | <u>\$ 493,498</u> | <u>\$ 493,498</u> | <u>\$ 552,281</u> | <u>\$ 58,783</u> |
| Total Discretely Presented Component Unit - School Board | <u>\$ 13,831,660</u> | <u>\$ 14,317,666</u> | <u>\$ 14,041,494</u> | <u>\$ (276,172)</u> |

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2006

| <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 | \$ 506,040 | \$ 418,740 | \$ 210,311 | \$ 208,429 |
| General and financial administration: | | | | |
| County administrator | \$ 292,611 | \$ 292,611 | \$ 271,063 | \$ 21,548 |
| Legal services | 56,000 | 71,000 | 68,583 | 2,417 |
| Commissioner of revenue | 155,989 | 155,989 | 147,445 | 8,544 |
| Treasurer | 187,077 | 189,177 | 184,255 | 4,922 |
| Board of equalization | 950 | 950 | 544 | 406 |
| Finance department | 127,574 | 127,574 | 126,553 | 1,021 |
| Other general and financial administration | 102,100 | 111,100 | 85,457 | 25,643 |
| Total general and financial administration | <u>\$ 922,301</u> | <u>\$ 948,401</u> | <u>\$ 883,900</u> | <u>\$ 64,501</u> |
| Board of elections: | | | | |
| Electoral board and officials | \$ 81,933 | \$ 81,933 | \$ 76,312 | \$ 5,621 |
| Total general government administration | <u>\$ 1,510,274</u> | <u>\$ 1,449,074</u> | <u>\$ 1,170,523</u> | <u>\$ 278,551</u> |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit court | \$ 14,791 | \$ 14,791 | \$ 14,170 | \$ 621 |
| General district court | 24,192 | 24,192 | 21,515 | 2,677 |
| Special magistrates | 1,400 | 1,400 | 727 | 673 |
| Clerk of the circuit court | 198,993 | 246,714 | 201,008 | 45,706 |
| Total courts | <u>\$ 239,376</u> | <u>\$ 287,097</u> | <u>\$ 237,420</u> | <u>\$ 49,677</u> |
| Commonwealth's attorney: | | | | |
| Commonwealth's attorney | \$ 104,642 | \$ 104,642 | \$ 102,470 | \$ 2,172 |
| Total judicial administration | <u>\$ 344,018</u> | <u>\$ 391,739</u> | <u>\$ 339,890</u> | <u>\$ 51,849</u> |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | \$ 1,048,847 | \$ 1,049,621 | \$ 1,027,151 | \$ 22,470 |
| Virginia juvenile crime control act | 15,179 | 14,879 | 2,860 | 12,019 |
| Victim Witness | 18,811 | 18,811 | 18,353 | 458 |
| Total law enforcement and traffic control | <u>\$ 1,082,837</u> | <u>\$ 1,083,311</u> | <u>\$ 1,048,364</u> | <u>\$ 34,947</u> |
| Fire and rescue services: | | | | |
| Fire department/rescue services | \$ 226,408 | \$ 291,836 | \$ 290,946 | \$ 890 |
| Correction and detention: | | | | |
| Confinement and care of prisoners | \$ 230,000 | \$ 230,000 | \$ 226,594 | \$ 3,406 |

County of Surry, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2006

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 | \$ 100,343 | \$ 101,843 | \$ 99,874 | \$ 1,969 |
| Other protection: | | | | |
| Animal control | \$ 42,034 | \$ 42,034 | \$ 40,903 | \$ 1,131 |
| Emergency services | 93,683 | 217,487 | 167,273 | 50,214 |
| Total other protection | \$ 135,717 | \$ 259,521 | \$ 208,176 | \$ 51,345 |
| Total public safety | \$ 1,775,305 | \$ 1,966,511 | \$ 1,873,954 | \$ 92,557 |
| Public works: | | | | |
| Sanitation and waste removal: | | | | |
| Sanitation | \$ 530,113 | \$ 545,309 | \$ 474,978 | \$ 70,331 |
| Litter control | 5,000 | 10,350 | 4,804 | 5,546 |
| Total sanitation and waste removal | \$ 535,113 | \$ 555,659 | \$ 479,782 | \$ 75,877 |
| Maintenance of general buildings and grounds: | | | | |
| General properties | \$ 423,398 | \$ 423,398 | \$ 370,401 | \$ 52,997 |
| Total public works | \$ 958,511 | \$ 979,057 | \$ 850,183 | \$ 128,874 |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | \$ 197,321 | \$ 197,321 | \$ 196,504 | \$ 817 |
| Mental health and mental retardation: | | | | |
| Chapter X Board | \$ 53,551 | \$ 53,551 | \$ 53,551 | \$ - |
| Welfare: | | | | |
| Public assistance and welfare administration | \$ 1,880,310 | \$ 1,880,310 | \$ 1,619,649 | \$ 260,661 |
| Area agency on aging | 1,051 | 1,051 | 1,051 | - |
| State and local hospitalization | 7,421 | 7,421 | 7,068 | 353 |
| Comprehensive services act | 110,000 | 110,000 | 127,435 | (17,435) |
| Lebanon Head Start | 2,800 | 2,800 | 2,050 | 750 |
| SSG improvement association | 28,000 | 28,000 | 14,000 | 14,000 |
| Office on youth | 134,727 | 135,343 | 124,605 | 10,738 |
| Southside legal aid | 7,050 | 7,050 | 7,050 | - |
| Geneive shelter | 2,000 | 2,000 | 2,000 | - |
| Surry free clinic | 2,500 | 2,500 | 2,500 | - |
| Total welfare | \$ 2,175,859 | \$ 2,176,475 | \$ 1,907,408 | \$ 269,067 |
| Total health and welfare | \$ 2,426,731 | \$ 2,427,347 | \$ 2,157,463 | \$ 269,884 |

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2006

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 | \$ 1,101 | \$ 1,101 | \$ 1,101 | \$ - |
| Contribution to County School Board | 9,973,431 | 10,302,909 | 10,146,982 | 155,927 |
| Total education | <u>\$ 9,974,532</u> | <u>\$ 10,304,010</u> | <u>\$ 10,148,083</u> | <u>\$ 155,927</u> |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Recreation center | \$ 335,773 | \$ 335,773 | \$ 324,297 | \$ 11,476 |
| Cultural enrichment: | | | | |
| Surry county tourism committee | \$ 12,000 | \$ 19,200 | \$ 19,200 | \$ - |
| Library: | | | | |
| Contribution to regional library | \$ 123,942 | \$ 123,942 | \$ 123,942 | \$ - |
| Total parks, recreation, and cultural | <u>\$ 471,715</u> | <u>\$ 478,915</u> | <u>\$ 467,439</u> | <u>\$ 11,476</u> |
| Community development: | | | | |
| Planning and community development: | | | | |
| Planning and zoning | \$ 195,415 | \$ 193,915 | \$ 183,200 | \$ 10,715 |
| Zoning board | 5,750 | 5,750 | 3,540 | 2,210 |
| Highway transportation safety commission | 1,550 | 1,550 | 575 | 975 |
| Planning district commission | 11,500 | 11,500 | 9,713 | 1,787 |
| Jamestown 2007 committee | - | 2,000 | 494 | 1,506 |
| Economic development | 75,119 | 75,119 | 69,852 | 5,267 |
| Other planning and community development | 450 | 450 | 100 | 350 |
| Total planning and community development | <u>\$ 289,784</u> | <u>\$ 290,284</u> | <u>\$ 267,474</u> | <u>\$ 22,810</u> |
| Environmental management: | | | | |
| Contribution to soil and water conservation district | \$ 8,700 | \$ 8,700 | \$ 8,700 | \$ - |
| Cooperative extension program: | | | | |
| Extension office | \$ 75,765 | \$ 75,765 | \$ 61,407 | \$ 14,358 |
| Total community development | <u>\$ 374,249</u> | <u>\$ 374,749</u> | <u>\$ 337,581</u> | <u>\$ 37,168</u> |
| Capital projects: | | | | |
| Water system upgrade | \$ - | \$ - | \$ 716 | \$ (716) |
| Landfill closure | 100,000 | 100,000 | 54,174 | 45,826 |
| Highway revenue sharing | 50,000 | 50,000 | - | 50,000 |
| Land use plan update | - | - | 1,022 | (1,022) |
| Technology upgrades | - | - | 13,527 | (13,527) |

County of Surry, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2006

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 | \$ 8,875,000 | \$ 8,875,000 | \$ 516,436 | \$ 8,358,564 |
| E-911 dispatch center upgrade | - | - | 1,640 | (1,640) |
| Voting machines | - | - | - | - |
| Alarm security replacement | 30,000 | 30,000 | - | 30,000 |
| Recreation center renovation | 50,000 | 50,000 | - | 50,000 |
| Dendron sewer line project | 2,025,000 | 2,025,000 | 951,696 | 1,073,304 |
| Warehouse/garage facility | 220,000 | 220,000 | - | 220,000 |
| Recodification | 15,000 | 15,000 | - | 15,000 |
| School projects | - | - | 248,199 | (248,199) |
| Other capital projects | 60,000 | 60,000 | - | 60,000 |
| Total capital projects | <u>\$ 11,425,000</u> | <u>\$ 11,425,000</u> | <u>\$ 1,787,410</u> | <u>\$ 9,637,590</u> |
| Debt service: | | | | |
| Principal retirement | \$ 723,099 | \$ 723,099 | \$ 721,773 | \$ 1,326 |
| Interest and other fiscal charges | 139,614 | 139,614 | 137,319 | 2,295 |
| Total debt service | <u>\$ 862,713</u> | <u>\$ 862,713</u> | <u>\$ 859,092</u> | <u>\$ 3,621</u> |
| | | | | |
| Total General Fund | <u>\$ 30,123,048</u> | <u>\$ 30,659,115</u> | <u>\$ 19,991,618</u> | <u>\$ 10,667,497</u> |
| Special Revenue Fund: | | | | |
| County Special Revenue Fund: | | | | |
| Public Safety: | | | | |
| Other Protection: | | | | |
| E911 | \$ 60,000 | \$ 60,000 | \$ 35,246 | \$ 24,754 |
| | | | | |
| Health and welfare: | | | | |
| Welfare: | | | | |
| Health care center | \$ 40,713 | \$ 40,713 | \$ 9,657 | \$ 31,056 |
| | | | | |
| Community development | | | | |
| Indoor plumbing program | \$ 50,000 | \$ 50,000 | \$ 33,152 | \$ 16,848 |
| Economic development | 229,211 | 229,211 | - | 229,211 |
| Total community development | <u>\$ 279,211</u> | <u>\$ 279,211</u> | <u>\$ 33,152</u> | <u>\$ 246,059</u> |
| | | | | |
| Total County Special Revenue Fund | <u>\$ 379,924</u> | <u>\$ 379,924</u> | <u>\$ 78,055</u> | <u>\$ 301,869</u> |
| | | | | |
| Total Primary Government | <u>\$ 30,502,972</u> | <u>\$ 31,039,039</u> | <u>\$ 20,069,673</u> | <u>\$ 10,969,366</u> |
| Discretely Presented Component Unit - School Board | | | | |
| Special Revenue Funds: | | | | |
| School Operating Fund: | | | | |
| Education: | | | | |
| Administration, health, and attendance | \$ 726,548 | \$ 726,548 | \$ 700,211 | \$ 26,337 |
| Instruction costs | 9,800,153 | 10,240,159 | 10,125,726 | 114,433 |

County of Surry, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2006

| <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 (Continued) | | | | |
| Special Revenue Funds: (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| Education: (Continued) | | | | |
| Pupil transportation | \$ 887,525 | \$ 887,525 | \$ 852,492 | \$ 35,033 |
| Operation and maintenance of school plant | 1,709,271 | 1,709,271 | 1,688,910 | 20,361 |
| Facilities | - | 29,500 | 14,750 | 14,750 |
| Total operating costs | <u>\$ 13,123,497</u> | <u>\$ 13,593,003</u> | <u>\$ 13,382,089</u> | <u>\$ 70,144</u> |
| Total education | <u>\$ 13,123,497</u> | <u>\$ 13,593,003</u> | <u>\$ 13,382,089</u> | <u>\$ 210,914</u> |
| Total School Operating Fund | <u>\$ 13,123,497</u> | <u>\$ 13,593,003</u> | <u>\$ 13,382,089</u> | <u>\$ 210,914</u> |
| School Special Revenue Fund | | | | |
| Education: | | | | |
| School food services: | | | | |
| School food services | \$ 708,163 | \$ 724,663 | \$ 658,549 | \$ 66,114 |
| Total School Special Revenue Fund | <u>\$ 708,163</u> | <u>\$ 724,663</u> | <u>\$ 658,549</u> | <u>\$ 66,114</u> |
| Total Discretely Presented Component Unit - School Board | <u>\$ 13,831,660</u> | <u>\$ 14,317,666</u> | <u>\$ 14,040,638</u> | <u>\$ 277,028</u> |

OTHER SUPPLEMENTARY INFORMATION

GOVERNMENT-WIDE INFORMATION

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 |
| 2005-06 | 1,278,906 | 337,970 | 1,948,872 | 1,889,656 | 2,185,792 | 11,065,790 | 481,350 | 387,025 | 133,447 | 202,840 | 19,911,648 |

(1) Information has only been available for four 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 | | |
| 2005-06 | 111,124 | 3,777,818 | 29,000 | 15,516,251 | 597,105 | 512,313 | 110,694 | 914,354 | 21,568,659 | | |

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

Table 3

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

| Fiscal Year | General Government Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education (2) | Parks, Recreation, and Cultural | Community Development | Debt Service | Total |
|-------------|-----------------------------------|-------------------------|---------------|--------------|--------------------|---------------|---------------------------------|-----------------------|--------------|---------------|
| | | | | | | | | | | |
| 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 |
| 2006 | 1,170,523 | 339,890 | 1,909,200 | 850,183 | 2,167,120 | 14,041,739 | 467,439 | 370,733 | 859,092 | 22,175,919 |

(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 |
|-------------|------------------------|-------------------|--|-----------------------|--|----------------------|---------------|-----------------|------------------------|---------------|
| 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 |
| 2006 | 15,832,563 | 597,105 | 39,985 | 26,313 | 573,325 | 329,266 | 189,276 | 35,170 | 7,238,316 | 24,861,319 |

(1) Includes General, Special Revenue, and Debt Service funds of the Primary Government and its Discretely Presented Component Units.
 (2) Excludes contribution from Primary Government to Discretely Presented Component Unit.
 (3) Excludes Capital Projects funds.

Table 5

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

| Fiscal Year | Total Tax Levy (1,3) | Current Tax Collections (1,3) | Percent of Levy Collected | Delinquent Tax Collections (1) | Total Tax Collections | Percent of | |
|-------------|----------------------|-------------------------------|---------------------------|--------------------------------|-----------------------|-----------------------------------|---|
| | | | | | | Total Tax Collections to Tax Levy | Outstanding Delinquent Taxes (1,2) |
| | | | | | | | Percent of Delinquent Taxes to Tax Levy |
| 1997 | \$ 12,006,583 | \$ 11,743,247 | 97.81% | \$ 207,849 | \$ 11,951,096 | 99.54% | 4.75% |
| 1998 | 12,668,273 | 12,434,366 | 98.15% | 158,373 | 12,592,739 | 99.40% | 4.84% |
| 1999 | 12,553,614 | 12,207,021 | 97.24% | 255,993 | 12,463,014 | 99.28% | 4.12% |
| 2000 | 13,765,226 | 13,378,917 | 97.19% | 197,209 | 13,576,126 | 98.63% | 4.75% |
| 2001 | 14,254,142 | 13,854,262 | 97.19% | 63,373 | 13,917,635 | 97.64% | 6.64% |
| 2002 | 15,568,140 | 15,255,053 | 97.99% | 60,345 | 15,315,398 | 98.38% | 6.92% |
| 2003 | 14,669,674 | 14,447,527 | 98.49% | 149,450 | 14,596,977 | 99.50% | 3.53% |
| 2004 (4) | 15,358,307 | 15,377,233 | 100.12% | 481,957 | 15,859,190 | 103.26% | 3.59% |
| 2005 | 15,133,422 | 14,880,556 | 98.33% | 150,309 | 15,030,865 | 99.32% | 4.15% |
| 2006 | 16,457,411 | 16,572,928 | 100.70% | 5,684 | 16,578,612 | 100.74% | 2.83% |

(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 | | Public Service(2) | | | Total |
|-------------|-----------------|-----------------|---------------------------|---------------------|-------------|-------------------|-------|
| | | Real Estate (1) | Property and Mobile Homes | Machinery and Tools | Real Estate | Personal Property | |
| 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 | |
| 2006 | 546,241,500 | 42,569,947 | 2,142,878 | 1,405,266,656 | - | 1,996,220,981 | |

(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 |
|-------------|-------------|-------------------|---------------------|
| 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 |
| 2006 | 0.77 | 3.50 | 1.00 |

(1) Per \$100 of assessed value.

Table 8

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

| Fiscal Year | Population (1) | Assessed Value (2) | Gross Bonded Debt (3) | Less: | | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|-------------|----------------|--------------------|-----------------------|-------------------------------|--------------------------------------|-----------------|--|----------------------------|
| | | | | Debt Service Monies Available | Debt Assumed by Other Localities (4) | | | |
| 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 |
| 2006 | 6,829 | 1,996,220,981 | 1,860,000 | - | - | 1,860,000 | 0.09% | 272 |

(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

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, 2006, which collectively comprise the County of Surry, Virginia's basic financial statements and have issued our report thereon dated December 12, 2006. 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 12, 2006.

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.

Robynn, Famm, Cox Associates

Richmond, Virginia
December 12, 2006

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**

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, 2006. 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.

Compliance

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, 2006.

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 caused by error or fraud 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, and is not intended to be, and should not be used by anyone other than these specified parties.

Robum, Fann, Cox Associates

Richmond, Virginia
December 12, 2006

County of Surry, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2006

| Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number) | Federal Catalog Number | Expenditures |
|--|------------------------------|-------------------|
| Department of Health and Human Services: | | |
| Pass Through Payments: | | |
| <i>Department of Social Services:</i> | | |
| Family Preservation and Support | 93.556 | \$ 11,778 |
| Temporary Assist to Needy Families (TANF) | 93.558 | 115,432 |
| Refugee and Entrant Assistance - Discretionary Grants | 93.566 | 166 |
| Low Income Home Energy Assistance | 93.568 | 7,728 |
| Payments to States for Child Care Assistance | 93.575 | 87,372 |
| Child Care and Development Fund | 93.596 | 61,667 |
| Foster Care - Title IV-E | 93.658 | 122,056 |
| Adoption Assistance | 93.659 | 14 |
| Social Services Block Grant | 93.667 | 149,919 |
| Independent Living | 93.674 | 399 |
| State Children's Insurance Program | 93.767 | 187 |
| Medical Assistance Program (Title XIX) | 93.778 | <u>123,547</u> |
| Total Department Health and Human Services | | <u>\$ 680,265</u> |
| U. S. Department of Homeland Security: | | |
| Pass Through Payments: | | |
| <i>Department of Emergency Management:</i> | | |
| Disaster assistance | 97.036 | \$ 533,128 |
| State domestic preparedness equipment support program | 97.004 | <u>67,492</u> |
| Total U. S. Department of Homeland Security | | <u>\$ 600,620</u> |
| Department of Justice: | | |
| Direct payments: | | |
| Drug enforcement administration reimbursement | 16.xxx | <u>\$ 12,273</u> |
| Pass Through Payments: | | |
| <i>Department of Criminal Justice Service:</i> | | |
| Drug seizure funds | 16.xxx | <u>\$ 26,825</u> |
| Total Department of Justice | | <u>\$ 39,098</u> |
| Department of the Defense: | | |
| Direct Payments: | | |
| Junior ROTC | 12.xxx | <u>\$ 53,332</u> |

County of Surry, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2006

| Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number) | Federal Catalog Number | Expenditures |
|--|------------------------------|--------------|
| Department of Agriculture: | | |
| Direct Payments: | | |
| Summer feeding program | 10.559 | \$ 9,485 |
| Pass Through Payments: | | |
| <i>Department of Agriculture:</i> | | |
| Food Distribution | 10.555 | \$ 27,255 |
| <i>Department of Education:</i> | | |
| National school lunch program | 10.555 | 254,084 |
| <i>Department of Social Services:</i> | | |
| State Admin Matching Grants for Food Stamp Program | 10.561 | 203,202 |
| Total Department of Agriculture - pass-through payments | | \$ 484,541 |
| Total Department of Agriculture | | \$ 494,026 |
| Department of Education: | | |
| Pass Through Payments: | | |
| <i>Department of Education:</i> | | |
| Title I: Educationally deprived children | 84.010 | \$ 209,793 |
| Title VI-B: Handicapped state grants | 84.027 | 259,826 |
| Vocational Education: Basic grants to states | 84.048 | 21,070 |
| Title VI-B: Handicapped preschool incentive grant | 84.173 | 4,778 |
| Drug free schools and communities | 84.186 | 8,115 |
| Title VI: Improving school programs state block grant | 84.298 | 5,925 |
| Literacy challenge grant | 84.318 | 8,727 |
| Title II, Part A | 84.367 | 76,423 |
| Total Department of Education | | \$ 594,657 |
| Department of the Interior: | | |
| Direct Payments: | | |
| Bureau of Land Management: | | |
| Payments in lieu of taxes - public law 95-561 | 12.112 | \$ 189 |
| Total Federal Expenditures | | \$ 2,462,187 |

County of Surry, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

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 | <u>\$ 1,523,374</u> |
| Component Unit Public Schools: | |
| School Operating Fund | \$ 647,989 |
| School Cafeteria Fund | 261,029 |
| Total component unit public schools | <u>\$ 909,018</u> |
| Total federal expenditures per basic financial statements | <u>\$ 2,432,392</u> |
| Non-cash expenditures - value of donated commodities | <u>\$ 29,795</u> |
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | <u><u>\$ 2,462,187</u></u> |

**County of Surry, Virginia
Schedule of Findings and Questioned Costs
For the year ended June 30, 2006**

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 |
| 97.036 | Disaster Assistance |

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