

COUNTY OF SURRY, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

COUNTY OF SURRY, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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JUNE 30, 2012

Prepared by:
Terri E. Hale
Director of Finance & IT

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COUNTY OF SURRY, VIRGINIA

Board of Supervisors

Judy S. Lyttle, Chairperson

Ernest L. Blount
Giron R. Wooden, Sr.

Kenneth R. Holmes
John M. Seward

Social Services Board

Troilen Seward, Chairperson

Linda B. Ellis
Linda Lewis

Gladys Hardy
Ann Sutherland

County School Board

Elsie Dennis, Chairperson

Dr. Marion Wilkins
Audrey Byrd

Laura Ruffin
Harold Jones

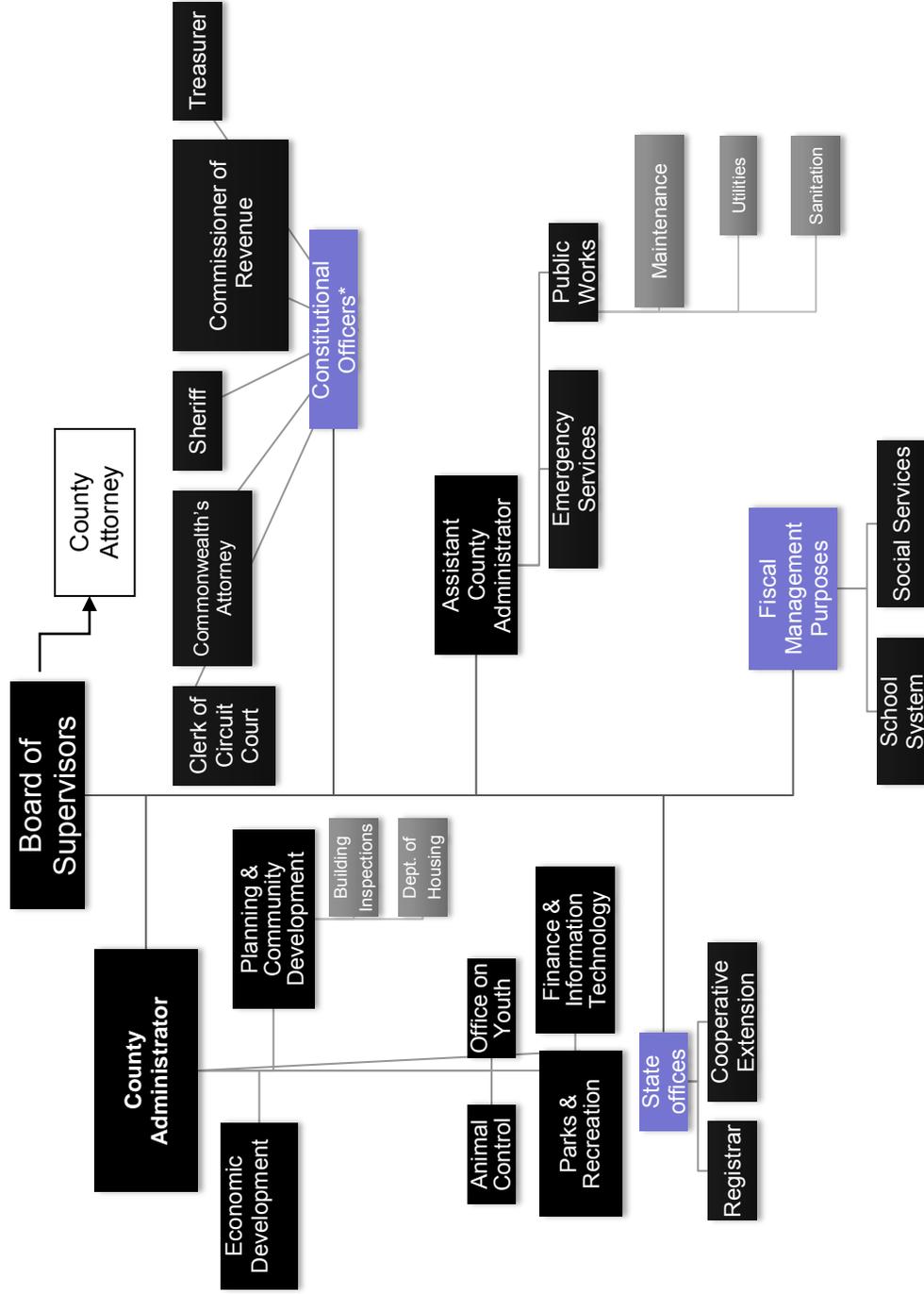
Other Officials

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

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

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Surry County Organization Chart



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

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

Samuel Argall, ca. 1609

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

Mr. Tyrone W. Franklin

County Administrator

Telephone: (757) 294-5271

Fax: (757) 294-5204

Email: twfranklin@surrycountyva.gov

December 4, 2012

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

Members of the Board:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Surry County (the “County”) for the fiscal year ended June 30, 2012. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain a reasonable understanding of the County's financial affairs have been included.

The management of the County is responsible for establishing and maintaining an internal control structure to ensure the protection of County assets. In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

In addition to these internal accounting controls, the County also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the adopted budget appropriated by the Board of Supervisors. All subsidiary funds are included in the appropriated budget.

As a recipient of federal and state financial assistance, the County is also responsible for maintaining internal controls that comply with applicable laws and regulations. The audit for fiscal year ended June 30, 2012 has been completed and no material internal control weaknesses or material violations of laws and regulations have been identified.

The County adopts an annual budget by July 1st each year as required by §15.2-2503, *Code of Virginia, 1950, as amended*. When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with §15.2-2507, *Code of Virginia, 1950, as amended*. The budget is implemented through Board-

Surry County Transmittal Letter – FY12

The Honorable Members of the Surry County Board of Supervisors

approved appropriations, with supplemental appropriations made as required. The Board of Supervisors has the authority, except for expenditures for mandated programs, to appropriate amounts greater than or less than the adopted budget.

Section 15.2-2511 of the *Code of Virginia, 1950, as amended* requires that local governments have their financial records audited annually as of the end of the fiscal year by independent certified public accountants. The independent audit provides reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2012 are free of material misstatement. Robinson, Farmer Cox Associates (RFCA) is contracted to perform this service and have issued an unqualified opinion on the County's financial statements for the fiscal year. The independent auditor's report is located at the front of the Financial Section of this report.

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

Sections of the Report

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

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

Profile of the Government and its Services

The County of Surry, formed in 1652, is located strategically in southeastern Virginia, 10 miles south of Williamsburg, 50 miles southeast of Richmond and 40 miles northwest of Norfolk. The County covers 306 square miles and has a population of 7,061. The greater portion of the County's land area remains rural, although areas of the County are experiencing moderate residential growth. The County is governed by a five-member Board of Supervisors elected by districts. The Board has overall administrative and legislative responsibilities including levying taxes, appropriating funds, approving and enforcing the County's Comprehensive Plan, making and enforcing ordinances and establishing policies. The County Administrator is appointed to implement the policy decisions of the Board and to direct the day to day activities of the County. In addition to the Board, other elected officials in the County government include the Clerk of Circuit Court, Commissioner of the Revenue, Commonwealth's Attorney, Sheriff and Treasurer.

Surry County Transmittal Letter – FY12

The Honorable Members of the Surry County Board of Supervisors

The operation of the public school system is vested in a five-member elected School Board. The Board of Supervisors makes monthly appropriations to the School Board based upon the adopted budget. Since the School Board is fiscally dependent on the County, the financial statements of Surry County Public Schools are included as a component unit of the County in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14.

The County provides a range of municipal services including education, public safety (sheriff, animal control, building inspections, emergency services, volunteer fire departments and paid/volunteer rescue services), parks, recreation & cultural activities, public works, health and welfare administration, planning & community development and general administrative services. In addition, the County provides sewer services to approximately 107 residential and commercial customers in the Town of Dendron and 2 business customers in the Town of Surry. The operation of the wastewater system is an enterprise fund, which means that it should be self-supporting, and is accounted for separately from the County's general operating fund.

Long-Term Financial Planning

The County employs a financial advisor as necessary to plan for the long-term financial and capital needs of the County. The Capital Improvements Program (CIP) is the County's strategy for investing in facilities, equipment and other significant improvements. Current capital projects are funded through a combination of committed fund balance, debt proceeds and state grant funds. Revenue bonds are primarily used to fund water and sewer improvements. Debt service payments are budgeted in the County's annual operating budget. Debt service on the School Board Component Unit is now budgeted in the General Fund.

Financial policies relative to debt as a percentage of assessed value and general fund expenditures help guide the Board's policymaking decisions on financing capital projects. The County has adopted a policy that states that the net debt ratio as a percentage of assessed value shall not exceed 3%. The General fund balance represents available current financial resources, although the Board's current policy allows the use of only up to 25% of this amount. Uses of the unassigned fund balance are carefully evaluated to ensure that cash flow requirements are met and an overall sound financial position is maintained.

Multi-Year Initiatives

Broadband Initiative: In 2010 the County was approved for a \$940,000 grant from the Virginia Department of Housing & Community Development (VDHCD) to support broadband infrastructure development. An approximately 4 mile fiber optic backbone network is currently being installed at 13 facilities in and around the Town of Surry, including the network. Approximately 20% of the network's fiber has been installed, all of which will be underground. The network will provide service at speed far in excess of Federal Communications Commission (FCC) minimums and services typically available in urban areas. Completion is anticipated to be late summer 2013.

Sanitation Authority: The County has initiated discussions with its 3 incorporated towns to create a sanitation authority, which would oversee operation, maintenance and upgrade of individual aging systems. Currently each governing body individually owns its municipal water and/or sewer systems. The creation of an authority would save public dollars through regionalism and cooperative procurement while implementing timely upgrades to those systems. The discussions are ongoing.

Zoning Ordinance: The County has almost completed a multi-year project involving the total revision and update of its zoning ordinance. This updated ordinance follows the objectives of the Comprehensive Plan while

Surry County Transmittal Letter – FY12

The Honorable Members of the Surry County Board of Supervisors

preserving the County's rural and agricultural character and resources. This ordinance has been developed with several important goals: unincorporated areas of the County have been divided into districts of distinct community character according to land use, intensity and open space; the location & use of buildings, structures and land for trade, industry and residences will be better regulated; traffic congestion will be lessened by limiting excessive numbers of intersections & other friction points; utilization of good civic design and arrangement of facilities to create an attractive & harmonious community; and protecting the local economy, property values & tax base by facilitating cost effective development. The new ordinance should be adopted in the fall 2012.

Capital Projects

The County has substantially completed a majority of the capital projects initiated in previous fiscal years. These projects included the courthouse construction & government center renovations, the acquisition of public safety equipment & fire station renovation, the high school construction & renovation project and the Elberon Heights Community Improvement Project. As noted earlier, the broadband development initiative is a multi-year project and will continue through FY13.

Acknowledgements

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



Tyrone W. Franklin
County Administrator



Terri E. Hale
Director of Finance & Information Technology

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Surry, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Surry, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Surry, Virginia, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012, on our consideration of the County of Surry, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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



Richmond, Virginia
December 4, 2012

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Surry, Virginia we offer readers of the County's financial statements this overview and analysis of the County's financial activities for the fiscal year ended June 30, 2012. Readers are encouraged to consider this information in conjunction with that in the letter of transmittal.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's financial statements. The County's basic financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 focus of governmental funds is more narrow than that of the government-wide financial statements, reconciliation between the two methods is provided at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

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

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/Sewer Fund provides a centralized source for water/sewer services to County residents.

Notes to the financial statements

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

Required Supplementary Information

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

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Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Statement of Net Assets* serves as a useful indicator over time of financial position. The County's governmental assets at June 30, 2012 exceeded liabilities by \$14.4 million, while business assets exceeded its liabilities by \$5.6 million. The following table provides comparative information on the County's net assets as of June 30, 2011 and June 30, 2012.

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 14,964,125	\$ 13,011,163	\$ 10,508	\$ 8,696	\$ 14,974,633	\$ 13,019,859
Capital assets	20,266,232	20,996,469	6,455,614	6,664,789	26,721,846	27,661,258
Total assets	\$ 35,230,357	\$ 34,007,632	\$ 6,466,122	\$ 6,673,485	\$ 41,696,479	\$ 40,681,117
Current liabilities	\$ 1,024,742	\$ 928,486	\$ 29,318	\$ 29,259	\$ 1,054,060	\$ 957,745
Long-term liabilities:						
Due within one year	947,493	963,635	58,972	57,130	1,006,465	1,020,765
Due in more than one year	18,844,128	19,764,970	786,325	845,297	19,630,453	20,610,267
Total liabilities	\$ 20,816,363	\$ 21,657,091	\$ 874,615	\$ 931,686	\$ 21,690,978	\$ 22,588,777
Net assets:						
Invested in capital assets, net of related debt	\$ 2,631,382	\$ 2,422,090	\$ 5,610,317	\$ 5,762,362	\$ 8,241,699	\$ 8,184,452
Unrestricted	11,782,612	9,928,451	(18,810)	(20,563)	11,763,802	9,907,888
Total net assets	\$ 14,413,994	\$ 12,350,541	\$ 5,591,507	\$ 5,741,799	\$ 20,005,501	\$ 18,092,340

Unrestricted net assets of governmental activities account for \$11.8 million or 81.7% of the County's net assets and is used to meet the County's ongoing obligations. The remaining balance of the County's governmental net assets is investment in capital assets (e.g. land, buildings, systems, machinery & 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, so they are not available for future spending.

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Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Surry, Virginia's Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 183,647	\$ 173,396	\$ 60,427	\$ 60,662	\$ 244,074	\$ 234,058
Operating grants and contributions	2,231,420	2,204,458	-	-	2,231,420	2,204,458
Capital grants and contributions	70,447	186,400	-	-	70,447	186,400
General revenues:						
General property taxes	19,924,721	18,997,082	-	-	19,924,721	18,997,082
Other local taxes	878,104	692,822	-	-	878,104	692,822
Grants and other contributions not restricted	771,328	735,599	-	-	771,328	735,599
Other general revenues	110,344	134,417	-	-	110,344	134,417
Transfers	(240,853)	(277,520)	240,853	277,520	-	-
Total revenues	\$ 23,929,158	\$ 22,846,654	\$ 301,280	\$ 338,182	\$ 24,230,438	\$ 23,184,836
Expenses:						
General government						
administration	\$ 1,375,325	\$ 1,381,514	\$ -	\$ -	\$ 1,375,325	\$ 1,381,514
Judicial administration	734,692	742,347	-	-	734,692	742,347
Public safety	3,022,043	2,732,338	-	-	3,022,043	2,732,338
Public works	1,059,277	995,742	451,572	422,687	1,510,849	1,418,429
Health and welfare	2,269,681	2,440,233	-	-	2,269,681	2,440,233
Education	11,570,030	11,787,315	-	-	11,570,030	11,787,315
Parks, recreation, and cultural	515,549	571,977	-	-	515,549	571,977
Community development	570,296	484,311	-	-	570,296	484,311
Interest and other fiscal charges	748,812	798,490	-	-	748,812	798,490
Total expenses	\$ 21,865,705	\$ 21,934,267	\$ 451,572	\$ 422,687	\$ 22,317,277	\$ 22,356,954
Change in net assets	\$ 2,063,453	\$ 912,387	\$ (150,292)	\$ (84,505)	\$ 1,913,161	\$ 827,882
Beginning of year	12,350,541	11,438,154	5,741,799	5,826,304	18,092,340	17,264,458
End of year	\$ 14,413,994	\$ 12,350,541	\$ 5,591,507	\$ 5,741,799	\$ 20,005,501	\$ 18,092,340

The *Statement of Activities* illustrates the general revenue sources that support the various governmental operations. Governmental activities increased the County's net assets by \$2,063,453 from \$12.4 million to \$14.4 million at June 30, 2012. Key factors associated with the increase in net assets include:

- An increase of \$927,639 in general property taxes, primarily public service corporation taxes;
- An increase of \$185,282 in other local taxes, primarily local sales and business license taxes.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

The net assets of the County's business-type activities decreased from \$5.7 million in FY2011 to \$5.6 million. This is primarily attributed to the depreciation of infrastructure. The County's general fund provided \$240,854 in operating support for the Utilities Fund in FY2012. The following table shows the revenues and expenditures of the governmental and business-type activities.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

The County's total revenues from the general fund were \$24.1 million for the fiscal year ended June 30, 2012. General Fund revenue increased by 6.3% from FY2011. General property taxes, the largest source of revenue, were \$20.0 million. It is composed of primarily public service corporation taxes (\$12.2 million), real estate taxes (\$6.4 million) and personal property taxes (\$1.2 million). Over 82% of the County's revenue from governmental activities is derived from property taxes as shown in the table of Revenue Classified by Source.

Other local taxes is comprised primarily of the local sales tax; business and vehicle licenses; utility consumption taxes; and recordation tax. The second largest local revenue source, other local taxes totaled \$878,104 in FY12. This represented an \$184,196, or 24.7% increase over the previous year due primarily to an increase in the local sales tax distributed by the state. Revenue from the use of money and property is associated with bank account interest rates and investments. A modest increase of 2.5% reflects the slowly recovering economy.

	<u>June 30, 2012</u>		<u>June 30, 2011</u>		<u>Increase/(Decrease)</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Change</u>
General Property Taxes	\$19,964,237	82.76%	\$18,768,963	82.68%	\$1,195,274	6.37%
Other Local Taxes	878,104	3.64%	692,822	3.05%	185,282	26.74%
Permits, Fees and Regulatory Licenses	50,542	0.21%	36,976	0.16%	13,566	36.69%
Fines & Forfeitures	18,091	0.07%	12,182	0.05%	5,909	48.51%
Revenue from Use of Money & Property	90,902	0.38%	88,728	0.39%	2,174	2.45%
Charges for Services	112,347	0.47%	124,238	0.55%	(11,891)	-9.57%
Miscellaneous & Recovered Cost	5,476	0.02%	36,869	0.16%	(31,393)	-85.15%
Intergovernmental:						
Commonwealth	2,126,006	8.81%	2,095,270	9.23%	30,736	1.47%
Federal	876,742	3.63%	844,787	3.72%	31,955	3.78%
Total Revenues	\$24,122,447	100%	\$22,700,835	100%	\$1,421,612	6.26%

Intergovernmental Revenues allocated by the state and federal governments totaled \$3.0 million during FY2012, an increase of \$62,691 or 2.1%. Revenue from the commonwealth for non-categorical aid increased by just fewer than 4.0%, or \$26,976, in FY12. Non-categorical aid is not earmarked for a specific program, so it may be used for general operation of the local government. The bulk of non-categorical aid is the state reimbursement for personal property tax relief of \$677,907. Shared expenses (the state share of the operation of the constitutional offices and electoral board/registrar increased by \$21,533, or 2.7%, while the other categorical aid consisting of welfare administration and federal & state grants moderately increased by \$14,260, or 1.1%.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds Expenditure Analysis

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

Expenditures by Function - Governmental Funds

	June 30, 2012		June 30, 2011		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Government Administration	1,303,131	6.00%	1,315,093	6.10%	(11,962)	-0.92%
Judicial Administration	402,742	1.85%	398,667	1.85%	4,075	1.01%
Public Safety	2,730,279	12.57%	2,431,375	11.28%	298,904	10.95%
Public Works	1,009,790	4.65%	953,519	4.42%	56,271	5.57%
Health & Welfare	2,337,613	10.76%	2,219,441	10.29%	118,172	5.06%
Education	11,338,153	52.19%	11,413,268	52.94%	(75,115)	-0.66%
Parks, Recreation & Cultural	490,216	2.26%	532,124	2.47%	(41,908)	-8.55%
Community Development	403,859	1.86%	413,643	1.92%	(9,784)	-2.42%
Debt Service: Principal Retirement	936,045	4.31%	1,069,826	4.96%	(133,781)	-14.29%
Debt Service: Interest Payments	772,479	3.56%	813,512	3.77%	(41,033)	-5.31%
Total Expenditures	21,724,307	100%	21,560,468	100%	163,839	0.75%

The County's total general fund expenditures of \$21.7 million for the fiscal year ended June 30, 2012 covered a wide range of services, with 52.2% or \$11.3 million for education (payments to the School System, a component unit), 12.6% or \$2.7 million for public safety, 10.8% or \$2.3 million for health and welfare services, 7.9% or \$1.7 million for debt service and 6.0% or \$1.3 million related to general government administration. The remaining 10.5% include expenditures for public works, parks & recreation, community development and judicial administration. Expenditures for the fiscal year ended June 30, 2012 (excluding education) increased by 2.4% or \$238,954 from the previous year. The fiscal year saw moderate spending increases for projects dependent on non-local funding.

The General Fund is the primary operating fund of the County. Primarily, the County's ending fund balance at June 30th is used to fund financial obligations of the County from July 1st through December 5th of each year, when the County receives its largest influx of revenue in the form of general property taxes. Prior to December 5th only minimal revenues such as federal and state reimbursements, fees for services, permits and fines are routinely received. Therefore, not all of the \$11.4 million is available for spending at the County's discretion. In short, the County depends on its fund balance, or reserves for cash flow at certain times during the fiscal year.

The County's current policy has established a committed fund balance of 25% of General Fund appropriated expenditures. At June 30, 2012 the committed fund balance was \$5,788,537, or 50.9%, and the unassigned fund balance was \$5,591,064, or 49.1% of the total fund balance.

The Capital Projects Fund consists of the non-operating expenditures and reflects the capital needs of the County. Capital expenditures are not recurring, operating expenditures, but one-time significant expenditures for the construction of buildings & infrastructure or the purchase of large equipment & vehicles. The fund balance at June 30, 2012 was \$1,761,207.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

The FY12 capital expenditures totaled \$367,937, including these projects:

- A new roll-off truck in the sanitation department -- \$135,200, or 36.7%;
- The broadband implementation project -- \$103,932, or 28.3%;
- Completion of the Surry County High School renovations -- \$51,878, or 14.1%;
- Parks & recreation community building upgrade -- \$31,074, or 8.4%;
- Stabilization of various County-owned buildings -- \$24,965, or 6.8%; and
- Miscellaneous small projects -- \$20,888, or 5.7%.

General Fund Budgetary Highlights

Surry County generally takes a conservative approach to financial management, staying well within budgetary limits for expenditures during the fiscal year. FY2012 had general fund operating expenditures of \$1.4 million below the revised budget. The County's budget was amended during the year to reflect grants, carryover of unspent appropriations from FY11 and other unanticipated revenues. The difference between the original adopted budget and the amended budget was \$141,406.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2012 totaled \$20.3 million (net of accumulated depreciation). This represents a net decrease of \$730,237 due to completed construction in progress and related equipment. The investment in capital assets includes land, buildings, infrastructure and machinery & equipment. Additional information on the County's capital assets can be found in Note 5 of this report.

Long-Term Debt - At the end of the current fiscal year, the County had total debt outstanding of \$20.6 million, excluding bond premiums, compensated absences, other post-employment benefits (OPEB) and landfill post-closure liability. Of this amount, \$2.7 million 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 through revenue bonds and lease revenue bonds.

The amount of debt outstanding related to School Board activities is \$2.8 million of the total outstanding general obligation bonds of the governmental activities.

During the current fiscal year, the County's total debt decreased by \$994,114, excluding compensated absences, OPEB and landfill post-closure liability.

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

Economic Factors and Next Year's Budget and Rates

- The average unemployment rate for the County for the fiscal year ending June 30, 2012 was 7.0%, a decrease of 0.6% from the same period last year. Generally, the County's unemployment rate has tracked slightly above the state's average.
- The FY13 operating budget for all funds is \$42.0 million, a decrease of .4% from the FY12 budget.
- Tax rates for future periods are dependent on the effects of fluctuations in the assessed valuations of real property. For 2012, the real property tax rate remained at \$0.73 per \$100 of assessed value.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Requests for Information

This financial report is designed to provide all those with an interest in the County's finances with a general overview of the finances and to demonstrate the County's stewardship of public funds. 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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Surry, Virginia
Statement of Net Assets
June 30, 2012

	Primary Government				
	Governmental	Business-type	Total	Component Units	
	Activities	Activities		School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 13,440,941	\$ -	\$ 13,440,941	\$ 957,502	\$ 102,783
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,107,287	-	1,107,287	-	-
Accounts receivable	18,313	10,508	28,821	58,843	-
Due from other governmental units	397,584	-	397,584	611,157	-
Capital assets (net of accumulated depreciation):					
Land and land improvements	685,158	3,636	688,794	158,330	-
Buildings and system	17,878,969	6,339,937	24,218,906	8,488,847	-
Equipment	1,702,105	112,041	1,814,146	2,069,305	-
Total assets	<u>\$ 35,230,357</u>	<u>\$ 6,466,122</u>	<u>\$ 41,696,479</u>	<u>\$ 12,343,984</u>	<u>\$ 102,783</u>
LIABILITIES					
Accounts payable	\$ 447,915	\$ 26,766	\$ 474,681	\$ 466,747	-
Accrued liabilities	-	-	-	1,144,832	-
Accrued interest payable	308,190	2,552	310,742	-	-
Due to other governmental units	248,609	-	248,609	-	-
Unearned revenue	20,028	-	20,028	-	-
Long-term liabilities:					
Due within one year	947,493	58,972	1,006,465	8,117	-
Due in more than one year	18,844,128	786,325	19,630,453	142,300	-
Total liabilities	<u>\$ 20,816,363</u>	<u>\$ 874,615</u>	<u>\$ 21,690,978</u>	<u>\$ 1,761,996</u>	<u>\$ -</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 2,631,382	\$ 5,610,317	\$ 8,241,699	\$ 10,716,482	\$ -
Unrestricted (deficit)	11,782,612	(18,810)	11,763,802	(134,494)	102,783
Total net assets	<u>\$ 14,413,994</u>	<u>\$ 5,591,507</u>	<u>\$ 20,005,501</u>	<u>\$ 10,581,988</u>	<u>\$ 102,783</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, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	School Board	IDA
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 1,375,325	\$ 12,414	\$ 166,851	\$ -	\$ (1,196,060)	\$ (1,196,060)			
Judicial administration	734,692	41,784	284,935	-	(407,973)	(407,973)			
Public safety	3,022,043	50,841	582,999	-	(2,388,203)	(2,388,203)			
Public works	1,059,277	49,139	-	-	(1,010,138)	(1,010,138)			
Health and welfare	2,269,681	-	1,120,413	-	(1,149,268)	(1,149,268)			
Education	11,570,030	-	-	-	(11,570,030)	(11,570,030)			
Parks, recreation, and cultural	515,549	29,469	2,632	-	(483,448)	(483,448)			
Community development	570,296	-	73,590	70,447	(426,259)	(426,259)			
Interest on long-term debt	748,812	-	-	-	(748,812)	(748,812)			
Total governmental activities	\$ 21,865,705	\$ 183,647	\$ 2,231,420	\$ 70,447	\$ (19,380,191)	\$ (19,380,191)			
Business-type activities:									
Water and sewer	\$ 451,572	\$ 60,427	\$ -	\$ -	\$ (391,145)	\$ (391,145)			
Total business-type activities	\$ 451,572	\$ 60,427	\$ -	\$ -	\$ (391,145)	\$ (391,145)			
Total primary government	\$ 22,317,277	\$ 244,074	\$ 2,231,420	\$ 70,447	\$ (19,771,336)	\$ (19,771,336)			
COMPONENT UNITS:									
School Board	\$ 16,894,429	\$ 248,328	\$ 4,421,038	\$ -	\$ (12,225,063)	\$ (12,225,063)			
Industrial Development Authority	1,324	-	-	-	-	-			
Total component unit	\$ 16,895,753	\$ 248,328	\$ 4,421,038	\$ -	\$ (12,225,063)	\$ (12,225,063)			
General revenues:									
General property taxes					\$ 19,924,721	\$ 19,924,721	\$ -	\$ -	\$ -
Other local taxes:									
Local sales and use taxes					590,947	590,947	-	-	-
Motor vehicle licenses					131,104	131,104	-	-	-
Other local taxes					156,053	156,053	-	-	-
Unrestricted revenues from use of money and property					91,269	91,269	423	94	94
Miscellaneous					19,075	19,075	-	69,345	-
Payments from Surry County					-	-	-	11,676,897	-
Grants and contributions not restricted to specific programs					771,328	771,328	-	-	-
Transfers					(240,853)	(240,853)	-	-	-
Total general revenues					\$ 21,443,644	\$ 21,443,644	\$ 21,684,497	\$ 11,746,665	\$ 94
Change in net assets					\$ 2,063,453	\$ (150,292)	\$ 1,913,161	\$ (478,398)	\$ (1,230)
Net assets - beginning					12,350,541	5,741,799	18,092,340	11,060,386	104,013
Net assets - ending					\$ 14,413,994	\$ 5,591,507	\$ 20,005,501	\$ 10,581,988	\$ 102,783

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

FUND FINANCIAL STATEMENTS

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County of Surry, Virginia
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 11,318,187	\$ 1,932,480	\$ 190,274	\$ 13,440,941
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,107,287	-	-	1,107,287
Accounts receivable	18,313	-	-	18,313
Due from other governmental units	397,584	-	-	397,584
Total assets	<u>\$ 12,841,371</u>	<u>\$ 1,932,480</u>	<u>\$ 190,274</u>	<u>\$ 14,964,125</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 276,642	\$ 171,273	\$ -	\$ 447,915
Due to other governmental units	248,609	-	-	248,609
Deferred revenue	936,519	-	-	936,519
Total liabilities	<u>\$ 1,461,770</u>	<u>\$ 171,273</u>	<u>\$ -</u>	<u>\$ 1,633,043</u>
Fund balances:				
Committed	\$ 5,788,537	\$ 1,761,207	\$ 217,988	\$ 7,767,732
Unassigned	5,591,064	-	(27,714)	5,563,350
Total fund balances	<u>\$ 11,379,601</u>	<u>\$ 1,761,207</u>	<u>\$ 190,274</u>	<u>\$ 13,331,082</u>
Total liabilities and fund balances	<u>\$ 12,841,371</u>	<u>\$ 1,932,480</u>	<u>\$ 190,274</u>	<u>\$ 14,964,125</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, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 13,331,082
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$ 30,175,457		
Less: accumulated depreciation	<u>(9,909,225)</u>		20,266,232

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		916,491
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

General obligation bonds	\$ (2,804,229)		
Revenue bond payable	(1,440,621)		
Bank loan payable	(13,390,000)		
Compensated absences	(215,398)		
OPEB Liability	(25,928)		
Landfill postclosure care	(1,915,445)		
Accrued interest payable	<u>(308,190)</u>		(20,099,811)

Net assets of governmental activities		<u>\$ 14,413,994</u>
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The notes to the financial statements are an integral part of this statement.

County of Surry, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 19,964,237	\$ -	\$ -	\$ 19,964,237
Other local taxes	878,104	-	-	878,104
Permits, privilege fees, and regulatory licenses	50,542	-	-	50,542
Fines and forfeitures	18,091	-	-	18,091
Revenue from the use of money and property	90,902	265	102	91,269
Charges for services	112,347	-	2,667	115,014
Miscellaneous	5,267	-	13,808	19,075
Recovered costs	209	-	-	209
Intergovernmental revenues:				
Commonwealth	2,126,006	-	-	2,126,006
Federal	876,742	70,447	-	947,189
Total revenues	<u>\$ 24,122,447</u>	<u>\$ 70,712</u>	<u>\$ 16,577</u>	<u>\$ 24,209,736</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,303,131	\$ -	\$ -	\$ 1,303,131
Judicial administration	402,742	-	-	402,742
Public safety	2,730,279	-	-	2,730,279
Public works	1,009,790	-	-	1,009,790
Health and welfare	2,337,613	-	-	2,337,613
Education	11,338,153	-	-	11,338,153
Parks, recreation, and cultural	490,216	-	-	490,216
Community development	403,859	-	600	404,459
Capital projects	-	367,937	-	367,937
Debt service:				
Principal retirement	936,045	-	-	936,045
Interest and other fiscal charges	772,479	-	-	772,479
Total expenditures	<u>\$ 21,724,307</u>	<u>\$ 367,937</u>	<u>\$ 600</u>	<u>\$ 22,092,844</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,398,140</u>	<u>\$ (297,225)</u>	<u>\$ 15,977</u>	<u>\$ 2,116,892</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 57,393	\$ 437,836	\$ 99,227	\$ 594,456
Transfers out	(340,080)	-	(495,229)	(835,309)
Total other financing sources (uses)	<u>\$ (282,687)</u>	<u>\$ 437,836</u>	<u>\$ (396,002)</u>	<u>\$ (240,853)</u>
Net change in fund balances	\$ 2,115,453	\$ 140,611	\$ (380,025)	\$ 1,876,039
Fund balances - beginning	9,264,148	1,620,596	570,299	11,455,043
Fund balances - ending	<u>\$ 11,379,601</u>	<u>\$ 1,761,207</u>	<u>\$ 190,274</u>	<u>\$ 13,331,082</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, 2012

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

Net change in fund balances - total governmental funds \$ 1,876,039

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 asset additions	\$ 435,647	
Depreciation expense	(825,885)	
Activity related to joint tenancy assets of Component Unit and Primary Government	(339,999)	(730,237)

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

Increase(decrease) in deferred property taxes	\$ (39,516)	(39,516)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The following is a summary of items supporting this adjustment:

Principal retired on school general obligation bonds	\$ 180,000	
Principal retired on revenue bond payable	196,045	
Principal retired on bank loans payable	560,000	
Bond premium amortization	3,484	
Decrease (increase) in landfill postclosure liability	(21,456)	918,073

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	\$ 25,658	
Decrease (increase) in OPEB liability	(6,747)	
Decrease (increase) in interest payable	20,183	39,094

Change in net assets of governmental activities	\$ 2,063,453	
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The notes to the financial statements are an integral part of this statement.

County of Surry, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Enterprise Fund Water and <u>Sewer</u>
ASSETS	
Current assets:	
Accounts receivable, net of allowance for uncollectibles	\$ 10,508
Total current assets	\$ 10,508
Noncurrent assets:	
Capital assets:	
Land	\$ 3,636
Utility plant in service	7,898,176
Machinery and equipment	177,200
Less accumulated depreciation	(1,623,398)
Total capital assets	\$ 6,455,614
Total noncurrent assets	\$ 6,455,614
Total assets	\$ 6,466,122
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 26,766
Accrued interest payable	2,552
Bonds payable - current portion	58,972
Total current liabilities	\$ 88,290
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 786,325
Total noncurrent liabilities	\$ 786,325
Total liabilities	\$ 874,615
NET ASSETS	
Invested in capital assets, net of related debt	\$ 5,610,317
Unrestricted (deficit)	(18,810)
Total net assets	\$ 5,591,507

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, 2012

	Enterprise Fund <u>Water and Sewer</u>
OPERATING REVENUES	
Charges for services:	
Water and sewer revenues	\$ 60,427
Total operating revenues	<u>\$ 60,427</u>
OPERATING EXPENSES	
Other supplies and expenses	\$ 210,022
Depreciation	209,175
Total operating expenses	<u>\$ 419,197</u>
Operating income (loss)	<u>\$ (358,770)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest expense	\$ (32,375)
Total nonoperating revenues (expenses)	<u>\$ (32,375)</u>
Income before contributions and transfers	<u>\$ (391,145)</u>
Transfers in	<u>\$ 240,853</u>
Change in net assets	<u>\$ (150,292)</u>
Total net assets - beginning	5,741,799
Total net assets - ending	<u><u>\$ 5,591,507</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, 2012

	Enterprise Fund <u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 57,041
Payments to suppliers	(210,252)
Net cash provided (used) by operating activities	<u>\$ (153,211)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 240,853
Net cash provided (used) by noncapital financing activities	<u>\$ 240,853</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (57,130)
Interest payments	(32,086)
Net cash provided (used) by capital and related financing activities	<u>\$ (89,216)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (1,574)</u>
Cash and cash equivalents - beginning	1,574
Cash and cash equivalents - ending	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (358,770)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	209,175
(Increase) decrease in accounts receivable	(3,386)
Increase (decrease) in accounts payable	(230)
Total adjustments	<u>\$ 205,559</u>
Net cash provided (used) by operating activities	<u><u>\$ (153,211)</u></u>

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

County of Surry, Virginia
 Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 38,294
Total assets	\$ 38,294
 LIABILITIES	
Amounts held for social services clients	\$ 37,503
Amounts held for others	791
Total liabilities	\$ 38,294

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

NOTES TO THE FINANCIAL STATEMENTS

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements
As of June 30, 2012

Note 1—Summary of Significant Accounting Policies:

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

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

Financial Statement Presentation

The County's financial report is prepared in accordance with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

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

Government-Wide and Fund Financial Statements

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

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

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2012

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

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

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

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

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

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Surry (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

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, 2012.

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, 2012.

The Surry County Industrial Development Authority is responsible for industrial and commercial development in the County. The Authority consists of five members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the IDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2012. The Authority does not issue a separate financial report.

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

None

Excluded from the County's Annual Financial Report

District 19 Community Services Board

The District 19 Community Services Board is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The governing body of this organization is appointed by the participating jurisdictions which include the Cities of Colonial Heights, Emporia, Hopewell, Petersburg and the Counties of Surry, Greensville, Prince George and Sussex. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations. Surry County contributed \$56,867 to the District 19 Community Services Board for the fiscal year ended June 30, 2012.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Governmental Funds

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

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

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2012

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

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

1. Governmental Funds (Continued)

The County reports the following non-major governmental funds:

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

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 which consists of the Special Welfare Fund, the Crater AAA Fund, and the Emergency Food and Shelter Fund. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

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

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

E. Cash and Cash Equivalents

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

F. Investments

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

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

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

G. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e. noncurrent portion of interfund loans).

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 \$67,794 at June 30, 2012 and is comprised of property taxes of \$58,849 and water and sewer charges of \$8,945.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

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

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

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

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

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

I. Compensated Absences

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

J. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service cost over a 30-year period. The County’s policy is to fund pension cost as it accrues.

K. Use of Estimates

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

L. Fund Equity

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

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2012

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

L. Fund Equity (Continued)

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

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

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

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

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

	<u>General Fund</u>	<u>County Capital Projects</u>	<u>Other Funds</u>	<u>Total</u>
Fund Balances:				
Committed to:				
Ongoing expenditure obligations	\$ 5,788,537	\$ -	\$ -	\$ 5,788,537
Capital Improvements	-	1,761,207	-	1,761,207
DEA Task Force	-	-	99,317	99,317
Economic Development	-	-	118,671	118,671
Total Committed Fund Balance	<u>\$ 5,788,537</u>	<u>\$ 1,761,207</u>	<u>\$ 217,988</u>	<u>\$ 7,767,732</u>
Unassigned Fund Balance	\$ 5,591,064	\$ -	(27,714)	\$ 5,563,350
Total Fund Balances	<u><u>\$ 11,379,601</u></u>	<u><u>\$ 1,761,207</u></u>	<u><u>\$ 190,274</u></u>	<u><u>\$ 13,331,082</u></u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

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

M. Net Assets

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

N. Long-term Obligations

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

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

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any funds at June 30, 2012.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2012

Note 3—Deposits and Investments:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. Seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2012 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	<u>\$ 12,315,751</u>
Total	<u>\$ 12,315,751</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2012

Note 3—Deposits and Investments: (Continued)

External Investment Pools

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

Note 4—Due to/from Other Governments:

At June 30, 2012, the County has receivables due from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Surry	\$ -	\$ 248,609
Commonwealth of Virginia:		
Local sales tax	122,248	-
Juror payments	3,240	-
Rolling stock tax	18	-
State Sales Tax	-	169,897
Local law enforcement block grant	4,531	-
Constitutional officer reimbursements	66,015	-
Recordation tax	4,839	-
Mobile home titling tax	340	-
Communications tax	8,957	-
Comprehensive services act	32,784	-
Disaster recovery	164	-
Welfare	33,583	-
Fire programs	2,078	-
E-911 wireless grant	4,927	-
Radiological emergency services	25,000	-
Federal Government:		
Workforce development	14,691	-
Disaster recovery	15,836	-
Byrne JAG grant	748	-
School fund grants	-	192,651
Welfare	57,585	-
Total due from other governments	<u>\$ 397,584</u>	<u>\$ 611,157</u>

At June 30, 2012, amounts due to other local governments are as follows:

Other Local Governments:		
Surry County School Board	<u>\$ 248,609</u>	<u>\$ -</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<i>Primary Government:</i>				
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 685,158	\$ -	\$ -	\$ 685,158
Total capital assets not subject to depreciation	\$ 685,158	\$ -	\$ -	\$ 685,158
Capital assets subject to depreciation:				
Buildings and improvements	\$ 18,790,238	\$ 8,022	\$ -	\$ 18,798,260
Equipment	4,403,750	267,625	116,151	4,555,224
Jointly owned assets	6,227,551	160,000	250,736	6,136,815
Total capital assets subject to depreciation	\$ 29,421,539	\$ 435,647	\$ 366,887	\$ 29,490,299
Less accumulated depreciation for:				
Buildings and improvements	\$ 3,188,808	\$ 475,483	\$ -	\$ 3,664,291
Equipment	2,618,868	350,402	116,151	2,853,119
Jointly owned assets	3,302,552	161,797	72,534	3,391,815
Total accumulated depreciation	\$ 9,110,228	\$ 987,682	\$ 188,685	\$ 9,909,225
Total capital assets subject to depreciation, net	\$ 20,311,311	\$ (552,035)	\$ 178,202	\$ 19,581,074
Governmental activities capital assets, net	<u>\$ 20,996,469</u>	<u>\$ (552,035)</u>	<u>\$ 178,202</u>	<u>\$ 20,266,232</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 158,330	\$ -	\$ -	\$ 158,330
Total capital assets not subject to depreciation	\$ 158,330	\$ -	\$ -	\$ 158,330
Capital assets subject to depreciation:				
Equipment	\$ 4,570,792	\$ 223,796	\$ 39,200	\$ 4,755,388
Building improvement	184,686	-	-	184,686
Jointly owned assets	18,376,740	-	(250,736)	18,627,476
Total capital assets subject to depreciation	\$ 23,132,218	\$ 223,796	\$ (211,536)	\$ 23,567,550
Less: accumulated depreciation for:				
Equipment	\$ 2,404,895	\$ 320,388	\$ 39,200	\$ 2,686,083
Building improvement	23,298	4,617	-	27,915
Jointly owned assets	9,745,424	477,442	(72,534)	10,295,400
Total accumulated depreciation	\$ 12,173,617	\$ 802,447	\$ (33,334)	\$ 13,009,398
Total capital assets subject to depreciation, net	\$ 10,958,601	\$ (578,651)	\$ (178,202)	\$ 10,558,152
Component unit school board capital assets, net	<u>\$ 11,116,931</u>	<u>\$ (578,651)</u>	<u>\$ (178,202)</u>	<u>\$ 10,716,482</u>
Governmental activities:				
General government administration			\$ 62,108	
Judicial administration			330,796	
Public safety			337,458	
Public works			28,383	
Health and welfare			21,028	
Education			161,797	
Parks, recreation and cultural			17,358	
Community development			28,754	
Total Governmental activities			<u>\$ 987,682</u>	
Business-type activities			<u>\$ 209,175</u>	
Component Unit School Board			<u>\$ 802,447</u>	

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 5—Capital Assets: (Continued)

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Surry, Virginia for the year ended June 30, 2012, is that school financed assets in the amount of \$2,745,000 are reported in the Primary Government for financial reporting purposes.

A summary of proprietary fund property, plant, and equipment at June 30, 2012 follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<i>Business-type activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 3,636	\$ -	\$ -	\$ 3,636
Total capital assets not subject to depreciation	\$ 3,636	\$ -	\$ -	\$ 3,636
Capital assets subject to depreciation:				
Utility Plant in Service	\$ 7,898,176	\$ -	\$ -	\$ 7,898,176
Equipment	177,200	-	-	177,200
Total capital assets subject to depreciation	\$ 8,075,376	\$ -	\$ -	\$ 8,075,376
Less: accumulated depreciation for:				
Utility Plant in Service	\$ 1,360,783	\$ 197,455	\$ -	\$ 1,558,238
Equipment	53,440	11,720	-	65,160
Total accumulated depreciation	\$ 1,414,223	\$ 209,175	\$ -	\$ 1,623,398
Total capital assets subject to depreciation, net	\$ 6,661,153	\$ (209,175)	\$ -	\$ 6,451,978
Business-type activities capital assets, net	\$ 6,664,789	\$ (209,175)	\$ -	\$ 6,455,614

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2012 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 57,393	\$ 340,080
Other governmental funds	99,227	495,229
County Capital Projects Fund	437,836	-
Water and Sewer Fund	<u>240,853</u>	<u>-</u>
Total	<u>\$ 835,309</u>	<u>\$ 835,309</u>

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

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 7—Long Term Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2012:

Primary Government:

	Amounts Payable at July 1, 2011	Increases	Decreases	Amounts Payable at June 30, 2012	Amounts Due Within One Year
Governmental Obligations:					
Incurred by County:					
Compensated absences (payable by General Fund)	\$ 241,056	\$ 29,275	\$ 54,933	\$ 215,398	\$ 21,540
Bank loans payable	13,950,000	-	560,000	13,390,000	585,000
Revenue bond payable	1,636,666	-	196,045	1,440,621	202,469
OPEB Liability	19,181	8,647	1,900	25,928	-
Landfill postclosure care	1,893,989	21,456	-	1,915,445	-
Total incurred by County	\$ 17,740,892	\$ 59,378	\$ 812,878	\$ 16,987,392	\$ 809,009
Incurred by School Board:					
General obligation bonds	\$ 2,925,000	\$ -	\$ 180,000	\$ 2,745,000	\$ 135,000
Bond premium	62,713	-	3,484	59,229	3,484
Total incurred by School Board	\$ 2,987,713	\$ -	\$ 183,484	\$ 2,804,229	\$ 138,484
Total General Fund Obligations	\$ 20,728,605	\$ 59,378	\$ 996,362	\$ 19,791,621	\$ 947,493
Incurred by Enterprise Fund:					
Revenue bond payable	\$ 902,427	\$ -	\$ 57,130	\$ 845,297	\$ 58,972
Total incurred by Enterprise Fund	\$ 902,427	\$ -	\$ 57,130	\$ 845,297	\$ 58,972
Total Primary Government Obligations	\$ 21,631,032	\$ 59,378	\$ 1,053,492	\$ 20,636,918	\$ 1,006,465

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 7—Long Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	Enterprise Fund Obligations		County Obligations			
	Revenue Bonds Payable		Bank Loans		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 58,972	\$ 30,243	\$ 585,000	\$ 543,045	\$ 202,469	\$ 48,664
2014	60,875	28,340	605,000	518,855	209,102	41,520
2015	62,840	26,375	625,000	496,845	215,953	34,142
2016	64,871	24,344	660,000	467,913	223,029	26,523
2017	66,969	22,247	685,000	440,545	230,336	18,643
2018	69,136	20,080	710,000	412,255	237,883	10,526
2019	71,375	17,841	740,000	382,837	121,849	2,132
2020	73,689	15,527	775,000	352,088	-	-
2021	11,825	13,615	810,000	320,005	-	-
2022	12,353	13,087	840,000	286,488	-	-
2023	12,905	12,535	875,000	251,637	-	-
2024	13,481	11,959	910,000	215,455	-	-
2025	14,082	11,358	940,000	177,837	-	-
2026	14,711	10,729	990,000	138,785	-	-
2027	15,368	10,072	1,025,000	97,785	-	-
2028	16,054	9,386	1,065,000	55,453	-	-
2029	16,770	8,670	550,000	11,275	-	-
2030	17,519	7,921	-	-	-	-
2031	18,301	7,139	-	-	-	-
2032	19,118	6,322	-	-	-	-
2033	19,971	5,469	-	-	-	-
2034	20,863	4,577	-	-	-	-
2035	21,794	3,646	-	-	-	-
2036	22,767	2,673	-	-	-	-
2037	23,783	1,657	-	-	-	-
2038	24,905	595	-	-	-	-
Total	\$ 845,297	\$ 326,407	\$ 13,390,000	\$ 5,169,103	\$ 1,440,621	\$ 182,150

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	School Obligations	
	General Obligation Bonds	
	Principal	Interest
2013	\$ 135,000	\$ 105,340
2014	145,000	129,570
2015	110,000	124,185
2016	115,000	119,572
2017	125,000	114,028
2018	130,000	107,525
2019	135,000	100,768
2020	145,000	93,446
2021	150,000	85,555
2022	160,000	77,262
2023	170,000	68,435
2024	180,000	59,072
2025	185,000	49,309
2026	200,000	39,010
2027	210,000	28,305
2028	220,000	17,340
2029	230,000	5,865
Total	<u>\$ 2,745,000</u>	<u>\$ 1,324,587</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

	<u>Total Amount</u>
<i><u>Incurred by County:</u></i>	
<u>Bank Loans Payable:</u>	
\$9,000,000 IDA Bank Loan Series 2006 B issued December 14, 2006, payable in various annual installments through August 1, 2028, interest payable semi-annually at 4.10%	\$ 8,035,000
\$6,000,000 IDA Bank Loan Series 2007 issued January 23, 2007, payable in various annual installments through August 1, 2028, interest payable semi-annually at 4.10%	5,355,000
Total Bank Loans Payable	<u>\$ 13,390,000</u>
\$2,100,000 lease revenue bond issued August 12, 2008, payable in various annual installments through August 15, 2018, interest payable semi-annually at 3.25%.	<u>\$ 1,440,621</u>
Landfill postclosure care liability (Note 14)	<u>\$ 1,915,445</u>
OPEB Liability (Note 15)	<u>\$ 25,928</u>
Compensated absences (payable by General Fund)	<u>\$ 215,398</u>
Total incurred by County	<u>\$ 16,987,392</u>
	<u>Total Amount</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%	\$ 65,000
\$2,950,000 School Bond issued December 11, 2008 payable in various annual installments through January 15, 2029, interest payable semi-annually ranging from 4.10% to 5.35%.	2,680,000
Total General Obligation Bonds	<u>\$ 2,745,000</u>
Bond issuance premium	<u>\$ 59,229</u>
Total incurred by School Board	<u>\$ 2,804,229</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows: (Continued)

Total
Amount

Enterprise Fund:

Revenue Bonds Payable:

\$937,575 Revenue Bond issued through the Virginia Resources Authority, payable in semi-annual installments of \$31,888 (principal and interest), interest payable semi-annually at 3.00%

\$ 450,613

\$470,000 Sewer System Revenue Bond issued through the U.S. Department of Agriculture, payable in monthly installments of \$2,158 (principal and interest) through March 1, 2046, interest payable at 4.500%

394,684

Total Revenue Bonds Payable

\$ 845,297

Total Long-Term Obligations, Enterprise Fund

\$ 845,297

Total Long-Term Obligations, Primary Government

\$ 20,636,918

Component Unit - School Board:

The following is a summary of long-term obligation transactions for the year ended June 30, 2012:

	Amounts Payable at July 1, 2011	Increases	Decreases	Amounts Payable at June 30, 2012	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences (payable by School Fund)	\$ 91,296	\$ 67,429	\$ 77,551	\$ 81,174	\$ 8,117
OPEB Liability	47,256	30,587	8,600	69,243	-
Total Component Unit-School Board	<u>\$ 138,552</u>	<u>\$ 98,016</u>	<u>\$ 86,151</u>	<u>\$ 150,417</u>	<u>\$ 8,117</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2012

Note 8—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$936,519 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$916,491 at June 30, 2012.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2012 but paid in advance by the taxpayers totaled \$20,028 at June 30, 2012.

Note 9— Commitments and Contingent Liabilities:

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

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

Note 10—Litigation:

At June 30, 2012, 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 such entities.

Note 11 —Risk Management:

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

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

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 11 –Risk Management: (Continued)

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

Note 12 –Defined Benefit Pension Plan:

Primary Government and Discretely Presented Component Unit-School Board:

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with a least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the members plan apply.

Note 12 – Defined Benefit Pension Plan: (Continued)

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

A. Plan Description (Continued)

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

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1, of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950) as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Website at: <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf>, or by writing to the System's Chief Financial Officer 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 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2012 was 9.33% of annual covered payroll.

The School Board's contributions for professional employees were \$490,114, \$313,302, and \$706,462 to the teacher cost-sharing pool for the fiscal years ended June 30, 2012, 2011, and 2010 respectively and these contributions represented 6.33%, 3.93%, and 8.81%, respectively, of current covered payroll.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 12 – Defined Benefit Pension Plan: (Continued)

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

C. Annual Pension Cost

For the fiscal year 2012, the County’s annual pension cost of \$249,356 (which does not include the portion of the employee share assumed by the employer which was \$159,843) was equal to the County’s required and actual contributions.

For the fiscal year 2012, the County School Board’s annual pension cost for the Board’s non-professional employees was \$62,721 (which does not include the employee portion assumed by the School Board of \$44,232), was equal to the Board’s required and actual contributions.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2012	\$ 249,356	100%	\$ -
June 30, 2011	252,887	100%	-
June 30, 2010	241,146	100%	-
School Board:			
Non-Professional:			
June 30, 2012	\$ 62,721	100%	\$ -
June 30, 2011	66,611	100%	-
June 30, 2010	69,628	100%	-

(1) Employer portion only

The fiscal year 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2012

Note 12 –Defined Benefit Pension Plan: (Continued)

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

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 79.92% funded. The actuarial accrued liability for benefits was \$15,258,959, and the actuarial value of assets was \$12,194,714, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,064,245. The covered payroll (annual payroll of active employees covered by the plan) was \$3,297,064, and ratio of the UAAL to the covered payroll was 92.94%.

As of June 30, 2011, the most recent actuarial valuation date, the School Board's Non-Professional plan was 80.26% funded. The actuarial accrued liability for benefits was \$5,522,300, and the actuarial value of assets was \$4,432,064, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,090,236. The covered payroll (annual payroll of active employees covered by the plan) was \$936,670, and the ratio of the UAAL to the covered payroll was 116.39%.

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

Note 13 –Surety Bonds:

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2012

Note 14 –Landfill Closure and Postclosure Care Cost:

The \$1,915,445 reported as landfill postclosure liability at June 30, 2012, represents the estimated liability for postclosure monitoring. This amount is based on what it would cost to perform all postclosure care in 2012 over a remaining period of 25 years. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 15 – Postemployment Benefits Other Than Pensions:

Plan Description

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

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

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

	<u>COUNTY</u>	<u>SCHOOLS</u>
Annual required contribution	\$ 8,600	\$ 30,500
Interest on net OPEB obligation	465	847
Adjustment to annual required contribution	(418)	(760)
Annual OPEB cost (expense)	<u>\$ 8,647</u>	<u>\$ 30,587</u>
Estimated Contributions made	<u>(1,900)</u>	<u>(8,600)</u>
Increase in net OPEB obligation	6,747	21,987
Net OPEB obligation-beginning of year	19,181	47,256
Net OPEB obligation-end of year	<u><u>\$ 25,928</u></u>	<u><u>\$ 69,243</u></u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2012

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

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County and School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2010, 2011 and 2012 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
6/30/2012	\$ 8,647	21.97%	\$ 25,928
6/30/2011	8,147	7.36%	19,181
6/30/2010	10,434	47.92%	11,634
Schools:			
6/30/2012	\$ 30,587	28.12%	\$ 69,243
6/30/2011	28,987	10.00%	47,256
6/30/2010	30,369	71.78%	21,169

Funded Status and Funding Progress

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

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

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

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

Actuarial Methods and Assumptions

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

The following simplifying assumptions were made:

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

Mortality-Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2012 using Scale AA.

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

Based on the historical and expected returns of the County and School Board's short-term investment portfolio, a discount of 4.0% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 was thirty years.

Note 16-Other Post-Employment Benefits (OPEB):

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2012

Note 16-Other Post-Employment Benefits (OPEB): (Continued)

A. Plan Description (Continued)

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 12.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .60% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2012 was \$44,656 and equaled the required contributions for each year.

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REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION:

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

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County of Surry, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 19,012,617	\$ 19,012,617	\$ 19,964,237	\$ 951,620
Other local taxes	656,000	656,000	878,104	222,104
Permits, privilege fees, and regulatory licenses	40,500	40,500	50,542	10,042
Fines and forfeitures	15,000	15,000	18,091	3,091
Revenue from the use of money and property	100,000	100,000	90,902	(9,098)
Charges for services	123,949	123,949	112,347	(11,602)
Miscellaneous	18,000	20,503	5,267	(15,236)
Recovered costs	2,950	2,950	209	(2,741)
Intergovernmental revenues:				
Commonwealth	2,246,422	2,297,774	2,126,006	(171,768)
Federal	890,643	1,005,962	876,742	(129,220)
Total revenues	\$ 23,106,081	\$ 23,275,255	\$ 24,122,447	\$ 847,192
EXPENDITURES				
Current:				
General government administration	\$ 1,697,961	\$ 1,534,076	\$ 1,303,131	\$ 230,945
Judicial administration	410,527	411,923	402,742	9,181
Public safety	2,776,832	2,882,671	2,730,279	152,392
Public works	1,065,629	1,067,787	1,009,790	57,997
Health and welfare	2,706,070	2,847,219	2,337,613	509,606
Education	11,611,619	11,649,619	11,338,153	311,466
Parks, recreation, and cultural	478,461	490,216	490,216	-
Community development	461,165	466,157	403,859	62,298
Debt service:				
Principal retirement	1,034,670	1,031,046	936,045	95,001
Interest and other fiscal charges	769,807	773,433	772,479	954
Total expenditures	\$ 23,012,741	\$ 23,154,147	\$ 21,724,307	\$ 1,429,840
Excess (deficiency) of revenues over (under) expenditures	\$ 93,340	\$ 121,108	\$ 2,398,140	\$ 2,277,032
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 57,393	\$ 57,393
Transfers out	(284,403)	(284,403)	(340,080)	(55,677)
Total other financing sources and uses	\$ (284,403)	\$ (284,403)	\$ (282,687)	\$ 1,716
Net change in fund balances	\$ (191,063)	\$ (163,295)	\$ 2,115,453	\$ 2,278,748
Fund balances - beginning	191,063	191,063	9,264,148	9,073,085
Fund balances - ending	\$ -	\$ 27,768	\$ 11,379,601	\$ 11,351,833

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

Primary Government:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2011	\$ 12,194,714	\$ 15,258,959	\$ 3,064,245	79.92%	\$ 3,297,064	92.94%
6/30/2010	11,941,182	15,047,109	3,105,927	79.36%	3,196,043	97.18%
6/30/2009	11,962,239	13,506,372	1,544,133	88.57%	3,336,404	46.28%
6/30/2008	11,791,428	12,921,580	1,130,152	91.25%	2,998,520	37.69%
6/30/2007	10,848,217	11,697,908	849,691	92.74%	2,877,082	29.53%
6/30/2006	9,603,245	10,523,636	920,391	91.25%	2,776,862	33.15%
6/30/2005	9,020,559	10,220,218	1,199,659	88.26%	2,879,240	41.67%
6/30/2004	8,700,433	8,523,224	(177,209)	102.08%	2,638,908	-6.72%
6/30/2003	8,570,934	7,909,687	(661,247)	108.36%	2,299,979	-28.75%
6/30/2002	8,480,532	7,283,232	(1,197,300)	116.44%	2,430,236	-49.27%

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)
6/30/2011	\$ 4,432,064	\$ 5,522,300	\$ 1,090,236	80.26%	\$ 936,670	116.39%
6/30/2010	4,429,141	5,310,214	881,073	83.41%	972,755	90.58%
6/30/2009	4,499,615	5,007,073	507,458	89.87%	1,032,553	49.15%
6/30/2008	4,540,241	4,803,356	263,115	94.52%	940,194	27.99%
6/30/2007	4,202,162	4,459,257	257,095	94.23%	1,017,784	25.26%
6/30/2006	3,818,648	3,917,932	99,284	97.47%	901,490	11.01%
6/30/2005	3,677,448	3,715,367	37,919	98.98%	955,447	3.97%
6/30/2004	3,635,421	3,603,172	(32,249)	100.90%	996,227	-3.24%
6/30/2003	3,590,492	3,016,020	(574,472)	119.05%	945,295	-60.77%
6/30/2002	3,579,055	3,082,517	(496,538)	116.11%	925,275	-53.66%

County of Surry, Virginia
 Schedule of Funding Progress - Retiree Healthcare Plan
 For the Year Ended June 30, 2012

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

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUNDS STATEMENTS AND
SCHEDULES*

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County of Surry, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 County Capital Projects Fund
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 265	\$ 265
Intergovernmental revenues:				
Commonwealth	850,000	850,000	-	(850,000)
Federal	-	-	70,447	70,447
Total revenues	<u>\$ 850,000</u>	<u>\$ 850,000</u>	<u>\$ 70,712</u>	<u>\$ (779,288)</u>
EXPENDITURES				
Capital projects	\$ 2,545,000	\$ 2,705,000	\$ 367,937	\$ 2,337,063
Total expenditures	<u>\$ 2,545,000</u>	<u>\$ 2,705,000</u>	<u>\$ 367,937</u>	<u>\$ 2,337,063</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (1,695,000)	\$ (1,855,000)	\$ (297,225)	\$ 1,557,775
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 437,836	\$ 437,836
Issuance of bonds	550,000	710,000	-	(710,000)
Total other financing sources (uses)	<u>\$ 550,000</u>	<u>\$ 710,000</u>	<u>\$ 437,836</u>	<u>\$ (272,164)</u>
Net change in fund balances	\$ (1,145,000)	\$ (1,145,000)	\$ 140,611	\$ 1,285,611
Fund balances - beginning	1,145,000	1,145,000	1,620,596	475,596
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,761,207</u>	<u>\$ 1,761,207</u>

County of Surry, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Fund
 For the Year Ended June 30, 2012

	Budgeted Amounts			Actual	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES					
Revenue from the use of money and property	\$ -	\$ -	\$ -	102	\$ 102
Charges for services	-	-	-	2,667	2,667
Miscellaneous	-	-	-	13,808	13,808
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>16,577</u>	<u>\$ 16,577</u>
EXPENDITURES					
Current:					
Community development	\$ 79,160	\$ 79,160	\$ -	600	\$ 78,560
Total expenditures	<u>\$ 79,160</u>	<u>\$ 79,160</u>	<u>\$ -</u>	<u>600</u>	<u>\$ 78,560</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (79,160)</u>	<u>\$ (79,160)</u>	<u>\$ -</u>	<u>15,977</u>	<u>\$ 95,137</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 79,160	\$ 79,160	\$ -	99,227	\$ 20,067
Transfers out	-	-	-	(495,229)	(495,229)
Total other financing sources and uses	<u>\$ 79,160</u>	<u>\$ 79,160</u>	<u>\$ -</u>	<u>(396,002)</u>	<u>\$ (475,162)</u>
Net change in fund balances	\$ -	\$ -	\$ -	(380,025)	\$ (380,025)
Fund balances - beginning	-	-	-	570,299	570,299
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>190,274</u>	<u>\$ 190,274</u>

County of Surry, Virginia
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Agency Funds			
	<u>Special Welfare</u>	<u>Crater AAA</u>	<u>Emergency Food and Shelter</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 37,503	\$ 655	\$ 136	\$ 38,294
Total assets	<u>\$ 37,503</u>	<u>\$ 655</u>	<u>\$ 136</u>	<u>\$ 38,294</u>
LIABILITIES				
Amounts held for others	\$ -	\$ 655	\$ 136	\$ 791
Amounts held for social services clients	37,503	-	-	37,503
Total liabilities	<u>\$ 37,503</u>	<u>\$ 655</u>	<u>\$ 136</u>	<u>\$ 38,294</u>

County of Surry, Virginia

Fiduciary Funds
Statement of Changes in Fiduciary Net Assets - Agency Funds
For the Year Ended June 30, 2012

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 35,043	\$ 4,003	\$ 1,543	\$ 37,503
Liabilities:				
Amounts held for social services clients	\$ 35,043	\$ 4,003	\$ 1,543	\$ 37,503
Crater AAA Fund:				
Assets:				
Cash and cash equivalents	\$ 7,357	\$ 28,935	\$ 35,637	\$ 655
Liabilities:				
Amounts held for others	\$ 7,357	\$ 28,935	\$ 35,637	\$ 655
Emergency Food and Shelter Fund:				
Assets:				
Cash and cash equivalents	\$ 135	\$ 1	\$ -	\$ 136
Liabilities:				
Amounts held for others	\$ 135	\$ 1	\$ -	\$ 136
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 42,535	\$ 32,939	\$ 37,180	\$ 38,294
Total assets	\$ 42,535	\$ 32,939	\$ 37,180	\$ 38,294
Liabilities:				
Amounts held for others	\$ 7,492	\$ 28,936	\$ 35,637	\$ 791
Amounts held for social services clients	35,043	4,003	1,543	37,503
Total liabilities	\$ 42,535	\$ 32,939	\$ 37,180	\$ 38,294

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Surry, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2012

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 915,649	\$ 41,853	\$ 957,502
Receivables (net of allowance for uncollectibles):			
Accounts receivable	58,843	-	58,843
Due from other governmental units	597,017	14,140	611,157
Total assets	<u>\$ 1,571,509</u>	<u>\$ 55,993</u>	<u>\$ 1,627,502</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 466,498	\$ 249	\$ 466,747
Accrued liabilities	1,105,011	39,821	1,144,832
Total liabilities	<u>\$ 1,571,509</u>	<u>\$ 40,070</u>	<u>\$ 1,611,579</u>
Fund balances:			
Committed:			
School Operating Fund	\$ -	\$ -	\$ -
School Cafeteria Fund	-	15,923	15,923
Total fund balances	<u>\$ -</u>	<u>\$ 15,923</u>	<u>\$ 15,923</u>
Total liabilities and fund balances	<u>\$ 1,571,509</u>	<u>\$ 55,993</u>	<u>\$ 1,627,502</u>

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

Total fund balances per above	\$ 15,923
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,716,482
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(150,417)
Net assets of governmental activities	<u>\$ 10,581,988</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, 2012

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 273	\$ 150	\$ 423
Charges for services	-	248,328	248,328
Miscellaneous	69,345	-	69,345
Intergovernmental revenues:			
Local government	11,336,898	-	11,336,898
Commonwealth	3,099,953	10,114	3,110,067
Federal	941,165	369,806	1,310,971
Total revenues	<u>\$ 15,447,634</u>	<u>\$ 628,398</u>	<u>\$ 16,076,032</u>
EXPENDITURES			
Current:			
Education	\$ 15,447,634	\$ 694,482	\$ 16,142,116
Total expenditures	<u>\$ 15,447,634</u>	<u>\$ 694,482</u>	<u>\$ 16,142,116</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (66,084)</u>	<u>\$ (66,084)</u>
Net change in fund balances	\$ -	\$ (66,084)	\$ (66,084)
Fund balances - beginning	-	82,007	82,007
Fund balances - ending	<u>\$ -</u>	<u>\$ 15,923</u>	<u>\$ 15,923</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	\$ (66,084)
--	-------------

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	\$ 223,796	
Depreciation expense	(964,244)	
Activity related to joint tenancy assets of Component Unit and Primary Government	<u>339,999</u>	(400,449)

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

(Increase) decrease in OPEB liability	\$ (21,987)	
(Increase) decrease in compensated absences	<u>10,122</u>	(11,865)

Change in net assets of governmental activities	<u>\$ (478,398)</u>
---	---------------------

County of Surry, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2012

	School Operating Fund				School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of money and property	\$ -	\$ -	\$ 273	\$ 273	\$ -	\$ -	\$ 150	\$ 150
Charges for services	-	-	-	-	275,000	265,000	248,328	(16,672)
Miscellaneous	109,384	109,384	69,345	(40,039)	-	-	-	-
Intergovernmental revenues:								
Local government	11,570,336	11,588,012	11,336,898	(251,114)	37,528	57,852	-	(57,852)
Commonwealth	3,086,535	3,106,803	3,099,953	(6,850)	10,534	10,210	10,114	(96)
Federal	564,905	773,179	941,165	167,986	275,000	362,144	369,806	7,662
Total revenues	\$ 15,331,160	\$ 15,577,378	\$ 15,447,634	\$ (129,744)	\$ 598,062	\$ 695,206	\$ 628,398	\$ (66,808)
EXPENDITURES								
Current:								
Education	\$ 15,331,160	\$ 15,577,378	\$ 15,447,634	\$ 129,744	\$ 598,062	\$ 695,206	\$ 694,482	\$ 724
Total expenditures	\$ 15,331,160	\$ 15,577,378	\$ 15,447,634	\$ 129,744	\$ 598,062	\$ 695,206	\$ 694,482	\$ 724
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (66,084)	\$ (66,084)
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (66,084)	\$ (66,084)
Fund balances - beginning	-	-	-	-	-	-	82,007	82,007
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,923	\$ 15,923

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*DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY*

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County of Surry, Virginia

Statement of Net Assets
 Discretely Presented Component Unit - Industrial Development Authority
 June 30, 2012

ASSETS

Current assets:

Cash and cash equivalents	\$	102,783
Total current assets	\$	<u>102,783</u>
Total assets	\$	<u><u>102,783</u></u>

NET ASSETS

Unrestricted	\$	102,783
Total net assets	\$	<u><u>102,783</u></u>

County of Surry, Virginia

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2012

OPERATING EXPENSES

Other charges	\$	<u>1,324</u>
Total operating expenses	\$	<u>1,324</u>
Operating income (loss)	\$	<u>(1,324)</u>

NONOPERATING REVENUES (EXPENSES)

Interest earnings	\$	<u>94</u>
Total nonoperating revenues (expenses)	\$	<u>94</u>
Change in net assets	\$	(1,230)
Total net assets - beginning		<u>104,013</u>
Total net assets - ending	\$	<u><u>102,783</u></u>

County of Surry, Virginia

Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Payments for operating activities	\$ <u>(1,324)</u>
Net cash provided (used) by operating activities	\$ <u>(1,324)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received	\$ <u>94</u>
Net cash provided (used) by investing activities	\$ <u>94</u>

Net increase (decrease) in cash and cash equivalents \$ (1,230)

Cash and cash equivalents - beginning	<u>104,013</u>
Cash and cash equivalents - ending	<u><u>102,783</u></u>

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	\$ <u>(1,324)</u>
Net cash provided (used) by operating activities	\$ <u><u>(1,324)</u></u>

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SUPPORTING SCHEDULES

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County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,357,444	\$ 6,357,444	\$ 6,434,102	\$ 76,658
Real and personal public service corporation taxes	11,432,113	11,432,113	12,199,403	767,290
Personal property taxes	1,103,060	1,103,060	1,160,757	57,697
Penalties	45,000	45,000	61,682	16,682
Interest	75,000	75,000	108,293	33,293
Total general property taxes	<u>\$ 19,012,617</u>	<u>\$ 19,012,617</u>	<u>\$ 19,964,237</u>	<u>\$ 951,620</u>
Other local taxes:				
Local sales and use taxes	\$ 380,000	\$ 380,000	\$ 590,947	\$ 210,947
Consumption tax	20,000	20,000	18,418	(1,582)
Business license taxes	63,760	63,760	93,276	29,516
Motor vehicle licenses	137,240	137,240	131,104	(6,136)
Taxes on recordation and wills	55,000	55,000	44,359	(10,641)
Total other local taxes	<u>\$ 656,000</u>	<u>\$ 656,000</u>	<u>\$ 878,104</u>	<u>\$ 222,104</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 5,500	\$ 5,500	\$ 4,895	\$ (605)
Building permits	20,000	20,000	33,396	13,396
Permits and other licenses	15,000	15,000	12,251	(2,749)
Total permits, privilege fees, and regulatory licenses	<u>\$ 40,500</u>	<u>\$ 40,500</u>	<u>\$ 50,542</u>	<u>\$ 10,042</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 15,000	\$ 15,000	\$ 18,091	\$ 3,091
Revenue from use of money and property:				
Revenue from use of money	\$ 30,000	\$ 30,000	\$ 20,526	\$ (9,474)
Revenue from use of property	70,000	70,000	70,376	376
Total revenue from use of money and property	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 90,902</u>	<u>\$ (9,098)</u>
Charges for services:				
Sheriff fees	\$ 299	\$ 299	\$ 299	\$ -
Charges for Commonwealth's Attorney	300	300	449	149
Charges for Treasurer	11,000	11,000	9,747	(1,253)
Courthouse maintenance fees	2,950	2,950	3,054	104
Charges for other court services	21,400	21,400	20,190	(1,210)
Charges for sanitation and waste removal	51,000	51,000	49,139	(1,861)
Charges for parks and recreation	37,000	37,000	29,469	(7,531)
Total charges for services	<u>\$ 123,949</u>	<u>\$ 123,949</u>	<u>\$ 112,347</u>	<u>\$ (11,602)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 18,000	\$ 20,503	\$ 5,267	\$ (15,236)

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

<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:				
VPI extension phone reimbursement	\$ 300	\$ 300	\$ 133	\$ (167)
Local health department	2,500	2,500	-	(2,500)
Care of animals	150	150	76	(74)
Total recovered costs	<u>\$ 2,950</u>	<u>\$ 2,950</u>	<u>\$ 209</u>	<u>\$ (2,741)</u>
 Total revenue from local sources	 <u>\$ 19,969,016</u>	 <u>\$ 19,971,519</u>	 <u>\$ 21,119,699</u>	 <u>\$ 1,148,180</u>
 Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ -	\$ -	\$ 18	\$ 18
Mobile home titling tax	15,000	15,000	14,097	(903)
Taxes on deeds	12,000	12,000	16,281	4,281
Communications tax	52,500	52,500	52,446	(54)
State recordation tax	22,000	22,000	10,258	(11,742)
Personal property tax relief funds	677,907	677,907	677,907	-
Reduction in state aid to local governments	(37,000)	(37,000)	-	37,000
Total noncategorical aid	<u>\$ 742,407</u>	<u>\$ 742,407</u>	<u>\$ 771,007</u>	<u>\$ 28,600</u>
 Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 70,017	\$ 70,017	\$ 69,221	\$ (796)
Sheriff	435,000	435,000	423,514	(11,486)
Commissioner of revenue	61,773	61,773	62,348	575
Treasurer	64,261	64,261	63,587	(674)
Registrar/electoral board	33,000	35,607	40,777	5,170
Clerk of the circuit court	141,920	141,920	155,766	13,846
Total shared expenses	<u>\$ 805,971</u>	<u>\$ 808,578</u>	<u>\$ 815,213</u>	<u>\$ 6,635</u>
 Other categorical aid:				
Public assistance and welfare administration	\$ 564,000	\$ 564,000	\$ 327,227	\$ (236,773)
Fire programs fund	-	18,228	18,228	-
Comprehensive services act	50,000	73,608	45,741	(27,867)
Wireless funds	57,500	57,500	58,339	839
Emergency medical services	-	-	7,758	7,758
Victim-witness grant	20,000	20,000	9,784	(10,216)
Animal friendly plates	-	-	139	139
Disaster recovery	-	164	164	-
Radio emergency preparedness grant	-	245	50,000	49,755
Health services mini grant	-	1,500	1,500	-
Juvenile confinement	6,544	6,544	6,218	(326)

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

<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)				
Local law enforcement block grant	\$ -	\$ -	\$ 9,688	\$ 9,688
Litter control	-	5,000	5,000	-
Total other categorical aid	<u>\$ 698,044</u>	<u>\$ 746,789</u>	<u>\$ 539,786</u>	<u>\$ (207,003)</u>
Total categorical aid	<u>\$ 1,504,015</u>	<u>\$ 1,555,367</u>	<u>\$ 1,354,999</u>	<u>\$ (200,368)</u>
Total revenue from the Commonwealth	<u>\$ 2,246,422</u>	<u>\$ 2,297,774</u>	<u>\$ 2,126,006</u>	<u>\$ (171,768)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ -	\$ -	\$ 321	\$ 321
Categorical aid:				
Public assistance and welfare administration	\$ 884,143	\$ 884,143	\$ 745,945	\$ (138,198)
Disaster recovery	-	42,765	42,765	-
Edward Byrne JAG grant - ARRA	-	-	16,489	16,489
Workforce development	-	72,554	68,590	(3,964)
Summer feeding program	6,500	6,500	2,632	(3,868)
Total categorical aid	<u>\$ 890,643</u>	<u>\$ 1,005,962</u>	<u>\$ 876,421</u>	<u>\$ (129,541)</u>
Total revenue from the federal government	<u>\$ 890,643</u>	<u>\$ 1,005,962</u>	<u>\$ 876,742</u>	<u>\$ (129,220)</u>
Total General Fund	<u>\$ 23,106,081</u>	<u>\$ 23,275,255</u>	<u>\$ 24,122,447</u>	<u>\$ 847,192</u>
County Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 102	\$ 102
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102</u>	<u>\$ 102</u>
Charges for services:				
Administrative fees	\$ -	\$ -	\$ 2,667	\$ 2,667
Total charges for services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,667</u>	<u>\$ 2,667</u>
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 13,808	\$ 13,808
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,808</u>	<u>\$ 13,808</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,577</u>	<u>\$ 16,577</u>
Total County Special Revenue Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,577</u>	<u>\$ 16,577</u>

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 265	\$ 265
Total revenue from local sources	\$ -	\$ -	\$ 265	\$ 265
Revenue from the Commonwealth:				
Categorical aid:				
Indoor plumbing grant	\$ 150,000	\$ 150,000	\$ -	\$ (150,000)
CDBG broadband funds	700,000	700,000	-	(700,000)
Total categorical aid	\$ 850,000	\$ 850,000	\$ -	\$ (850,000)
Total revenue from the Commonwealth	\$ 850,000	\$ 850,000	\$ -	\$ (850,000)
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ -	\$ 70,447	\$ 70,447
Total categorical aid	\$ -	\$ -	\$ 70,447	\$ 70,447
Total revenue from the federal government	\$ -	\$ -	\$ 70,447	\$ 70,447
Total County Capital Projects Fund	\$ 850,000	\$ 850,000	\$ 70,712	\$ (779,288)
Total Primary Government	\$ 23,956,081	\$ 24,125,255	\$ 24,209,736	\$ 84,481
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	\$ -	\$ -	\$ 273	\$ 273
Total revenue from use of money and property	\$ -	\$ -	\$ 273	\$ 273
Miscellaneous revenue:				
Miscellaneous	\$ 109,384	\$ 109,384	\$ 69,345	\$ (40,039)
Total revenue from local sources	\$ 109,384	\$ 109,384	\$ 69,618	\$ (39,766)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Surry	\$ 11,570,336	\$ 11,588,012	\$ 11,336,898	\$ (251,114)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 945,484	\$ 949,306	\$ 960,321	\$ 11,015
Basic school aid	1,208,201	1,212,694	1,199,036	(13,658)
Remedial summer education	12,133	18,688	18,688	-

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
GED funding	\$ 7,859	\$ 7,859	\$ 7,859	\$ -
Gifted and talented	11,958	12,003	11,902	(101)
Adult education	2,280	2,280	-	(2,280)
Special education	151,976	152,055	150,770	(1,285)
Textbook payment	10,778	10,819	10,727	(92)
Remedial education	40,658	40,812	40,465	(347)
Vocational education	101,548	101,730	100,979	(751)
Early reading intervention	1,850	2,776	2,776	-
School fringes	153,330	153,910	152,604	(1,306)
Technology	128,000	128,000	128,000	-
State lottery payments	58,326	58,326	58,326	-
Virtual advances placement	-	-	316	316
Mentor teacher program	1,077	1,077	1,407	330
School construction	40,469	40,264	34,282	(5,982)
At risk payments	46,939	47,071	46,677	(394)
Primary class size	46,669	50,133	50,133	-
SOL algebra readiness	-	-	5,689	5,689
At risk four-year olds	117,000	117,000	117,000	-
Instructional services	-	-	1,996	1,996
Total categorical aid	<u>\$ 3,086,535</u>	<u>\$ 3,106,803</u>	<u>\$ 3,099,953</u>	<u>\$ (6,850)</u>
Total revenue from the Commonwealth	<u>\$ 3,086,535</u>	<u>\$ 3,106,803</u>	<u>\$ 3,099,953</u>	<u>\$ (6,850)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 180,000	\$ 181,036	\$ 193,078	\$ 12,042
Title I - ARRA	-	-	21,082	21,082
Title VI-B, special education flow-through	238,932	235,974	255,868	19,894
Title VI-B, special education flow-through - ARRA	-	-	78,490	78,490
Vocational education	18,000	16,371	34,044	17,673
Title VI-B, special education pre-school	4,473	4,458	4,345	(113)
Title VI-B, special education pre-school - ARRA	-	-	6,084	6,084
Drug free schools	-	-	3,424	3,424
Education Jobs funds	-	2,056	9,913	7,857
JROTC	62,000	68,545	65,849	(2,696)
Twenty-first Century Grant	-	199,999	195,988	(4,011)
Title II, Part A	60,000	63,333	63,680	347
Title II, Part D	-	-	3,807	3,807
Technology - ARRA	-	-	5,513	5,513

County of Surry, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Other federal funds	\$ 1,500	\$ 1,407	\$ -	\$ (1,407)
Total categorical aid	<u>\$ 564,905</u>	<u>\$ 773,179</u>	<u>\$ 941,165</u>	<u>\$ 167,986</u>
Total revenue from the federal government	<u>\$ 564,905</u>	<u>\$ 773,179</u>	<u>\$ 941,165</u>	<u>\$ 167,986</u>
Total School Operating Fund	<u>\$ 15,331,160</u>	<u>\$ 15,577,378</u>	<u>\$ 15,447,634</u>	<u>\$ (129,744)</u>
School Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 150	\$ 150
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150</u>	<u>\$ 150</u>
Charges for services:				
Cafeteria sales	\$ 275,000	\$ 265,000	\$ 248,328	\$ (16,672)
Total charges for services	<u>\$ 275,000</u>	<u>\$ 265,000</u>	<u>\$ 248,328</u>	<u>\$ (16,672)</u>
Total revenue from local sources	<u>\$ 275,000</u>	<u>\$ 265,000</u>	<u>\$ 248,478</u>	<u>\$ (16,522)</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Surry, Virginia	\$ 37,528	\$ 57,852	\$ -	\$ (57,852)
Total revenues from local governments	<u>\$ 37,528</u>	<u>\$ 57,852</u>	<u>\$ -</u>	<u>\$ (57,852)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 10,534	\$ 10,210	\$ 10,114	\$ (96)
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 275,000	\$ 335,000	\$ 325,586	\$ (9,414)
Summer feeding	-	-	11,806	11,806
Commodities	-	27,144	32,414	5,270
Total categorical aid	<u>\$ 275,000</u>	<u>\$ 362,144</u>	<u>\$ 369,806</u>	<u>\$ 7,662</u>
Total revenue from the federal government	<u>\$ 275,000</u>	<u>\$ 362,144</u>	<u>\$ 369,806</u>	<u>\$ 7,662</u>
Total School Special Revenue Fund	<u>\$ 598,062</u>	<u>\$ 695,206</u>	<u>\$ 628,398</u>	<u>\$ (66,808)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 15,929,222</u>	<u>\$ 16,272,584</u>	<u>\$ 16,076,032</u>	<u>\$ (196,552)</u>

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<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	\$ 392,630	\$ 243,289	\$ 68,723	\$ 174,566
General and financial administration:				
County administrator	\$ 359,661	\$ 296,444	\$ 264,177	\$ 32,267
Legal services	70,720	70,720	70,404	316
Commissioner of revenue	177,100	177,100	174,787	2,313
Treasurer	247,092	247,092	240,792	6,300
Board of equalization	3,760	3,760	-	3,760
Finance department	150,218	155,441	155,441	-
Information technology	148,997	152,397	148,285	4,112
Other general and financial administration	35,000	72,443	65,132	7,311
Total general and financial administration	<u>\$ 1,192,548</u>	<u>\$ 1,175,397</u>	<u>\$ 1,119,018</u>	<u>\$ 56,379</u>
Board of elections:				
Electoral board and officials	\$ 112,783	\$ 115,390	\$ 115,390	\$ -
Total general government administration	<u>\$ 1,697,961</u>	<u>\$ 1,534,076</u>	<u>\$ 1,303,131</u>	<u>\$ 230,945</u>
Judicial administration:				
Courts:				
Circuit court	\$ 16,450	\$ 16,450	\$ 15,569	\$ 881
General district court	10,846	12,242	12,242	-
Special magistrates	775	775	485	290
Southside legal aid	6,535	6,535	6,535	-
Victim Witness	19,185	19,185	16,877	2,308
Clerk of the circuit court	232,325	232,325	228,666	3,659
Total courts	<u>\$ 286,116</u>	<u>\$ 287,512</u>	<u>\$ 280,374</u>	<u>\$ 7,138</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 124,411	\$ 124,411	\$ 122,368	\$ 2,043
Total judicial administration	<u>\$ 410,527</u>	<u>\$ 411,923</u>	<u>\$ 402,742</u>	<u>\$ 9,181</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,342,587	\$ 1,345,225	\$ 1,332,594	\$ 12,631
Virginia juvenile crime control act	22,460	22,846	22,846	-
Riverside Criminal justice	11,846	11,846	11,846	-
Total law enforcement and traffic control	<u>\$ 1,376,893</u>	<u>\$ 1,379,917</u>	<u>\$ 1,367,286</u>	<u>\$ 12,631</u>
Fire and rescue services:				
Fire department/rescue services	\$ 580,686	\$ 589,806	\$ 589,806	\$ -
Correction and detention:				
Confinement and care of prisoners	\$ 258,033	\$ 258,033	\$ 248,378	\$ 9,655

County of Surry, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

<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	\$ 123,931	\$ 123,931	\$ 104,306	\$ 19,625
Other protection:				
Animal control	\$ 108,817	\$ 108,817	\$ 104,620	\$ 4,197
Emergency services	279,772	296,167	206,509	89,658
Hurricane Irene	-	77,300	77,300	-
E-911 communications	48,700	48,700	32,074	16,626
Total other protection	\$ 437,289	\$ 530,984	\$ 420,503	\$ 110,481
Total public safety	\$ 2,776,832	\$ 2,882,671	\$ 2,730,279	\$ 152,392
Public works:				
Sanitation and waste removal:				
Sanitation	\$ 499,829	\$ 477,959	\$ 419,962	\$ 57,997
Litter control	-	5,191	5,191	-
Total sanitation and waste removal	\$ 499,829	\$ 483,150	\$ 425,153	\$ 57,997
Maintenance of general buildings and grounds:				
General properties	\$ 565,800	\$ 584,637	\$ 584,637	\$ -
Total public works	\$ 1,065,629	\$ 1,067,787	\$ 1,009,790	\$ 57,997
Health and welfare:				
Health:				
Supplement of local health department	\$ 206,281	\$ 216,539	\$ 206,281	\$ 10,258
Mental health and mental retardation:				
Community services board	\$ 56,867	\$ 56,867	\$ 56,867	\$ -
Welfare:				
Public assistance and welfare administration	\$ 2,147,049	\$ 2,147,049	\$ 1,653,015	\$ 494,034
Area agency on aging	1,033	1,033	1,033	-
Comprehensive services act	85,000	139,279	139,279	-
SSG improvement association	29,604	29,604	29,604	-
Workforce development	-	72,554	68,590	3,964
Office on youth	169,236	173,294	173,294	-
Geneive shelter	3,150	3,150	3,150	-
Surry free clinic	6,500	6,500	6,500	-
Other welfare contributions	1,350	1,350	-	1,350
Total welfare	\$ 2,442,922	\$ 2,573,813	\$ 2,074,465	\$ 499,348
Total health and welfare	\$ 2,706,070	\$ 2,847,219	\$ 2,337,613	\$ 509,606

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<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	\$ 3,755	\$ 3,755	\$ 1,255	\$ 2,500
Contribution to County School Board	11,607,864	11,645,864	11,336,898	308,966
Total education	<u>\$ 11,611,619</u>	<u>\$ 11,649,619</u>	<u>\$ 11,338,153</u>	<u>\$ 311,466</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation center	\$ 364,528	\$ 376,283	\$ 376,283	\$ -
Williamsburg area transit	25,000	25,000	25,000	-
Total parks and recreation	<u>\$ 389,528</u>	<u>\$ 401,283</u>	<u>\$ 401,283</u>	<u>\$ -</u>
Library:				
Contribution to regional library	\$ 88,933	\$ 88,933	\$ 88,933	\$ -
Total parks, recreation, and cultural	<u>\$ 478,461</u>	<u>\$ 490,216</u>	<u>\$ 490,216</u>	<u>\$ -</u>
Community development:				
Planning and community development:				
Planning and zoning	\$ 315,333	\$ 317,137	\$ 280,299	\$ 36,838
Zoning board	3,200	3,200	2,111	1,089
Highway transportation safety commission	1,500	1,500	875	625
Planning district commission	9,750	9,750	6,110	3,640
Economic development	48,539	48,539	35,989	12,550
Other planning and community development	6,633	6,633	4,625	2,008
Total planning and community development	<u>\$ 384,955</u>	<u>\$ 386,759</u>	<u>\$ 330,009</u>	<u>\$ 56,750</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 8,100	\$ 8,100	\$ 8,100	\$ -
Cooperative extension program:				
Extension office	\$ 68,110	\$ 71,298	\$ 65,750	\$ 5,548
Total community development	<u>\$ 461,165</u>	<u>\$ 466,157</u>	<u>\$ 403,859</u>	<u>\$ 62,298</u>
Debt service:				
Principal retirement	\$ 1,034,670	\$ 1,031,046	\$ 936,045	\$ 95,001
Interest and other fiscal charges	769,807	773,433	772,479	954
Total debt service	<u>\$ 1,804,477</u>	<u>\$ 1,804,479</u>	<u>\$ 1,708,524</u>	<u>\$ 95,955</u>
Total General Fund	<u><u>\$ 23,012,741</u></u>	<u><u>\$ 23,154,147</u></u>	<u><u>\$ 21,724,307</u></u>	<u><u>\$ 1,429,840</u></u>

County of Surry, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
County Special Revenue Fund:				
Community development				
Indoor plumbing program	\$ -	\$ -	\$ 600	\$ (600)
Economic development	79,160	79,160	-	79,160
Total community development	<u>\$ 79,160</u>	<u>\$ 79,160</u>	<u>\$ 600</u>	<u>\$ 78,560</u>
Total community development	<u>\$ 79,160</u>	<u>\$ 79,160</u>	<u>\$ 600</u>	<u>\$ 78,560</u>
Total County Special Revenue Fund	<u>\$ 79,160</u>	<u>\$ 79,160</u>	<u>\$ 600</u>	<u>\$ 78,560</u>
County Capital Projects Fund:				
Capital projects expenditures:				
Waste management collection centers	\$ 255,000	\$ 255,000	\$ -	\$ 255,000
Broadband technology initiative	900,000	900,000	103,931	796,069
Highway revenue sharing	50,000	125,000	-	125,000
Refuse truck replacement	150,000	150,000	135,200	14,800
Facility stabilization	300,000	300,000	24,965	275,035
Parks and recreation facility upgrades	40,000	40,000	31,074	8,926
E911 dispatch center upgrade	575,000	575,000	-	575,000
County capital projects	275,000	200,000	20,889	179,111
School capital projects	-	160,000	51,878	108,122
Total capital projects	<u>\$ 2,545,000</u>	<u>\$ 2,705,000</u>	<u>\$ 367,937</u>	<u>\$ 2,337,063</u>
Total County Capital Projects Fund	<u>\$ 2,545,000</u>	<u>\$ 2,705,000</u>	<u>\$ 367,937</u>	<u>\$ 2,337,063</u>
Total Primary Government	<u>\$ 25,636,901</u>	<u>\$ 25,938,307</u>	<u>\$ 22,092,844</u>	<u>\$ 3,845,463</u>

County of Surry, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

<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:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 844,084	\$ 804,084	\$ 785,086	\$ 18,998
Instruction costs	10,682,843	10,721,061	10,632,204	88,857
Districtwide technology	828,561	828,561	822,036	6,525
Pupil transportation	1,099,141	1,099,141	1,082,665	16,476
Operation and maintenance of school plant	1,876,531	2,124,531	2,125,643	(1,112)
Total operating costs	<u>\$ 15,331,160</u>	<u>\$ 15,577,378</u>	<u>\$ 15,447,634</u>	<u>\$ 129,744</u>
Total education	<u>\$ 15,331,160</u>	<u>\$ 15,577,378</u>	<u>\$ 15,447,634</u>	<u>\$ 129,744</u>
Total School Operating Fund	<u>\$ 15,331,160</u>	<u>\$ 15,577,378</u>	<u>\$ 15,447,634</u>	<u>\$ 129,744</u>
School Special Revenue Fund:				
Education:				
School food services:				
School food services	\$ 598,062	\$ 668,062	\$ 662,068	\$ 5,994
Commodities	-	27,144	32,414	(5,270)
Total School Special Revenue Fund	<u>\$ 598,062</u>	<u>\$ 695,206</u>	<u>\$ 694,482</u>	<u>\$ 724</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 15,929,222</u>	<u>\$ 16,272,584</u>	<u>\$ 16,142,116</u>	<u>\$ 130,468</u>

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Statistical Section

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time.

1 - 4

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

5-8

Debt Capacity

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.

9-11

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

12-13

Operating Information

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.

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Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

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Table 1

COUNTY OF SURRY, VIRGINIA
 Net Assets by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 6,659,936	\$ 7,152,511	\$ 6,242,619	\$ 6,421,199	\$ 6,659,548	\$ 5,262,920	\$ 1,240,925	\$ 2,320,769	\$ 2,422,090	\$ 2,631,382
Restricted	-	-	496,748	-	-	-	-	-	-	-
Unrestricted	8,172,991	7,832,801	7,523,836	8,454,431	7,804,588	7,395,194	10,625,829	9,117,385	9,928,451	11,782,612
Total governmental activities net assets	\$ 14,832,927	\$ 14,985,312	\$ 14,263,203	\$ 14,875,630	\$ 14,464,136	\$ 12,658,114	\$ 11,866,754	\$ 11,438,154	\$ 12,350,541	\$ 14,413,994
Business-type activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ 3,170,726	\$ 3,198,566	\$ 5,959,957	\$ 6,069,662	\$ 5,967,613	\$ 5,867,567	\$ 5,762,362	\$ 5,610,317
Unrestricted	-	-	(1,025,643)	(8,899)	(8,702)	(2,014)	25,604	(41,263)	(20,563)	(18,810)
Total business-type activities net assets	\$ -	\$ -	\$ 2,145,083	\$ 3,189,667	\$ 5,951,255	\$ 6,067,648	\$ 5,993,217	\$ 5,826,304	\$ 5,741,799	\$ 5,591,507
Primary Government										
Invested in capital assets, net of related debt	\$ 6,659,936	\$ 7,152,511	\$ 9,413,345	\$ 9,619,765	\$ 12,619,505	\$ 11,332,582	\$ 7,208,538	\$ 8,188,336	\$ 8,184,452	\$ 8,241,699
Restricted	-	-	496,748	-	-	-	-	-	-	-
Unrestricted	8,172,991	7,832,801	6,498,193	8,445,532	7,795,886	7,393,180	10,651,433	9,076,122	9,907,888	11,763,802
Total Primary government net assets	\$ 14,832,927	\$ 14,985,312	\$ 16,408,286	\$ 18,065,297	\$ 20,415,391	\$ 18,725,762	\$ 17,859,971	\$ 17,264,458	\$ 18,092,340	\$ 20,005,501

COUNTY OF SURRY, VIRGINIA
 Changes in Net Assets
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities										
General government administration	\$ 1,083,987	\$ 979,192	\$ 1,584,888	\$ 1,278,906	\$ 1,298,600	\$ 1,375,071	\$ 1,864,806	\$ 1,556,300	\$ 1,381,514	\$ 1,375,325
Judicial administration	253,302	250,210	275,953	337,970	357,205	806,049	358,576	744,437	742,347	734,692
Public safety	1,472,136	3,779,073	1,866,039	1,948,872	2,001,162	2,469,893	2,907,399	2,761,300	2,732,338	3,022,043
Public works	840,257	997,920	1,059,305	1,889,656	1,135,848	2,101,649	1,237,489	1,025,861	995,742	1,059,277
Health and welfare	2,019,805	2,086,662	2,177,704	2,185,792	3,378,174	2,263,034	2,368,475	2,189,821	2,440,233	2,269,681
Community development	394,405	343,459	634,133	387,025	496,724	494,492	923,784	747,514	484,311	570,296
Parks, Recreation and cultural	410,902	439,939	452,777	481,350	589,996	507,811	567,971	554,813	571,977	515,549
Education	10,477,678	10,339,257	9,095,340	11,065,790	10,405,848	12,736,313	11,734,160	11,932,831	11,787,315	11,570,030
Interest and other financial charges	225,518	179,045	167,521	133,447	475,740	690,748	836,260	833,989	798,490	748,812
Total governmental activities	\$ 17,177,990	\$ 19,394,757	\$ 17,313,660	\$ 19,708,808	\$ 20,139,297	\$ 23,445,060	\$ 22,798,920	\$ 22,346,866	\$ 21,934,267	\$ 21,865,705
Business-type activities										
Water and Sewer	\$ -	\$ -	\$ 181,339	\$ 202,840	\$ 248,942	\$ 383,052	\$ 383,367	\$ 404,703	\$ 422,687	\$ 451,572
Total business-type activities	\$ -	\$ -	\$ 181,339	\$ 202,840	\$ 248,942	\$ 383,052	\$ 383,367	\$ 404,703	\$ 422,687	\$ 451,572
Total primary government expenses	\$ 17,177,990	\$ 19,394,757	\$ 17,494,999	\$ 19,911,648	\$ 20,388,239	\$ 23,828,112	\$ 23,182,287	\$ 22,751,569	\$ 22,356,954	\$ 22,317,277
Program Revenues										
Governmental activities										
Charges for services:										
General government administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,025	\$ 12,414
Judicial administration	18,423	39,982	33,771	37,681	44,224	42,476	56,959	50,736	40,941	41,784
Public safety	379	23,598	1,914	40,284	2,907	61,746	48,335	41,406	36,976	50,841
Public works	10,343	6,780	44,678	14,126	81,878	31,777	21,849	29,794	49,054	49,139
Parks, recreation and cultural	18,201	12,839	17,348	19,033	21,933	22,318	20,621	30,439	38,400	29,469
Operating grants and contributions	2,107,511	3,331,422	2,254,687	2,826,121	2,177,196	2,281,233	2,545,547	2,315,618	2,204,458	2,231,420
Capital Grants and contributions	-	11,419	-	29,000	28,215	424,813	76,580	612,584	186,400	70,447
Total governmental activities	\$ 2,154,857	\$ 3,426,040	\$ 2,352,398	\$ 2,966,245	\$ 2,356,353	\$ 2,864,363	\$ 2,769,891	\$ 3,080,577	\$ 2,564,254	\$ 2,485,514
Business-type activities										
Charges for services:										
Water and Sewer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,185	\$ 41,575	\$ 45,582	\$ 60,662	\$ 60,427
Operating grants and contributions	-	-	119,992	951,697	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	2,887,434	269,529	-	57,208	-	-
Total business-type activities	\$ -	\$ -	\$ 119,992	\$ 951,697	\$ 2,887,434	\$ 306,714	\$ 41,575	\$ 102,790	\$ 60,662	\$ 60,427
Total primary government revenues	\$ 2,154,857	\$ 3,426,040	\$ 2,472,390	\$ 3,917,942	\$ 5,243,787	\$ 3,171,077	\$ 2,811,466	\$ 3,183,367	\$ 2,624,916	\$ 2,545,941

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue										
Governmental activities	\$ (15,023,133)	\$ (15,968,717)	\$ (14,961,262)	\$ (16,742,563)	\$ (17,782,944)	\$ (20,580,697)	\$ (20,029,029)	\$ (19,266,289)	\$ (19,370,013)	\$ (19,380,191)
Business-type activities	-	-	(61,347)	748,857	2,638,492	(76,338)	(341,792)	(301,913)	(362,025)	(391,145)
Total primary government net expense	\$ (15,023,133)	\$ (15,968,717)	\$ (15,022,609)	\$ (15,993,706)	\$ (15,144,452)	\$ (20,657,035)	\$ (20,370,821)	\$ (19,568,202)	\$ (19,732,038)	\$ (19,771,336)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes										
Property taxes	\$ 14,057,285	\$ 14,265,479	\$ 14,793,585	\$ 15,516,251	\$ 15,120,129	\$ 17,644,857	\$ 17,728,739	\$ 17,428,339	\$ 18,997,082	\$ 19,924,721
Other local taxes	366,140	393,523	679,224	597,105	587,852	664,638	754,536	643,424	692,822	878,104
Permits, privilege fees, and regulatory licenses	29,337	-	-	-	-	-	-	-	-	-
Investment earnings	210,623	186,331	299,040	512,313	955,234	872,613	299,565	139,858	88,504	91,269
Miscellaneous	13,369	41,432	21,732	109,057	66,404	581	24,255	52,754	45,913	19,075
Non-categorical aid from the Commonwealth	716,614	1,234,338	653,792	914,354	762,952	730,465	697,935	708,314	735,599	771,328
Transfers	-	-	(139,489)	(155,308)	(121,121)	(192,731)	(267,361)	(135,000)	(277,520)	(240,853)
Total governmental activities	\$ 15,393,368	\$ 16,121,103	\$ 16,307,884	\$ 17,493,772	\$ 17,371,450	\$ 19,720,423	\$ 19,237,669	\$ 18,837,689	\$ 20,282,400	\$ 21,443,644
Business-type activities										
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	225	1,637	1,975	-	-	-	-	-
Transfers	-	-	139,489	155,308	121,121	192,731	267,361	135,000	277,520	240,853
Total business-type activities	\$ -	\$ -	\$ 139,714	\$ 156,945	\$ 123,096	\$ 192,731	\$ 267,361	\$ 135,000	\$ 277,520	\$ 240,853
Total primary government	\$ 15,393,368	\$ 16,121,103	\$ 16,447,598	\$ 17,650,717	\$ 17,494,546	\$ 19,913,154	\$ 19,505,030	\$ 18,972,689	\$ 20,559,920	\$ 21,684,497
Changes in Net Assets										
Governmental activities	\$ 370,235	\$ 152,386	\$ 1,346,622	\$ 751,209	\$ (411,494)	\$ (860,274)	\$ (791,360)	\$ (428,600)	\$ 912,387	\$ 2,063,453
Business-type activities	-	-	78,367	905,802	2,761,588	116,393	(74,431)	(166,913)	(84,505)	(150,292)
Total primary government	\$ 370,235	\$ 152,386	\$ 1,424,989	\$ 1,657,011	\$ 2,350,094	\$ (743,881)	\$ (865,791)	\$ (595,513)	\$ 827,882	\$ 1,913,161

Table 3

COUNTY OF SURRY, VIRGINIA
 Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Reserved	\$ -	\$ 115,000	\$ 496,748	\$ -	\$ 12,101,167	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,988,261	7,052,849	7,830,138	8,921,596	9,285,703	10,170,215	9,744,681	8,353,210	-	-
Committed	-	-	-	-	-	-	-	-	6,835,193	5,788,537
Unassigned	-	-	-	-	-	-	-	-	2,428,955	5,591,064
Total general fund	\$ 6,988,261	\$ 7,167,849	\$ 8,326,886	\$ 8,921,596	\$ 21,386,870	\$ 10,170,215	\$ 9,744,681	\$ 8,353,210	\$ 9,264,148	\$ 11,379,601
All other governmental funds										
Unreserved, reported in:										
Special revenue funds	\$ 341,526	\$ 415,149	\$ 460,554	\$ 607,670	\$ 643,935	\$ 618,145	\$ 617,270	\$ 628,500	\$ -	\$ -
Capital projects funds	-	-	-	-	-	3,424,693	4,140,348	1,879,841	-	-
Committed	-	-	-	-	-	-	-	-	2,231,830	1,979,195
Unassigned	-	-	-	-	-	-	-	-	(40,935)	(27,714)
Total all other governmental funds	\$ 341,526	\$ 415,149	\$ 460,554	\$ 607,670	\$ 643,935	\$ 4,042,838	\$ 4,757,618	\$ 2,508,341	\$ 2,190,895	\$ 1,951,481

Note:

(1) In FY2011 the County implemented GASB 54 and therefore fund balance classifications have been changed accordingly.

COUNTY OF SURRY, VIRGINIA
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Table 4

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
General property taxes	\$ 14,055,810	\$ 14,831,392	\$ 14,544,879	\$ 15,832,563	\$ 15,139,181	\$ 17,442,571	\$ 17,637,845	\$ 17,376,874	\$ 18,768,963	\$ 19,964,237
Other local taxes	366,140	393,523	679,224	597,105	587,852	664,638	754,536	643,424	692,822	878,104
Permits, privilege fees and licenses	29,337	23,299	33,924	39,985	69,502	61,447	48,036	41,406	36,976	50,542
Fines and Forfeitures	5,949	23,316	24,690	26,313	27,554	15,245	24,902	11,922	12,182	18,091
Revenue from use of money & property	210,623	186,331	299,040	512,313	955,234	872,613	299,565	139,858	88,504	91,269
Charges for services	41,397	36,584	39,097	44,826	53,886	81,625	74,826	99,047	124,238	115,014
Miscellaneous	13,369	41,432	21,732	109,057	66,404	581	24,255	52,754	45,913	19,075
Recovered costs	55,447	52,742	37,761	35,170	84,103	54,784	17,710	10,705	3,599	209
Commonwealth of Virginia	1,888,651	2,531,675	1,793,615	2,246,101	1,982,229	2,179,694	2,376,715	2,325,332	2,167,407	2,126,006
Federal Government	935,474	2,045,504	1,114,864	1,523,374	986,134	1,256,817	943,347	1,311,184	959,050	947,189
Total revenues	\$ 17,602,197	\$ 20,165,798	\$ 18,588,826	\$ 20,966,807	\$ 19,952,079	\$ 22,630,015	\$ 22,201,737	\$ 22,012,506	\$ 22,899,654	\$ 24,209,736
Expenditures										
General government administration	\$ 877,618	\$ 903,505	\$ 1,281,332	\$ 1,170,523	\$ 1,060,320	\$ 1,279,711	\$ 1,554,499	\$ 1,441,060	\$ 1,315,093	\$ 1,303,131
Judicial administration	262,536	250,720	275,953	339,890	356,302	346,306	396,862	402,477	398,667	402,742
Public Safety	1,511,527	3,760,426	1,878,610	1,909,200	1,978,914	2,309,462	2,536,356	2,447,061	2,431,375	2,730,279
Public works	805,372	942,838	868,843	850,183	927,802	990,575	1,022,167	906,278	953,519	1,009,790
Health and welfare	2,005,392	2,100,150	2,156,434	2,167,120	2,435,713	2,293,730	2,361,067	2,191,083	2,219,441	2,337,613
Education	9,704,236	9,740,807	8,859,094	10,148,083	10,118,916	12,214,510	10,921,288	11,575,408	11,413,268	11,338,153
Community development	318,987	316,018	392,656	370,733	506,418	464,046	438,558	507,589	436,425	404,459
Parks, recreation and cultural	394,307	426,705	438,274	467,439	549,193	506,431	540,575	534,123	532,124	490,216
Capital projects	778,194	633,432	1,590,035	1,787,410	3,482,479	8,483,375	5,527,490	3,441,248	445,392	367,937
Debt service										
Principal	817,754	653,877	729,284	721,773	688,908	671,901	734,832	1,202,177	1,069,826	936,045
Interest and other fiscal charges	231,037	184,109	172,529	137,319	224,454	694,989	731,117	869,750	813,512	772,479
Total Expenditures	\$ 17,706,960	\$ 19,912,587	\$ 18,643,044	\$ 20,069,673	\$ 22,329,419	\$ 30,255,036	\$ 26,764,811	\$ 25,518,254	\$ 22,028,642	\$ 22,092,844
Revenues over (under) expenditures	\$ (104,763)	\$ 253,211	\$ (54,218)	\$ 897,134	\$ (2,377,340)	\$ (7,625,021)	\$ (4,563,074)	\$ (3,505,748)	\$ 871,012	\$ 2,116,892
Other financing sources (uses)										
Transfers in	\$ -	\$ -	\$ 49,103	\$ -	\$ 50,051	\$ 729,141	\$ 1,364,051	\$ 625,000	\$ 48,091	\$ 594,456
Transfers out	-	-	(188,592)	(155,308)	(171,172)	(921,872)	(1,631,412)	(760,000)	(325,611)	(835,309)
Issuance of bonds	-	-	-	-	15,000,000	-	5,050,000	-	-	-
Bond issuance premium	-	-	-	-	-	-	69,681	-	-	-
Proceeds of capital leases	51,579	-	1,387,200	-	-	-	-	-	-	-
Total other financing sources (uses)	\$ 51,579	\$ -	\$ 1,247,711	\$ (155,308)	\$ 14,878,879	\$ (192,731)	\$ 4,852,320	\$ (135,000)	\$ (277,520)	\$ (240,853)
Net change in fund balances	\$ (53,184)	\$ 253,211	\$ 1,193,493	\$ 741,826	\$ 12,501,539	\$ (7,817,752)	\$ 289,246	\$ (3,640,748)	\$ 593,492	\$ 1,876,039
Debt service as a percentage of noncapital expenditures	6.14%	4.36%	5.31%	4.41%	4.80%	6.01%	6.41%	9.67%	8.70%	7.83%

**County of Surry, Virginia
Principal Real Property Taxpayers
Current and Nine Years Ago**

Table 5

	2012			2003		
	Rank	Assessed Valuation (1)	Percentage of Total Assessed Valuation	Rank	Assessed Valuation (2)	Percentage of Total Assessed Valuation
Dominion Virginia Power	1	\$ 1,645,403,293	61.86%	1	\$ 1,332,211,194	73.72%
Wanro LLC	2	11,122,800	0.42%			
Swann's Point Farm LLC	3	8,971,800	0.34%			
Murphy Brown LLC	4	8,813,100	0.33%	3	7,750,700	0.43%
Prince George Electric Cooperative	5	8,492,449	0.32%	7	4,841,493	0.27%
Alpha Forest Association, Inc.	6	6,165,100	0.23%	8	3,838,200	0.21%
Grayland/Gray Lumber Company	7	6,066,800	0.23%	6	6,804,800	0.38%
Beechland/Alliance Farms	8	5,789,500	0.22%			
Verizon South	9	4,994,296	0.19%	5	6,942,807	0.38%
Windsor Mill	10	4,764,500	0.18%			
Sussex-Surry LLC	11	4,522,700	0.17%			
Four Mile Tree LLC	12	4,032,500	0.15%			
John Hancock Mutual Life Insurance Company	13	3,861,200	0.15%	2	9,442,400	0.52%
Chippokes Estates at Cobham Bay LLC	14	3,426,400	0.13%			
Commonwealth Forest Investment	15	3,276,800	0.12%			
Spring Grove Land Association	16	3,209,800	0.12%			
Kirby, James				4	7,142,100	0.40%
Andrews Acres				9	2,532,900	0.14%
Schortsch, Nicholas				10	2,468,800	0.14%
Total Assessed Valuation of RE		\$ 1,732,913,038	65.15%		\$ 1,383,975,394	76.58%
		\$ 2,660,002,981	100.00%		\$ 1,807,170,573	100.00%

Notes:
(1) 2012 Real Estate Assessments.
(2) 2003 Real Estate Assessments.

COUNTY OF SURRY, VIRGINIA
 Property Tax Levies and Collections
 Last Ten Fiscal Years

Table 6

Fiscal Year	Taxes Levied for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Adjustments to Levy in Subsequent Years		Total Adjusted Levy	Collections in Subsequent Years	Total Collections to Date	
		Amount (2)	Percentage of Levy	Subsequent Years	Years			Amount (2)	Percentage of Levy
2012	\$ 20,588,020	\$ 19,790,059	96.12%	\$ -	-	\$ 20,588,020	\$ -	\$ 19,790,059	96.12%
2011	18,793,552	18,272,180	97.23%	(1,037)	370,230	18,792,515	370,230	18,642,410	99.20%
2010	17,397,366	16,858,370	96.90%	(36,001)	389,786	17,361,365	389,786	17,248,156	99.35%
2009	17,597,560	17,480,039	99.33%	(27,377)	16,483	17,570,183	16,483	17,496,522	99.58%
2008	17,440,097	17,301,159	99.20%	(3,776)	6,399	17,436,321	6,399	17,307,558	99.26%
2007	15,600,794	15,304,788	98.10%	43,859	364,978	15,644,653	364,978	15,669,766	100.16%
2006	16,457,411	16,572,928	100.70%	(29,089)	5,684	16,428,322	5,684	16,578,612	100.91%
2005	15,133,422	14,880,556	98.33%	17,245	150,309	15,150,667	150,309	15,030,865	99.21%
2004	15,358,307	15,377,233	100.12%	(27,116)	481,957	15,331,191	481,957	15,859,190	103.44%
2003	14,669,674	14,447,527	98.49%	40,274	149,450	14,709,948	149,450	14,596,977	99.23%

Notes:

(1) Annual CAFRs.

(2) Exclusive of penalties and interest.

COUNTY OF SURRY, VIRGINIA
 Assessed and Estimated Actual Value of Real Property
 Last Ten Fiscal Years

Table 7

Fiscal Year	Residential/ Agricultural Property (3)			Commercial Property (3)	Total Taxable Assessed Value	Total Direct Tax Rate (2)	Estimated Actual Value (1)	Taxable Assessed Value as a % of Taxable Value
	Value	Value	Value					
2003	\$ 435,867,100	\$ 20,614,000	\$ 456,481,100	\$ 0.75	\$ 453,285,732	100.70%	(2)	
2004	441,326,900	20,276,700	461,603,600	0.80	390,978,249	118.06%	(2)	
2005	520,959,300	25,282,200	546,241,500	0.77	521,114,391	104.82%	(2)	
2006	537,725,500	25,377,300	563,102,800	0.84	421,763,997	133.51%	(2)	
2007	788,903,500	31,427,500	820,331,000	0.70	819,510,669	100.10%	(2)	
2008	814,604,700	31,625,800	846,230,500	0.70	836,075,734	101.21%	(2)	
2009	830,543,600	32,458,800	863,002,400	0.70	852,646,371	101.21%	(2)	
2010	839,293,100	32,734,300	872,027,400	0.73	872,027,400	100.00%	(2)	
2011	842,381,900	33,602,400	875,984,300	0.73	875,984,300	100.00%	(2)	
2012	844,458,700	33,911,900	878,370,600	0.73	878,370,600	100.00%	(2)	

Notes:

- (1) Estimated value of real estate based on sales ratio percentage for the corresponding tax years as computed by the Virginia Department of Taxation.
- (2) Tax rate per \$100 of assessed value.
- (3) Real estate assessment information provided by the Commissioner of Revenue.

Table 8

COUNTY OF SURRY, VIRGINIA
 Assessed Value of Taxable Property Other than Real Property
 Last Ten Fiscal Years

Fiscal Year	Personal Property (1)	Machinery & Tools (1)	Aircraft (1)	Public Service (2,3)	Total
2012	\$ 50,293,488	\$ 1,733,938	\$ 13,295	\$ 1,783,632,381	\$ 1,835,673,102
2011	50,829,529	1,720,460	14,770	1,671,151,050	1,723,715,809
2010	49,490,806	2,023,995	17,685	1,554,628,083	1,606,160,569
2009	47,762,566	2,220,830	32,290	1,478,178,593	1,528,194,279
2008	53,042,606	3,058,587	42,964	1,514,744,019	1,570,888,176
2007	48,751,737	3,822,458	34,223	1,533,628,525	1,586,236,943
2006	46,518,023	3,069,697	65,145	1,109,668,896	1,159,321,761
2005	42,539,922	2,142,878	46,450	1,405,266,656	1,449,995,906
2004	38,680,542	275,325	19,750	1,273,917,022	1,312,892,639
2003	39,945,704	246,469	14,165	1,423,102,752	1,463,309,090

Notes:

- (1) Assessed value information provided by the Commissioner of Revenue.
 (2) Public Service Corporation property assessments performed by the State Corporation Commission.
 (3) Includes Real Estate.

COUNTY OF SURRY, VIRGINIA
 Direct Property Tax Rates
 Last Ten Fiscal Years

Table 9

Fiscal Year	Public Service		Machinery & Tools
	Real Estate	Personal Property	
2012	\$ 0.73	\$ 4.00	\$ 1.00
2011	0.73	4.00	1.00
2010	0.73	3.50	1.00
2009	0.70	3.50	1.00
2008	0.70	3.50	1.00
2007	0.70	3.50	1.00
2006	0.84	3.50	1.00
2005	0.77	3.50	1.00
2004	0.80	3.50	1.00
2003	0.75	3.50	1.00

Notes:

Per \$100 of assessed value.

There are no overlapping property tax rates with other governments.

Table 10

County of Surry, Virginia
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities						Business-Type Activities			Summary Totals		
	General Obligation Bonds	State Literary Funds Loans	Capital Lease Obligations	Revenue Bond Payable	Bank Loans Payable	Revenue Bonds Payable	Revenue Bonds Payable	Total Primary Government	Percentage of Personal Income (1)	Per Capita Personal Income (1)		
2012	\$ 2,745,000	\$ -	\$ -	\$ 1,440,621	\$ 13,390,000	\$ 845,297	\$ 18,420,918	**	\$ 2,609			
2011	2,925,000	-	-	1,636,666	13,950,000	902,427	19,414,093	**	2,759			
2010	3,270,000	-	-	1,826,492	14,485,000	1,006,397	20,587,889	8.79%	2,916			
2009	3,650,000	-	-	2,010,296	15,000,000	1,058,317	21,718,613	9.39%	3,084			
2008	1,055,000	-	413,501	-	15,000,000	1,159,722	17,628,223	7.52%	28			
2007	1,445,000	-	695,402	-	15,000,000	1,203,352	18,343,754	8.49%	26			
2006	1,860,000	-	969,309	-	-	724,703	3,554,012	1.82%	25			
2005	2,305,000	-	1,246,081	-	-	765,810	4,316,891	2.39%	24			
2004	2,775,000	90,000	28,165	-	-	805,711	3,698,876	2.15%	25			
2003	3,275,000	180,000	53,312	-	-	844,441	4,352,753	2.61%	25			

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) Population data & estimates, and personal income and per capita personal income data was obtained from the Bureau of Economic Analysis.

** Information not available yet.

COUNTY OF SURRY, VIRGINIA
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 11

Fiscal Year	Bank Loans Payable	General Obligation Bonds	Literary Fund Loans	Total General Bonded Debt	General Bonded Debt Per Capita	Percent of General Bonded Debt to Assessed Real Property Value
2012	\$ 13,390,000	\$ 2,745,000	\$ -	\$ 16,135,000	\$ 389	1.84%
2011	13,950,000	2,925,000	-	16,875,000	416	1.93%
2010	14,485,000	3,270,000	-	17,755,000	463	2.04%
2009	15,000,000	3,650,000	-	18,650,000	518	2.16%
2008	15,000,000	1,055,000	-	16,055,000	151	1.90%
2007	15,000,000	1,445,000	-	16,445,000	210	2.00%
2006	-	1,860,000	-	1,860,000	271	0.33%
2005	-	2,305,000	-	2,305,000	334	0.42%
2004	-	2,775,000	90,000	2,865,000	403	0.62%
2003	-	3,275,000	180,000	3,455,000	\$ 480	0.76%

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.
Property value data can be found in Table 7.
Population data can be found in Table 12.

County of Surry, Virginia
 Demographic and Economic Statistics
 Last Ten Calendar Years

Table 12

Year	Population (2)	Personal Income (in thousands) (1)	Per Capita Personal Income (1)	Unemployment Rate (2)	School Enrollment (3)
2012	7,061	\$ 240,993	\$ 34,130	7.0%	977
2011	7,037	231,232	32,859	7.6%	1,017
2010	7,061	234,331	33,187	4.5%	1,041
2009	7,042	215,944	30,665	3.2%	1,044
2008	6,991	194,945	27,885	3.2%	1,080
2007	6,865	180,829	26,341	2.5%	1,113
2006	6,873	171,952	25,018	3.1%	1,123
2005	6,901	166,511	24,129	3.5%	1,142
2004	6,886	156,518	22,730	4.6%	1,172
2003	6,829	154,994	22,696	5.1%	**

(1) Bureau of Economic Analysis

(2) Virginia Workforce Connection

(3) Virginia Department of Education

** Information unavailable.

County of Surry, Virginia
Principal Employers
Current and Nine Years Ago

Table 13

Employer	2012			2003	
	Employees	Rank	Percentage of Total County Employment	Employees	Rank
Dominion Virginia Power	500-999	1	19.01%	500-999	1
Surry County School Board	250-499	2	9.51%	250-499	2
The Atlantic Group, Inc.	100-249	3	4.44%	20-49	9
Surry County	50-99	4	2.28%	50-99	3
Virginia Department of Transportation	50-99	5	1.90%		
S. W. Edwards and Sons	20-49	6	1.24%	20-49	6
Windsor Mill	20-49	7	1.14%		
Bartlett Nuclear	20-49	8	1.01%	50-99	5
Dominion Resources	20-49	9	0.89%		
Surry County Department of Social Services	20-49	10	0.76%		
Fluor Daniel Services Corporation	20-49	11	0.63%	50-99	4
Seward Lumber Company, Inc.	20-49	12	0.51%	20-49	10
Surry Provisions Company				20-49	7
Williams Power Corporation				20-49	8
Virginia Department of Conservation				20-49	11
Coggin Electric Specialists					
Source: Virginia Employment Commission				20-49	12

COUNTY OF SURRY, VIRGINIA
 Full-Time Equivalent County Government Employees by Function/Program
 Last Seven Fiscal Years

Table 14

	Full-Time Equivalent Employees as of June 30						
	2012	2011	2010	2009	2008	2007	2006
General government administration:							
County Administration	3.0	3.0	3.0	3.0	3.0	2.0	2.0
Commissioner of the Revenue	3.0	3.0	3.0	3.0	3.0	2.0	2.0
Treasurer	4.0	4.0	4.0	3.0	3.0	3.0	3.0
Finance	3.0	3.0	3.0	3.0	3.0	1.0	1.0
Information Technologies	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Registrar	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Total General Government Administration	15.6	15.6	15.6	14.6	14.6	10.6	10.6
Judicial Administration:							
Clerk of the Circuit Court	3.0	3.0	3.0	3.0	3.0	2.0	2.0
General District Court	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Victim's Witness	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Commonwealth Attorney	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total Judicial Administration	6.5	6.5	6.5	6.5	6.5	5.5	5.5
Public Safety:							
Sheriff's Office	22.5	19	19	21	20	18	18
Fire and Emergency Services	2.0	2.0	2.0	2.0	1.0	1.0	1.0
Animal Control	1.0	1.0	1.0	2.0	2.0	1.0	1.0
Total Public Safety	24.5	21.0	21.0	23.0	21.0	19.0	19.0
Public Works:							
Sanitation	6.8	6.8	6.8	6.8	6.8	6.8	8.4
Maintenance	5.0	5.0	5.0	6.0	6.0	6.0	6.0
Total Public Works	11.8	11.8	11.8	12.8	12.8	12.8	14.4
Health and Welfare:							
Social Services	23.0	23.0	23.0	23.0	23.0	23.0	23.0
Total Health and Welfare	23.0	23.0	23.0	23.0	23.0	23.0	23.0
Community Development:							
Planning/Environmental/Permitting	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Building Inspections	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Extension	4.0	5.0	5.0	5.0	5.0	5.0	5.0
Total Community Development	11.0	12.0	12.0	12.0	12.0	12.0	12.0
Parks, Recreation and Cultural:							
Parks and Recreation	5.0	5.0	5.0	6.0	6.0	6.0	6.0
Total Parks, Recreation and Cultural	5.0	5.0	5.0	6.0	6.0	6.0	6.0
Total	97.4	94.9	94.9	97.9	95.9	88.9	90.5

Source: Payroll Clerk
 Only seven years of data is available.

COUNTY OF SURRY, VIRGINIA
 Operating Indicators by Function
 Last Ten Fiscal Years

Table 15

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Public Safety (1)	312	268	408	375	283	238	175	219	134	157
Community Development (2)	75	75	68	74	61	72	49	45	27	25
Commercial building permits	3	1	6	6	9	2	1	1	0	4
Parks & Recreation (3)	17,000	18,000	18,000	18,500	20,000	22,000	20,000	21,000	22,000	21,000
Sewer (4)	-	-	-	-	-	-	99	104	105	107
Average daily consumption in gallons	-	-	-	-	-	-	flat fee	flat fee	12,724	13,747

- Sources:
- (1) County Fire Departments
 - (2) Building Official's Office
 - (3) Parks and Recreation Department
 - (4) Finance Department

Note: The wastewater system began operation in 2006.

COUNTY OF SURRY, VIRGINIA
 Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years

Table 16

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Sheriff's Office (1)										
Number of stations	1	1	1	1	1	1	1	1	1	1
Physical arrests	164	217	197	260	262	268	269	272	266	304
Patrol units	16	16	16	18	21	23	21	19	17	17
Volunteer Fire Departments (2)										
Companies	4	4	4	4	4	4	4	4	4	4
Stations	3	3	3	3	3	3	3	3	3	3
Parks and Recreation (3)										
Community Centers	1	1	1	1	1	1	1	1	1	1
Number of parks maintained	1	1	1	1	1	1	1	1	1	1
Park acreage owned by the County	100	100	100	100	100	100	100	100	100	100
Baseball/softball fields	2	2	2	2	2	2	2	2	2	2
T-ball fields	1	1	1	1	1	1	1	1	1	1
Soccer fields	5	5	5	5	5	5	5	5	5	5
Basketball courts	2	2	2	2	2	2	2	2	2	2
Library (4)										
Number of libraries	2	2	2	2	2	2	2	2	2	2
Public Utilities (4)										
Wastewater System										
Service connections	-	-	-	-	-	-	99	104	105	107
Average daily consumption in gallons	-	-	-	-	-	-	flat fee	flat fee	12,724	13,747
Miles of sewer main	-	-	-	-	-	3.64	3.64	3.64	3.64	3.64
Component Unit - School Board (5)										
Number of elementary schools	1	1	1	1	1	1	1	1	1	1
Number of middle schools	1	1	1	1	1	1	1	1	1	1
Number of secondary schools	1	1	1	1	1	1	1	1	1	1
Number of school buses	36	36	35	34	34	33	33	34	33	32

- Sources:
- (1) Sheriff's Office
 - (2) County Fire Departments
 - (3) Parks & Recreation Department
 - (4) Finance Department
 - (5) School Board Office

Note: The wastewater system began operation in 2006.

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Surry, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of Surry, Virginia's basic financial statements and have issued our report thereon dated December 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the County of Surry, Virginia, in a separate letter dated December 4, 2012.

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

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

Richmond, Virginia
December 4, 2012

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Compliance

We have audited County of Surry, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Surry, Virginia's major federal programs for the year ended June 30, 2012. The County of Surry, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Surry, Virginia's management. Our responsibility is to express an opinion on the County of Surry, Virginia's compliance based on our audit.

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

In our opinion, the County of Surry, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

Internal Control Over Compliance (Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a control deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

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

Richmond, Virginia
December 4, 2012

County of Surry, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting safe and stable families	93.556	0950109/90249	\$ 9,503
Temporary assistance for needy families	93.558	0400109/90109	156,475
Refugee and entrant assistance - state administered programs	93.566	0500109/90113	276
Low-income home energy assistance	93.568	0600409/90114	13,423
<i>Child Care and Development Fund Cluster:</i>			
Child care and development block grant	93.575	0770109/90544	36,659
Child care mandatory and matching funds of the child care and development fund	93.596	0760109/90116	38,521
Stephanie Tubbs Jones child welfare services program	93.645	0900109/90251	428
Foster care - Title IV-E	93.658	1100109/90105	55,504
Adoption assistance	93.659	1120109/90228	9,383
Social services block grant	93.667	1000109/90313	147,572
Chafee foster care independence program	93.674	9150109/90254	1,380
Children's health insurance program	93.767	0540109/90102	4,499
Medical assistance program	93.778	1200109/90101	100,089
Total Department of Health and Human Services			<u>\$ 573,712</u>
U. S. Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Disaster grants - public assistance (Presidentially Declared Disasters)	97.036	77501/77602-155	<u>\$ 42,765</u>
Department of Justice:			
Direct payments:			
Edward Byrne memorial justice assistance grant (IAG) program/ grants to states & territories - ARRA	16.803	N/A	<u>\$ 16,489</u>
Department of the Defense:			
Direct Payments:			
Junior ROTC	12.xxx	N/A	<u>\$ 65,849</u>
Department of Agriculture:			
Direct Payments:			
Food distribution - summer feeding program (Child nutrition cluster)	10.559	N/A	\$ 931
Summer food service program for children (Child nutrition cluster)	10.559	N/A	<u>14,438</u>
Food distribution (Child nutrition cluster)	10.555	N/A	\$ 31,483
Pass Through Payments:			
<i>Department of Education:</i>			
National school lunch program (Child nutrition cluster)	10.555	17901- 40623	<u>265,710</u> \$ 297,193
School breakfast program (Child nutrition cluster)	10.553	17901- 40591	59,876
<i>Department of Social Services:</i>			
State administrative matching grants for the supplemental nutrition assistance program	10.561	0010109/ 90103	<u>172,233</u>
Total Department of Agriculture			<u>\$ 544,671</u>
Department of Labor:			
Pass Through Payments:			
<i>Crater Workforce Investment Board:</i>			
WIA youth activities	17.259	unavailable	\$ 68,590

County of Surry, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Housing and Urban Development:			
Pass Through Payments:			
<i>Department of Housing and Community Development:</i>			
Community development block grants/state's program and non-entitlement grants to Hawaii	14.228	53305- 50792	\$ 70,447
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
<i>Title I Part A Cluster:</i>			
Title I grants to local educational agencies	84.010	17901- 42901	\$ 193,078
ARRA -Title I grants to local educational agencies	84.389	17901-42913	21,082
<i>Special Education Cluster:</i>			
Special education - grants to states	84.027	17901- 43071	255,868
ARRA - Special education - grants to states	84.391	17901- 61245	78,490
Special Education - preschool grants	84.173	17901- 62521	4,345
ARRA - Special Education - preschool grants	84.392	17901-61247	6,084
Career and technical education - basic grants to states	84.048	17901- 61095	34,044
Safe and drug free schools and communities - state grants	84.186	17901- 60511	3,424
Twenty-First Century Community Learning Centers	84.287	17901- 60565	195,988
<i>Education Technology Cluster:</i>			
Education technology state grants	84.318	17901- 61600	3,807
ARRA - Education technology grants	84.386	17901-60897	5,513
Improving teacher quality state grants	84.367	17901- 61480	63,680
ARRA - Education Jobs Fund	84.410	17901-62700	9,913
ARRA - State fiscal stabilization fund - education state grants	84.394	17901- 62532	
Total Department of Education			\$ 875,316
Department of the Interior:			
Direct Payments:			
Bureau of Land Management:			
Payments in lieu of Real Estate taxes - public law 95-561	12.112	N/A	\$ 321
Total Expenditures of Federal Awards			\$ 2,258,160

See accompanying notes to schedule of expenditures of federal awards.

County of Surry, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Surry, Virginia under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Surry, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Surry, Virginia.

Note B - Summary of Significant Accounting Policies

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

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

Note C - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of commodities received or disbursed.

Note D - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 876,742
County Capital Projects Fund	70,447
Total primary government	\$ 947,189
Component Unit Public Schools:	
School Operating Fund	\$ 941,165
School Cafeteria Fund	369,806
Total component unit public schools	\$ 1,310,971
Total federal expenditures per basic financial statements	\$ 2,258,160
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 2,258,160

**County of Surry, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Section I—Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes no

Significant deficiency(ies) identified? _____ yes none reported

Noncompliance material to financial statements noted? _____ yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes no

Significant deficiency(ies) identified? _____ yes none reported

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

Any audit 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	Child Nutrition Cluster
84.027/84.391/84.173/84.392	Special Education Cluster

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

Auditee qualified as low-risk auditee? _____ yes _____ no

County of Surry, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Surry, Virginia
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2012

There were no prior year findings and questioned costs.