

COUNTY OF SURRY, VIRGINIA



ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2010

COUNTY OF SURRY, VIRGINIA

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

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COUNTY OF SURRY, VIRGINIA

Board of Supervisors

Reginald O. Harrison, Chairperson

Ernest L. Blount
Judy S. Lyttle

M. Sherlock Holmes
John M. Seward

Social Services Board

Janet Moore, Chairperson

Earlene Sprouse
Bishop Howard Daniels
M. Sherlock Holmes

Gladys Hardy
Dr. Stanley Brantley, Jr.
Troilen Seward

County School Board

Elsie Dennis, Chairperson

Gladys Harris
Audrey Byrd

Laura Sheffield
Harold Jones

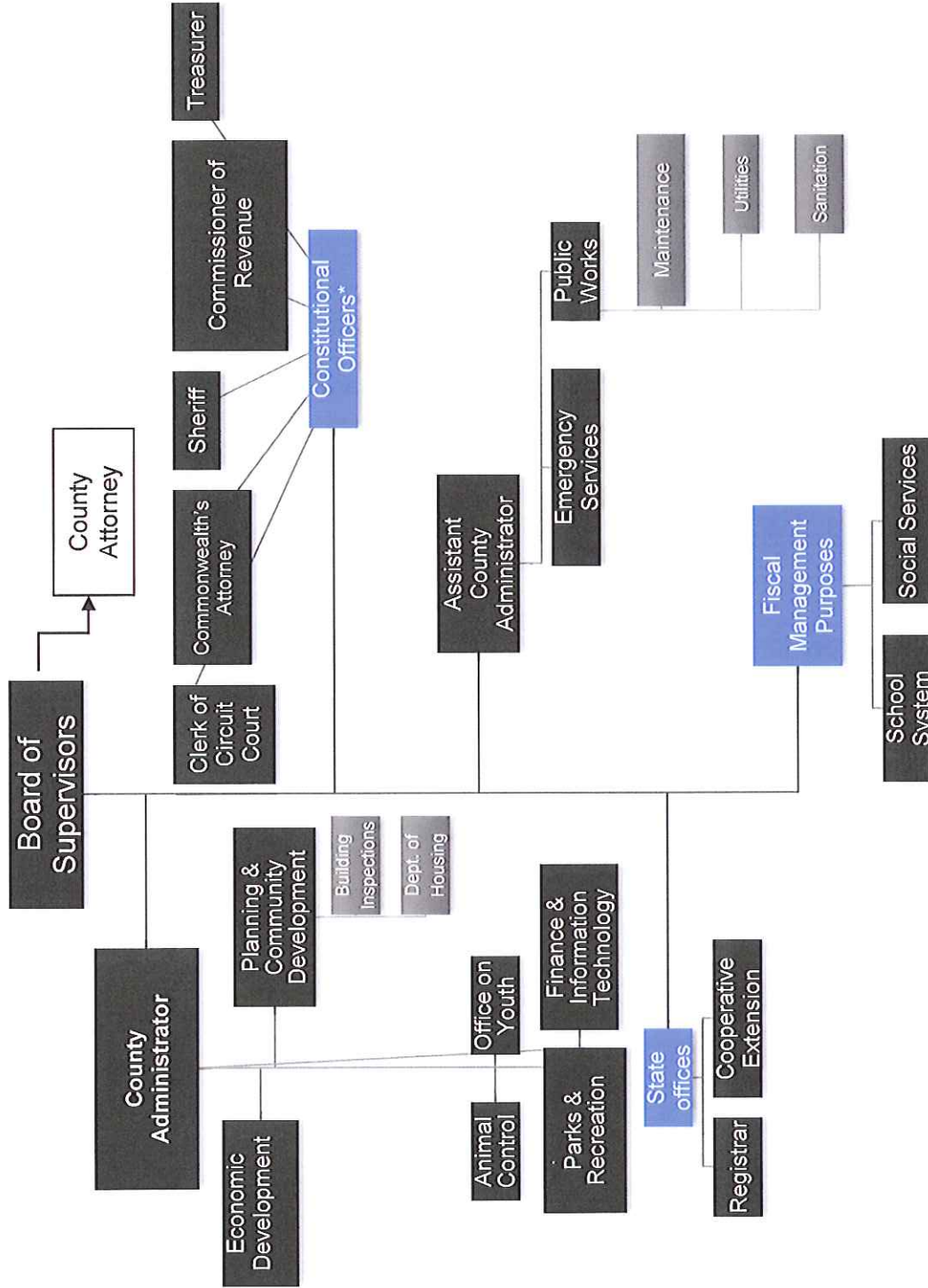
Other Officials

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

W. Allan Sharrett
Gail P. Clayton
Gerald G. Poindexter
Deborah J. Nee
Mary H. Shaw
Alvin Clayton
Lloyd Hamlin
Valerie Pierce
Tyrone W. Franklin
J. Larry Palmer
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

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

Members of the Board:

I am pleased to submit to you the Annual Financial Report of Surry County (the "County") for the fiscal year ended June 30, 2010. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management of the County. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the County's financial statements are free of any material misstatements and are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP).

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

Section 15.2 2511 of the Code of Virginia requires that local governments have their financial records audited annually as of the end of the fiscal year by independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2010 are free of material misstatement. Robinson, Farmer Cox Associates (RFCA) performed this service and based upon the various audit testing performed, have issued an unqualified opinion on the County's financial statements for the year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

GAAP requires 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) Introductory Section – which contains the County's organizational structure and this transmittal letter
- (2) Financial Section – which consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, including the notes to the statements, required supplementary information and other supplementary information.

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

Profile of the Government and its Services

The County of Surry, formed in 1652, is located strategically in southeastern Virginia, 10 miles south of Williamsburg, 50 miles southeast of Richmond and 40 miles northwest of Norfolk. The County covers 306 square miles and has a population of 7,119 persons (2006 U. S Census Bureau estimate). The greater proportion of the County's land area remains rural although areas of the County are experiencing moderate residential growth. The County of Surry employs the traditional five-member Board of Supervisors form of government elected by election districts. The Board has overall administrative and legislative responsibilities including levying County taxes, appropriating funds, approving and enforcing the County's Comprehensive Plan, making and enforcing ordinances and establishing policies and procedures. The County Administrator is appointed to carry out the policy decisions of the Board and to direct the day to day activities of the County. In addition to the Board, other elected officials in the County government include the Clerk of Circuit Court, Commissioner of the Revenue, Commonwealth's Attorney, Sheriff and Treasurer.

The operation of the public school system is vested in a five-member elected School Board. The Board makes an annual appropriation to the School Board based upon an approved budget. Since the School Board is fiscally dependent on the County, the financial statements of the Surry Public School System are included as a component unit of the County in accordance with GASB Statement No. 14.

The County provides a full range of municipal services to include education, public safety (sheriff, animal control, building inspections, emergency services, volunteer fire protection and paid/volunteer rescue services), parks, recreation & culture services and activities, public works, health and welfare administration, planning & community development and general administrative services. In addition, the county provides sewer services to approximately 131 residential and commercial customers in the Town of Dendron and four business customers in the Town of Surry. The Water & Sewer Fund account for these operations.

Long-Term Financial Planning

The County employs the services of a financial advisor as needed to guide them through the long-term financial planning needed to address capital projects needs of the County. The Capital Improvements Program (CIP) is the County's plan for investing in facilities, equipment and other significant improvements. Most of the current capital projects are funded through bank qualified loans and General Obligation Bonds issued by the County. Revenue bonds are primarily used to fund water and sewer improvements. Loan payments are usually repaid over twenty years, and the annual debt payment is called "debt service". Debt service is budgeted for and paid out of the County's annual operating budget. Debt service on the School Board Component Unit traditionally has been budgeted within the School Fund, but reflected as an operating expenditure from the General Fund for auditing purposes, since the School Division cannot

legally issue debt. Debt issued in FY 2009 for school related projects was budgeted under the General Fund as will all future debt associated with Education.

Financial Policies

Financial policies relative to debt as a percentage of assessed value and general fund expenditures help guide the Board's policy making decisions on financing capital projects. The County's imposed policy states that the net debt ratio as a percentage of assessed value should not exceed 3.0%. The actual percentage is less than 1%. The total ratio of debt service as a percentage of general fund expenditures is 5.6%, below the established guideline of 10%.

The General Fund fund balance is an important element in the financial position of the County. The General Fund's fund balance, which represents available current financial resources, totaled \$8.3 million at June 30, 2010. Uses of the fund balance are carefully evaluated to ensure that the balance will be sufficient to meet future obligations. In this case, a large portion (25% of general operating expenditures) is needed to finance operations of the County from July 1 through December 5 of each year. In addition, \$505,000 of this amount was committed to fund the FY2011 capital improvement budget. With the General Fund balance at \$8.3 million, the County continues to maintain a sound financial position.

Major Initiatives and Significant Events in Fiscal Year 2010

Capital Projects

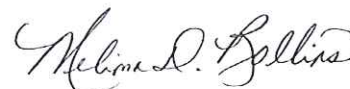
The County had completed or nearly completed all of its capital project initiatives which commenced in previous fiscal years (i.e. the courthouse/government center renovation project, acquisition of public safety equipment and fire station renovation, high school renovation project and the Elberon Heights Community Improvement project) and did not engage in new projects. The Broadband Development Initiative however, will continue in FY2010-1011 with \$200,000 in local funds allocated to the project matched with \$700,000 in state grant funds. The State funds were awarded to the County via a competitive application for Community Development Block Grant Funding in support of a broadband implementation project. The award was announced by the Governor of Virginia in June 2010. It is anticipated that construction will commence in the Spring/Summer of 2011. Also, local funds in the amount of \$255,000 have been committed in FY 2010-2011 for a third Solid Waste Convenience Station.

Acknowledgements

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



Tyrone W. Franklin
County Administrator



Melissa D. Rollins
Director of Finance &
Information Technology

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FINANCIAL SECTION

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Surry, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Surry, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Surry, Virginia, as of June 30, 2010, 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 8, 2010, on our consideration of the County of Surry, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



Richmond, Virginia
December 8, 2010

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County of Surry, Virginia Annual Financial Report presents our Management Discussion and Analysis of the County's financial activities during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the transmittal letter in the beginning of this report and the County's basic financial statements, which follow this analysis.

Overview of the Financial Statements

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

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

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

Government-Wide Financial Statements (Full Accrual)

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

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

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

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

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

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

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

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

The County 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 has two major governmental funds – the General Fund and the Capital Projects Fund.

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

Notes to the financial statements

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

Required Supplementary Information

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

Financial Analysis of the County as a Whole

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Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, governmental assets at June 30, 2010 exceeded liabilities by \$11.44 million while business assets exceed it's liabilities by \$5.8 million. The following table provides comparative information on the County's net assets as of June 30, 2009 and June 30, 2010. (Exhibit 1)

County of Surry, Virginia's Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 11,861,949	\$ 17,111,534	\$ 4,549	\$ 55,289	\$ 11,866,498	\$ 17,166,823
Capital assets	21,968,458	19,972,531	6,873,964	7,025,930	28,842,422	26,998,461
Total assets	\$ 33,830,407	\$ 37,084,065	\$ 6,878,513	\$ 7,081,219	\$ 40,708,920	\$ 44,165,284
Current liabilities	\$ 612,421	\$ 2,305,000	\$ 45,812	\$ 29,685	\$ 658,233	\$ 2,334,685
Long-term liabilities:						
Due within one year	1,097,801	1,226,492	53,177	51,393	1,150,978	1,277,885
Due in more than one year	20,682,031	21,685,819	953,220	1,006,924	21,635,251	22,692,743
Total liabilities	\$ 22,392,253	\$ 25,217,311	\$ 1,052,209	\$ 1,088,002	\$ 23,444,462	\$ 26,305,313
Net assets:						
Invested in capital assets, net of related debt	\$ 2,320,769	\$ 1,240,925	\$ 5,867,567	\$ 5,967,613	\$ 8,188,336	\$ 7,208,538
Unrestricted	9,117,385	10,625,829	(41,263)	25,604	9,076,122	10,651,433
Total net assets	\$ 11,438,154	\$ 11,866,754	\$ 5,826,304	\$ 5,993,217	\$ 17,264,458	\$ 17,859,971
Total Liabilities & Net Assets	33,830,407	37,084,065	6,878,513	7,081,219	40,708,920	44,165,284

Net Assets: Unrestricted net assets of governmental activities account for \$9.1 million or 80% 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 (20%) is its investment in capital assets (e.g. land, buildings, systems, machinery and equipment, and infrastructure), less accumulated depreciation and any debt used to acquire those assets that remain outstanding at year-end. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Statement of Activities – Changes in Net Assets

The Statement of Activities illustrates the general revenue sources that support the various governmental operations.

Governmental Activities - Governmental activities decreased the County's net assets by \$428,600 from \$11.8 million to \$11.4 million at June 30, 2010 as shown on the Statement of Activities. Key factors associated with the decrease in net assets include:

- A decrease in general property and other local taxes of \$411,000 from \$18.48 million in FY 2009 to \$18.07 million in FY 2010;
- A decrease in operating grants and contributions of \$230,000 from \$2.54 million in FY 2009 to \$2.31 million in FY2010;
- A decline in other general revenues by \$131,000 from \$323,000 in FY2009 to \$192,000 in FY 2010;

However, operating grants and contributions for the capital fund in the amount of increased by \$536,000 to reflect state funds received for community housing improvement programs.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Type Activities - The net assets of the County's business-type activities decreased slightly from \$5.99 million in FY 2009 to \$5.82 million. This is primarily attributed to an increase in the expenditures for business type activities, in this case continuing operations of the County's Water & Sewer Fund. The expenditure reflects the allocation of debt service for Water/Sewer activities to this fund as opposed to the Debt Service Fund. The County's general fund provided \$135,000 in operational support for the Water & Sewer Fund in FY 2010. The following table shows the revenues and expenses of the governmental and business type activities: (Exhibit 2)

	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 152,375	\$ 147,764	\$ 45,582	\$ 41,575	\$ 197,957	\$ 189,339
Operating grants and contributions	2,315,618	2,545,547	-	-	2,315,618	2,545,547
Capital grants and contributions	612,584	76,580	57,208	-	669,792	76,580
General revenues:						
General property taxes	17,428,339	17,728,739	-	-	17,428,339	17,728,739
Other local taxes	643,424	754,536	-	-	643,424	754,536
Grants and other contributions not restricted	708,314	697,935	-	-	708,314	697,935
Other general revenues	192,612	323,820			192,612	323,820
Transfers	(135,000)	(267,361)	135,000	267,361	-	-
Total revenues	\$ 21,918,266	\$ 22,007,560	\$ 237,790	\$ 308,936	\$ 22,156,056	\$ 22,316,496
Expenses:						
General government administration	\$ 1,556,300	\$ 1,864,806	\$ -	\$ -	\$ 1,556,300	\$ 1,864,806
Judicial administration	744,437	358,576	-	-	744,437	358,576
Public safety	2,761,300	2,907,399	-	-	2,761,300	2,907,399
Public works	1,025,861	1,237,489	404,703	383,367	1,430,564	1,620,856
Health and welfare	2,189,821	2,368,475	-	-	2,189,821	2,368,475
Education	11,932,831	11,734,160	-	-	11,932,831	11,734,160
Parks, recreation, and cultural	554,813	567,971	-	-	554,813	567,971
Community development	747,514	923,784	-	-	747,514	923,784
Interest and other fiscal charges	833,989	836,260	-	-	833,989	836,260
Total expenses	\$ 22,346,866	\$ 22,798,920	\$ 404,703	\$ 383,367	\$ 22,751,569	\$ 23,182,287
Change in net assets	\$ (428,600)	\$ (791,360)	\$ (166,913)	\$ (74,431)	\$ (595,513)	\$ (865,791)
Beginning of year	11,866,754	12,658,114	5,993,217	6,067,648	17,859,971	18,725,762
End of year	\$ 11,438,154	\$ 11,866,754	\$ 5,826,304	\$ 5,993,217	\$ 17,264,458	\$ 17,859,971

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, 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.

Governmental Funds – Revenue Analysis

The County's total revenues from general fund were \$21.4 million for the fiscal year ended June 30, 2010, a decrease of \$684,000 or 3.10% from FY 2009. General property taxes, the largest source of revenue, were \$17.38 million. It is composed of primarily public service corporation taxes (\$10.34 million), real estate taxes (\$5.86 million) and personal property taxes (\$1.03 mil). Approximately 81% of the County's revenue from governmental activities is derived from property taxes as shown in the table of Revenue Classified by Source (Exhibit 3).

The other local taxes revenue category, which includes local sales and use taxes, business and automobile licenses, utility consumption and communication taxes and the recordation tax totaled \$643,424 and is the second largest local revenue source. This represented a 14.7% decrease over the previous year due to (1) the change in decal system in FY10 which meant no revenue collection for the year and (2) a reduction in sales tax revenue by \$70,000. Revenue from the use of money and property is associated with investments; a significant decrease is partly due to a continued decline in short-term interest rates along with the depletion of funds previously invested for capital expenditures.

	June 30, 2010		June 30, 2009		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Property Taxes	17,376,874	81.25%	17,637,845	79.92%	(260,971)	-1.48%
Other Local Taxes	643,424	3.01%	754,536	3.42%	(111,112)	-14.73%
Permits, fees and regulatory licenses	41,406	0.19%	48,036	0.22%	(6,630)	-13.80%
Fines & Forfeitures	11,922	0.06%	24,902	0.11%	(12,980)	-52.12%
Revenue from Use of Money & Property	132,083	0.62%	249,149	1.13%	(117,066)	-46.99%
Charges for Services	99,047	0.46%	74,826	0.34%	24,221	32.37%
Miscellaneous & Recovered Cost	57,227	0.27%	37,791	0.17%	19,436	51.43%
Intergovernmental:						
Commonwealth	2,104,743	9.84%	2,350,015	10.65%	(245,272)	-10.44%
Federal	919,189	4.30%	893,467	4.05%	25,722	2.88%
Total Revenues	21,385,915	100%	22,070,567	100%	(684,652)	-52.88%

Intergovernmental Revenue consisting of state and federal revenues totaled \$3.02 million during FY2010, decreased by \$219,000 or 6.76%. Revenue from the commonwealth for non categorical aid remained relatively constant in FY 2010 with the majority of this source consisting of the personal property tax relief reimbursement of \$677,907. Revenue for shared expenses of the constitutional offices and electoral board/registrar decreased by \$22,000 while other categorical aid consisting of welfare administration and federal & state grants and other aid declined by \$56,000 and \$152,000 respectively.

Governmental Funds Expenditure Analysis

The following table of Expenditures by Function compares current year to prior year amounts (Exhibit 4). The accompanying analysis provides additional information on the County's expenditures by function that changed significantly over the prior year.

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Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenditures by Function - Governmental Funds

	June 30, 2010		June 30, 2009		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Government Administration	1,441,060	6.55%	1,554,499	7.43%	(113,439)	-7.87%
Judicial Administration	402,477	1.83%	396,862	1.90%	5,615	1.40%
Public Safety	2,447,061	11.11%	2,536,356	12.13%	(89,295)	-3.65%
Public Works	906,278	4.12%	1,022,167	4.89%	(115,889)	-12.79%
Health & Welfare	2,191,083	9.95%	2,361,067	11.29%	(169,984)	-7.76%
Education	11,575,408	52.57%	10,921,288	52.23%	654,120	5.65%
Parks, Recreation & Cultural	534,123	2.43%	540,575	2.59%	(6,452)	-1.21%
Community Development	447,969	2.03%	433,494	2.07%	14,475	3.23%
Debt Service: Principal Retirement	1,220,110	5.54%	734,832	3.51%	485,278	39.77%
Debt Service: Interest Payments	851,817	3.87%	408,867	1.96%	442,950	52.00%
Total Expenditures	22,017,386	100%	20,910,007	100%	1,107,379	5.03%

The County's total general fund expenditures of \$22.0 million for the fiscal year ended June 30, 2010 cover a wide range of services, with 52.5% or \$11.57 million for education (payments to the School System, a component unit), 11% or \$2.44 million for public safety, 9.9% or \$2.19 million for health and welfare services, 9.4% or \$2.07 million for debt service; 6.5% or \$1.44 million related to general government administration, and 4.12% or \$906,000 for public works. The remaining 6.29% include expenditures for other services to include parks & recreation, community development and judicial administration. Expenditures for the fiscal year ended June 30, 2010 (excluding education) increased by 4.3% or \$453,000 from the previous year. This is due to the increase in the debt service obligation for the acquisition of public safety equipment, building improvements and the school renovation project. The FY10 obligation was \$928,000 more in FY10; however, decreases in various categories of the general fund totaling \$486,000 defrayed the impact of the net increase.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The **General Fund** is the primary operating fund of the County. At the end of the current fiscal year, fund balance was \$8,353,210, a decrease of \$1,391,471 from the prior year. Primarily, the County's ending fund balance at June 30th is used to fund financial obligations of the County from July through December 5th of each year at which time the County receives its largest payment of revenue. From July 1st, the beginning of its fiscal year, to December 5th, only a small percentage of the County's total revenue for fiscal year is received. This percentage includes portions of federal and state reimbursements, fees for services, permits and fines, and a very small amount of tax payments. Therefore, not all of the \$8.3 million is available for spending at the County's discretion.

Please note the following regarding the General Fund:

- The FY 2011 budget includes a provision for the use of \$505,000 of the fund balance remaining at the conclusion of FY 2010 to finance capital project expenditures of the County. The use of unassigned fund balance was restricted to funding capital expenditures only, which minimizes the impact on available fund balance. This is consistent with fund balance policy.
- As a measure of the general fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. The fund balance of the general fund represents 38% of total general fund expenditures for FY10 and 30% of the total general operating budget for FY2011 which is within the County's policy of maintaining a committed fund balance of at least 25% of the general and capital projects (pay as you go) funds.

The **Capital Projects Fund** consists of the non-operating expenditures to reflect the capital needs of the County (i.e. building improvement projects, technology improvements, special projects and studies, highway improvements, etc.). The fund's balance of \$1.8 million primarily reflects the remaining assets available for both locally funded and financed capital projects.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Any balances after the completion of these projects could remain to fund additional capital projects in the future on a pay as you go basis.

Please note the following regarding the Capital Projects Fund:

- Total expenditures in the fund for FY2010 were \$3,341,000 comprised of the following:
 - 91% or \$3.1 million represent expenditures for projects financed via debt; proceeds are reimbursed to the County. Of this amount, \$153,000 represented expenditures associated with the courthouse/government center expansion and renovation project, expenditures for the public safety project was \$429,000 and \$2.45 million was expended for the High School Renovation Project.
 - Projects associated with reimbursed based grants represent 6.0% of the total capital project expenditures or \$211,000
 - The remaining 3% represents projects financed by the County on a pay-as-you-go basis.

General Fund Budgetary Highlights

Surry County generally takes a conservative approach to financial management, staying well within budgetary limits for expenditures during the fiscal year. Fiscal year 2010 had general fund operating expenditures (excludes capital, social service expenditures and contribution to education) of \$758,000 below the revised budget. The County's budget was amended during FY2010 to reflect grants, carry forward of unspent appropriations from FY 2009 and other unanticipated revenues. The overall difference between current fiscal year original budget and the final amended budget was \$175,506. The net increase in expenditure allocation is primarily associated with following:

- Judicial Administration increased by \$13,440 for the following reasons:
 - \$8,940 in records preservation grants
 - \$4,500 in part time funds
- Public Safety increased by \$98,009 for the following reasons:
 - \$16,352 to Fire and Rescue agencies in Fire Program grant funds
 - \$ 7,650 in Four- For- Life funds for the Surry Rescue Squad
 - \$74,007 to Emergency Services due to the allocation of various state and federal grants related to Homeland Security, Radiological Preparedness and Fire Safety.
- Health & Welfare increased by \$33,347 to reflect the receipt of federal funds awarded under the American Recovery and Reinvestment Act (ARRA) for workforce development.
- An increase of \$31,153 spread throughout various other department for insurance recoveries, parks and recreation fees not budgeted, donations and other miscellaneous sources.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2010 amounts to \$21.96 million (net of accumulated depreciation). This represents a net increase of \$1.99 million (net of depreciation) primarily related to the completed construction projects and related equipment subject to depreciation. The investment in capital assets includes land, buildings, systems, and machinery and equipment. Additional information on the County's capital assets can be found in the notes of this report.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-Term Debt

At the end of the current fiscal year, the County had total debt outstanding of \$20.6 million (excluding claims payable, compensated absences, OPEB and landfill liability). Of this amount, \$14.4 comprises debt backed by the full faith and credit of the County via bank loans payables. The remainder of the County's debt represents bonds secured solely by specified revenue sources through revenue bonds.

The amount of debt related to School Board activities comprises \$3.3 million of the total outstanding obligation of the primary government.

During the current fiscal year, the General Fund obligations of the County and School Board decreased by \$1.22 million (excludes compensated absences, OPEB and landfill 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 unemployment rate at December 2009 was 7.6% up from 5.6% in December 2008. Virginia's average unemployment rate for the same period was 6.9%. The average unemployment rate for the County for the fiscal year ending June 30, 2010 was 8.8%, an increase of 1.2 percent from the same period last year. Virginia's average rate for June 2010 was 7.0%. Generally, the County's unemployment rate has tracked slightly above the state's average.
- The fiscal year 2011 operating budget for all funds is \$27.3 mil, a decrease of 3.8% from the fiscal year 2010 budget.
- For 2011, the real estate tax rate increased from \$0.70 per \$100 of assessed value to \$0.73 and the personal property tax rate increased to \$4.00 per \$100 of assessed value from \$3.50.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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County of Surry, Virginia
Statement of Net Assets
June 30, 2010

	Primary Government			Component Unit
	Governmental	Business-type	Total	School Board
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 10,404,885	\$ -	\$ 10,404,885	\$ 1,163,177
Receivables (net of allowance for uncollectibles):				
Taxes receivable	799,365	-	799,365	-
Accounts receivable	10,756	4,549	15,305	-
Due from other governmental units	646,943	-	646,943	428,281
Capital assets (net of accumulated depreciation):				
Land and land improvements	685,158	3,636	688,794	158,330
Buildings and system	18,134,891	6,786,334	24,921,225	6,623,445
Equipment	2,076,451	83,994	2,160,445	2,245,765
Construction in progress	1,071,958	-	1,071,958	2,478,356
Total assets	<u>\$ 33,830,407</u>	<u>\$ 6,878,513</u>	<u>\$ 40,708,920</u>	<u>\$ 13,097,354</u>
LIABILITIES				
Accounts payable	\$ 266,832	\$ 23,082	\$ 289,914	\$ 127,626
Accrued liabilities	-	-	-	1,234,332
Reconciled overdraft payable	-	20,206	20,206	-
Accrued interest payable	339,911	2,524	342,435	-
Due to other governmental units	-	-	-	167,147
Unearned revenue	5,678	-	5,678	-
Long-term liabilities:				
Due within one year	1,097,801	53,177	1,150,978	9,572
Due in more than one year	20,682,031	953,220	21,635,251	107,313
Total liabilities	<u>\$ 22,392,253</u>	<u>\$ 1,052,209</u>	<u>\$ 23,444,462</u>	<u>\$ 1,645,990</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 2,320,769	\$ 5,867,567	\$ 8,188,336	\$ 11,505,896
Unrestricted (deficit)	9,117,385	(41,263)	9,076,122	(54,532)
Total net assets	<u>\$ 11,438,154</u>	<u>\$ 5,826,304</u>	<u>\$ 17,264,458</u>	<u>\$ 11,451,364</u>
Total liabilities and net assets				
	<u>\$ 33,830,407</u>	<u>\$ 6,878,513</u>	<u>\$ 40,708,920</u>	<u>\$ 13,097,354</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, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit
					Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,556,300	\$ -	\$ 184,147	\$ -	\$ (1,372,153)	\$ (1,372,153)	
Judicial administration	744,437	50,736	228,784	-	(464,917)	(464,917)	
Public safety	2,761,300	41,406	644,756	-	(2,075,138)	(2,075,138)	
Public works	1,025,861	29,794	8,455	-	(987,612)	(987,612)	
Health and welfare	2,189,821	-	1,212,334	-	(977,487)	(977,487)	
Education	11,932,831	-	-	-	(11,932,831)	(11,932,831)	
Parks, recreation, and cultural	554,813	30,439	-	-	(524,374)	(524,374)	
Community development	747,514	-	37,142	612,584	(97,788)	(97,788)	
Interest on long-term debt	833,989	-	-	-	(833,989)	(833,989)	
Total governmental activities	\$ 22,346,866	\$ 152,375	\$ 2,315,618	\$ 612,584	\$ (19,266,289)	\$ (19,266,289)	
Business-type activities:							
Water and sewer	\$ 404,703	\$ 45,582	\$ -	\$ 57,208	\$ (301,913)	\$ (301,913)	
Total business-type activities	\$ 404,703	\$ 45,582	\$ -	\$ 57,208	\$ (301,913)	\$ (301,913)	
Total primary government	\$ 22,751,569	\$ 197,957	\$ 2,315,618	\$ 669,792	\$ (19,568,202)	\$ (19,568,202)	
COMPONENT UNIT:							
School Board	\$ 17,238,405	\$ 264,570	\$ 4,908,872	\$ -	\$ (12,064,963)	\$ (12,064,963)	
Total component unit	\$ 17,238,405	\$ 264,570	\$ 4,908,872	\$ -	\$ (12,064,963)	\$ (12,064,963)	
General revenues:							
General property taxes					\$ 17,428,339	\$ -	\$ 17,428,339
Other local taxes:							
Local sales and use taxes					420,983	-	420,983
Other local taxes					222,441	-	222,441
Unrestricted revenues from use of money and property					139,858	-	139,858
Miscellaneous					52,754	-	52,754
Payments from Surry County					-	-	-
Grants and contributions not restricted to specific programs					708,314	-	708,314
Transfers					(135,000)	135,000	-
Total general revenues					\$ 18,837,689	\$ 135,000	\$ 18,972,689
Change in net assets					\$ (428,600)	\$ (166,913)	\$ (595,513)
Net assets - beginning					11,866,754	5,993,217	17,859,971
Net assets - ending					\$ 11,438,154	\$ 5,826,304	\$ 17,264,458

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

County of Surry, Virginia
Balance Sheet
Governmental Funds
June 30, 2010

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 7,941,997	\$ 1,834,388	\$ 628,500	\$ 10,404,885
Receivables (net of allowance for uncollectibles):				
Taxes receivable	799,365	-	-	799,365
Accounts receivable	10,756	-	-	10,756
Due from other governmental units	454,285	192,658	-	646,943
Total assets	<u>\$ 9,206,403</u>	<u>\$ 2,027,046</u>	<u>\$ 628,500</u>	<u>\$ 11,861,949</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 119,627	\$ 147,205	\$ -	\$ 266,832
Deferred revenue	733,566	-	-	733,566
Total liabilities	<u>\$ 853,193</u>	<u>\$ 147,205</u>	<u>\$ -</u>	<u>\$ 1,000,398</u>
Fund balances:				
Unreserved, reported in:				
General fund	\$ 8,353,210	\$ -	\$ -	\$ 8,353,210
Special revenue funds	-	-	628,500	628,500
Capital projects funds	-	1,879,841	-	1,879,841
Total fund balances	<u>\$ 8,353,210</u>	<u>\$ 1,879,841</u>	<u>\$ 628,500</u>	<u>\$ 10,861,551</u>
Total liabilities and fund balances	<u>\$ 9,206,403</u>	<u>\$ 2,027,046</u>	<u>\$ 628,500</u>	<u>\$ 11,861,949</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, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 10,861,551
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,968,458
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	727,888
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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	\$ (3,336,197)	
Revenue bond payable	(1,826,492)	
Bank loan payable	(14,485,000)	
Compensated absences	(244,908)	
OPEB Liability	(11,634)	
Landfill postclosure care	(1,875,601)	
Accrued interest payable	(339,911)	
	(22,119,743)	

Net assets of governmental activities	\$ 11,438,154
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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, 2010

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 17,376,874	\$ -	\$ -	\$ 17,376,874
Other local taxes	643,424	-	-	643,424
Permits, privilege fees, and regulatory licenses	41,406	-	-	41,406
Fines and forfeitures	11,922	-	-	11,922
Revenue from the use of money and property	132,083	7,760	15	139,858
Charges for services	99,047	-	-	99,047
Miscellaneous	46,522	-	6,232	52,754
Recovered costs	10,705	-	-	10,705
Intergovernmental revenues:				
Commonwealth	2,089,556	171,173	64,603	2,325,332
Federal	934,376	376,808	-	1,311,184
Total revenues	<u>\$ 21,385,915</u>	<u>\$ 555,741</u>	<u>\$ 70,850</u>	<u>\$ 22,012,506</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,441,060	\$ -	\$ -	\$ 1,441,060
Judicial administration	402,477	-	-	402,477
Public safety	2,447,061	-	-	2,447,061
Public works	906,278	-	-	906,278
Health and welfare	2,191,083	-	-	2,191,083
Education	11,575,408	-	-	11,575,408
Parks, recreation, and cultural	534,123	-	-	534,123
Community development	447,969	-	59,620	507,589
Capital projects	-	3,441,248	-	3,441,248
Debt service:				
Principal retirement	1,202,177	-	-	1,202,177
Interest and other fiscal charges	869,750	-	-	869,750
Total expenditures	<u>\$ 22,017,386</u>	<u>\$ 3,441,248</u>	<u>\$ 59,620</u>	<u>\$ 25,518,254</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (631,471)</u>	<u>\$ (2,885,507)</u>	<u>\$ 11,230</u>	<u>\$ (3,505,748)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 625,000	\$ -	\$ 625,000
Transfers out	(760,000)	-	-	(760,000)
Total other financing sources (uses)	<u>\$ (760,000)</u>	<u>\$ 625,000</u>	<u>\$ -</u>	<u>\$ (135,000)</u>
Net change in fund balances	\$ (1,391,471)	\$ (2,260,507)	\$ 11,230	\$ (3,640,748)
Fund balances - beginning	9,744,681	4,140,348	617,270	14,502,299
Fund balances - ending	<u>\$ 8,353,210</u>	<u>\$ 1,879,841</u>	<u>\$ 628,500</u>	<u>\$ 10,861,551</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, 2010

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

Net change in fund balances - total governmental funds \$ (3,640,748)

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

Capital outlay	\$ 3,189,683	
Depreciation	(836,332)	
Transfer of joint tenancy assets to Component Unit from Primary Government	(357,424)	1,995,927

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 51,465

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 capital leases	\$ 123,373	
Principal retired on school general obligation bonds	380,000	
Principal retired on revenue bond payable	183,804	
Principal retired on bank loan payable	515,000	
Bond premium amortization	3,484	
Decrease (increase) in landfill postclosure liability	(65,986)	1,139,675

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	\$ (1,762)	
Decrease (increase) in OPEB liability	(5,434)	
Decrease (increase) in interest payable	32,277	25,081

Change in net assets of governmental activities \$ (428,600)

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, 2010

	Enterprise Fund Water and Sewer
ASSETS	
Current assets:	
Accounts receivable, net of allowance for uncollectibles	\$ 4,549
Total current assets	<u>\$ 4,549</u>
Noncurrent assets:	
Capital assets:	
Utility plant in service	\$ 7,898,176
Land	3,636
Machinery and equipment	177,200
Less accumulated depreciation	(1,205,048)
Total capital assets	<u>\$ 6,873,964</u>
Total noncurrent assets	<u>\$ 6,873,964</u>
 Total assets	 <u>\$ 6,878,513</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 23,082
Reconciled overdraft payable	20,206
Accrued interest payable	2,524
Bonds payable - current portion	53,177
Total current liabilities	<u>\$ 98,989</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 953,220
Total noncurrent liabilities	<u>\$ 953,220</u>
Total liabilities	<u>\$ 1,052,209</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 5,867,567
Unrestricted (deficit)	<u>(41,263)</u>
 Total net assets	 <u><u>\$ 5,826,304</u></u>

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

County of Surry, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Enterprise Fund Water and Sewer
OPERATING REVENUES	
Charges for services:	
Water and sewer revenues	\$ 45,582
Total operating revenues	<u>\$ 45,582</u>
OPERATING EXPENSES	
Other supplies and expenses	\$ 157,193
Depreciation	209,175
Total operating expenses	<u>\$ 366,368</u>
Operating income (loss)	<u>\$ (320,786)</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental revenue	\$ 57,208
Interest expense	(38,335)
Total nonoperating revenues (expenses)	<u>\$ 18,873</u>
Income before contributions and transfers	<u>\$ (301,913)</u>
Transfers in	<u>\$ 135,000</u>
Change in net assets	<u>\$ (166,913)</u>
Total net assets - beginning	5,993,217
Total net assets - ending	<u><u>\$ 5,826,304</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, 2010

	Enterprise Fund Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 46,373
Payments to suppliers	(162,313)
Net cash provided (used) by operating activities	<u>\$ (115,940)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 135,000
Net cash provided (used) by noncapital financing activities	<u>\$ 135,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (51,920)
Interest payments	(37,295)
Net cash provided (used) by capital and related financing activities	<u>\$ (89,215)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (70,155)</u>
Cash and cash equivalents - beginning	49,949
Cash and cash equivalents - ending	<u><u>\$ (20,206)</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (320,786)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	209,175
(Increase) decrease in accounts receivable	791
Increase (decrease) in accounts payable	(5,120)
Total adjustments	<u>\$ 204,846</u>
Net cash provided (used) by operating activities	<u><u>\$ (115,940)</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, 2010

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 37,931
Total assets	<u>\$ 37,931</u>
LIABILITIES	
Amounts held for social services clients	\$ 34,393
Amounts held for others	3,538
Total liabilities	<u>\$ 37,931</u>

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, 2010

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-Wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of 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, 2010

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

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

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

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

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the 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, 2010

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, 2010.

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, 2010.

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

None

Excluded from the County's Annual Financial Report

District 19 Community Services Board

The District 19 Community Services Board is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The governing body of this organization is appointed by the participating jurisdictions which include the Cities of Colonial Heights, Emporia, Hopewell, Petersburg and the Counties of Surry, Greensville, Surry, 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, 2010.

Riverside Regional Jail

The Riverside Regional Jail is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The governing body of this organization is appointed by respective governing bodies of the participating jurisdictions. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

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

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

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

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

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

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

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

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

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

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

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

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

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

Governmental Funds

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

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

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

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

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

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

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

Governmental Funds (Continued)

The County reports the following non-major governmental funds:

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

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

E. Cash and Cash Equivalents

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

F. Investments

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

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$134,675 at June 30, 2010 and is comprised of property taxes of \$121,625 and water and sewer charges of \$13,050.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

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

G. Receivables and Payables (Continued)

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

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

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

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

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

I. Compensated Absences

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

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

J. Retirement Plan

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

K. Use of Estimates

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

L. Fund Equity

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

M. Net Assets

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

N. Long-term Obligations

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

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

Note 2—Stewardship, Compliance, and Accounting:

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

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

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

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any funds at June 30, 2010.

Note 3—Deposits and Investments:

Deposits

All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

Investments

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 3—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2010 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

<u>Locality's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 9,277,480
U.S. Treasury Money Market Fund	207,079
Total	<u>\$ 9,484,559</u>

Interest Rate Risk

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

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
U.S. Treasury Money Market Fund	\$ 207,079	\$ 207,079
Total	<u>\$ 207,079</u>	<u>\$ 207,079</u>

External Investment Pools

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 4—Due to/from Other Governments:

At June 30, 2010, the County has receivables due from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Surry County School Board	\$ 167,147	\$ -
Commonwealth of Virginia:		
Local sales tax	70,527	-
Set-off debt	459	-
Rolling stock tax	102	-
State Sales Tax	-	154,536
Constitutional officer reimbursements	67,606	-
Recordation tax	9,397	-
Communications tax	9,081	-
Community development block grant	152,444	-
Indoor plumbing grant	40,214	-
Welfare	35,740	-
E-911 wireless grant	10,129	-
Victim witness grant	5,204	-
Federal Government:		
Workforce development	9,228	-
School fund grants	-	273,745
Welfare	69,665	-
Total due from other governments	<u>\$ 646,943</u>	<u>\$ 428,281</u>

At June 30, 2010, amounts due to other local governments are as follows:

Other Local Governments:		
County of Surry	\$ <u>-</u>	\$ <u>167,147</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2010:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<i>Primary Government:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 685,158	\$ -	\$ -	\$ 685,158
Jointly owned assets-Construction in progress	85,721	2,561,798	1,740,580	906,939
Construction in progress	12,910,863	165,019	12,910,863	165,019
Total capital assets not subject to depreciation	<u>\$ 13,681,742</u>	<u>\$ 2,726,817</u>	<u>\$ 14,651,443</u>	<u>\$ 1,757,116</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 5,428,509	\$ 13,056,647	\$ -	\$ 18,485,156
Equipment	4,198,816	317,082	184,066	4,331,832
Jointly owned assets	2,205,742	3,471,162	-	5,676,904
Total capital assets subject to depreciation	<u>\$ 11,833,067</u>	<u>\$ 16,844,891</u>	<u>\$ 184,066</u>	<u>\$ 28,493,892</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 2,245,470	\$ 467,855	\$ -	\$ 2,713,325
Equipment	2,070,970	368,477	184,066	2,255,381
Jointly owned assets	1,225,838	61,745	(2,026,261)	3,313,844
Total accumulated depreciation	<u>\$ 5,542,278</u>	<u>\$ 898,077</u>	<u>\$ (1,842,195)</u>	<u>\$ 8,282,550</u>
Total capital assets subject to depreciation, net	<u>\$ 6,290,789</u>	<u>\$ 15,946,814</u>	<u>\$ 2,026,261</u>	<u>\$ 20,211,342</u>
Governmental activities capital assets, net	<u>\$ 19,972,531</u>	<u>\$ 18,673,631</u>	<u>\$ 16,677,704</u>	<u>\$ 21,968,458</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 5—Capital Assets: (Continued)

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<i>Proprietary Fund:</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	119,992	57,208	-	177,200
Total capital assets subject to depreciation	\$ 8,018,168	\$ 57,208	\$ -	\$ 8,075,376
Less: accumulated depreciation for:				
Utility Plant in Service	\$ 965,876	\$ 197,454	\$ -	\$ 1,163,330
Equipment	29,998	11,720	-	41,718
Total accumulated depreciation	\$ 995,874	\$ 209,174	\$ -	\$ 1,205,048
Total capital assets subject to depreciation, net	\$ 7,022,294	\$ (151,966)	\$ -	\$ 6,870,328
Proprietary fund capital assets, net	\$ 7,025,930	\$ (151,966)	\$ -	\$ 6,873,964
	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 158,330	\$ -	\$ -	\$ 158,330
Construction in progress - jointly owned assets	737,776	1,740,580	-	2,478,356
Total capital assets not subject to depreciation	\$ 896,106	\$ 1,740,580	\$ -	\$ 2,636,686
Capital assets subject to depreciation:				
Equipment	\$ 4,045,502	\$ 461,707	\$ 96,000	\$ 4,411,209
Building improvement	184,686	-	-	184,686
Jointly owned assets	18,984,209	-	3,471,163	15,513,046
Total capital assets subject to depreciation	\$ 23,214,397	\$ 461,707	\$ 3,567,163	\$ 20,108,941
Less: accumulated depreciation for:				
Equipment	\$ 1,936,446	\$ 324,998	\$ 96,000	\$ 2,165,444
Building improvement	14,064	4,617	-	18,681
Jointly owned assets	10,550,444	531,423	2,026,261	9,055,606
Total accumulated depreciation	\$ 12,500,954	\$ 861,038	\$ 2,122,261	\$ 11,239,731
Total capital assets subject to depreciation, net	\$ 10,713,443	\$ (399,331)	\$ 1,444,902	\$ 8,869,210
Component unit school board capital assets, net	\$ 11,609,549	\$ 1,341,249	\$ 1,444,902	\$ 11,505,896

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 5—Capital Assets: (Continued)

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

Governmental activities:	
General government administration	\$ 68,019
Judicial administration	330,796
Public safety	344,296
Public works	27,550
Health and welfare	20,440
Education	61,745
Parks, recreation and cultural	16,478
Community development	28,753
	<u> </u>
Total Governmental activities	\$ 898,077
Business-type activities	\$ 209,174
Component Unit School Board	\$ 861,038

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2010 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 760,000
County Capital Projects Fund	625,000	-
Water and Sewer Fund	135,000	-
	<u> </u>	<u> </u>
Total	\$ 760,000	\$ 760,000

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 7—Long Term Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2010:

Primary Government:

	Amounts Payable at July 1, 2009	Increases	Decreases	Amounts Payable at June 30, 2010	Amounts Due Within One Year
Governmental Obligations:					
Incurred by County:					
Claims, judgments and compensated absences payable	\$ 243,146	\$ 26,077	\$ 24,315	\$ 244,908	\$ 24,491
Capital leases	19,300	-	19,300	-	-
Bank loans payable	15,000,000	-	515,000	14,485,000	535,000
Revenue bond payable	2,010,296	-	183,804	1,826,492	189,826
OPEB Liability	6,200	10,434	5,000	11,634	-
Landfill postclosure care	1,809,615	65,986	-	1,875,601	-
Total incurred by County	\$ 19,088,557	\$ 102,497	\$ 747,419	\$ 18,443,635	\$ 749,317
Incurred by School Board:					
General obligation bonds	\$ 3,650,000	\$ -	\$ 380,000	\$ 3,270,000	\$ 345,000
Bond premium	69,681	-	3,484	66,197	3,484
Capital lease	104,073	-	104,073	-	-
Total incurred by School Board	\$ 3,823,754	\$ -	\$ 487,557	\$ 3,336,197	\$ 348,484
Total General Fund Obligations	\$ 22,912,311	\$ 102,497	\$ 1,234,976	\$ 21,779,832	\$ 1,097,801
Incurred by Enterprise Fund:					
Revenue bond payable	\$ 1,058,317	\$ -	\$ 51,920	\$ 1,006,397	\$ 53,177
Total incurred by Enterprise Fund	\$ 1,058,317	\$ -	\$ 51,920	\$ 1,006,397	\$ 53,177
Total Primary Government Obligations	\$ 23,970,628	\$ 102,497	\$ 1,286,896	\$ 22,786,229	\$ 1,150,978

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

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 Loan		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 53,177	\$ 36,038	\$ 535,000	\$ 588,452	\$ 189,826	\$ 62,280
2012	54,863	34,352	560,000	566,313	196,045	55,582
2013	56,604	32,611	585,000	543,045	202,469	48,664
2014	58,400	30,815	605,000	518,855	209,102	41,520
2015	60,256	28,959	625,000	496,845	215,953	34,142
2016	62,171	27,044	660,000	467,913	223,029	26,523
2017	64,148	25,068	685,000	440,545	230,336	18,643
2018	66,190	23,026	710,000	412,255	237,883	10,526
2019	68,297	20,919	740,000	382,837	121,849	2,132
2020	70,474	18,742	775,000	352,088	-	-
2021	8,466	16,974	810,000	320,005	-	-
2022	8,844	16,596	840,000	286,488	-	-
2023	9,239	16,201	875,000	251,637	-	-
2024	9,651	15,789	910,000	215,455	-	-
2025	10,082	15,358	940,000	177,837	-	-
2026	10,532	14,908	990,000	138,785	-	-
2027	11,002	14,438	1,025,000	97,785	-	-
2028	11,494	13,946	1,065,000	55,453	-	-
2029	12,007	13,433	550,000	11,275	-	-
2030	12,543	12,897	-	-	-	-
2031	13,102	12,338	-	-	-	-
2032	13,687	11,753	-	-	-	-
2033	14,298	11,142	-	-	-	-
2034	14,937	10,503	-	-	-	-
2035	15,603	9,837	-	-	-	-
2036	16,300	9,140	-	-	-	-
2037	17,027	8,413	-	-	-	-
2038	17,788	7,652	-	-	-	-
2039	18,581	6,859	-	-	-	-
2040	19,411	6,029	-	-	-	-
2041	20,277	5,163	-	-	-	-
2042	21,183	4,257	-	-	-	-
2043	22,128	3,312	-	-	-	-
2044	23,116	2,324	-	-	-	-
2045	24,148	1,292	-	-	-	-
2046	16,371	259	-	-	-	-
Total	\$ 1,006,397	\$ 538,387	\$ 14,485,000	\$ 6,323,868	\$ 1,826,492	\$ 300,012

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

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,	School Obligations	
	General Obligation Bonds	
	Principal	Interest
2011	\$ 345,000	\$ 156,143
2012	180,000	142,530
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>\$ 3,270,000</u>	<u>\$ 1,623,260</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Long-term obligations at June 30, 2010 are as follows:

	Total Amount
<u>Incurring by County:</u>	
<u>Bank Loans Payable:</u>	
\$9,000,000 IDA Bank Loan Series 2006 B issued December 14, 2006, payable in various annual installments through August 1, 2028, interest payable semi-annually at 4.10%	\$ 8,690,000
\$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%	5,795,000
Total Bank Loans Payable	<u>\$ 14,485,000</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%.	\$ 1,826,492
Landfill postclosure care liability (Note 14)	\$ 1,875,601
OPEB Liability (Note 15)	\$ 11,634
Compensated absences (payable by General Fund)	\$ 244,908
Total incurred by County	<u>\$ 18,443,635</u>
	Total Amount

Incurring by School Board:

General Obligation Bonds:

\$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%	\$ 265,000
\$1,335,000 School Bond issued May 18, 2000 payable in various annual installments through July 15, 2010, interest payable semi-annually at 5.29%	130,000
\$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%.	2,875,000
Total General Obligation Bonds	<u>\$ 3,270,000</u>
Bond issuance premium	\$ 66,197
Total incurred by School Board	<u>\$ 3,336,197</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

	<u>Total Amount</u>
<u>Enterprise Fund:</u>	
<u>Revenue Bonds Payable:</u>	
\$937,575 Revenue Bond issued through the Virginia Resources Authority, payable in semi-annual installments of \$31,888 (principal and interest), interest payable semi-annually at 3.00%	\$ 547,467
\$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%	458,930
Total Revenue Bonds Payable	<u>\$ 1,006,397</u>
Total Long-Term Obligations, Enterprise Fund	<u>\$ 1,006,397</u>
Total Long-Term Obligations, Primary Government	<u>\$ 22,786,229</u>

Component Unit - School Board:

The following is a summary of long-term debt transactions for the year ended June 30, 2010:

	<u>Amounts Payable at July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2010</u>	<u>Amounts Due Within One Year</u>
Component Unit-School Board:					
Compensated absences	\$ 91,858	\$ 13,044	\$ 9,186	\$ 95,716	\$ 9,572
OPEB Liability	12,600	30,369	21,800	21,169	-
Total Component Unit-School Board	<u>\$ 104,458</u>	<u>\$ 43,413</u>	<u>\$ 30,986</u>	<u>\$ 116,885</u>	<u>\$ 9,572</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

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 \$733,566 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$727,888 at June 30, 2010.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2010 but paid in advance by the taxpayers totaled \$5,678 at June 30, 2010.

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.

The following construction contracts were outstanding at June 30, 2010:

<u>Project</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Outstanding</u>
High School Renovations	E.T. Gresham Co. Inc	\$ 2,441,520	\$ 287,206

Note 10—Litigation:

At June 30, 2010, there were no matters of litigation involving the County that would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2010

Note 11 –Risk Management:

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

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

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

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

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 employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 12 –Defined Benefit Pension Plan: (Continued)

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/pdf/publications/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 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 annual salary to the VRS. This 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 and School Board's non-professional contribution rates for the fiscal year ended 2010 was 8.89% and 8.56% of annual covered payroll, respectively.

The Surry County School Board professional employees current rate is 8.81% of annual covered payroll. The contribution requirements of plan members and Surry County School Board are established and may be amended by the VRS Board of Trustees. The School Board's contributions to VRS for the years ending June 30, 2010, 2009, and 2008 were \$706,462, \$701,587, and \$779,186, respectively, and equal to the required contributions for each year.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

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 2010, the County's annual pension cost of \$408,608 (which includes the portion of the employee share assumed by the County which was \$167,462) was equal to the County's required and actual contributions.

For the fiscal year 2010, the County School Board's annual pension cost for the Board's non-professional employees was \$120,010 (which includes the portion of the employees share assumed by the County which was \$50,382) which was equal to the Board's required and actual contributions.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2010	\$ 241,146	100%	\$ -
June 30, 2009	229,118	100%	-
June 30, 2008	166,064	100%	-
School Board:			
Non-Professional:			
June 30, 2010	\$ 69,628	100%	\$ -
June 30, 2009	71,460	100%	-
June 30, 2008	41,478	100%	-

(1) Employer portion only

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 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 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. County's 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, 2007 was 20 years.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

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, 2009, the most recent actuarial valuation date, the plan was 88.57% funded. The actuarial accrued liability for benefits was \$13,506,372 and the actuarial value of assets was \$11,962,239, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,544,133. The covered payroll (annual payroll of active employees covered by the plan) was \$3,336,404, and ratio of the UAAL to covered payroll was 46.28%.

As of June 30, 2009, the most recent actuarial valuation date, the School Board's Non-Professions plan was 89.87% funded. The actuarial accrued liability for benefits was \$5,007,073 and the actuarial value of assets was \$4,499,615, resulting in an unfunded actuarial accrued liability (UAAL) of \$507,458. The covered payroll (annual payroll of active employees covered by the plan) was \$1,032,553 and ratio of the UAAL to the covered payroll was 49.15%.

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

Note 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

Note 14 –Landfill Closure and Postclosure Care Cost:

The \$1,875,601 reported as landfill postclosure liability at June 30, 2010, represents the estimated liability for postclosure monitoring. This amount is based on what it would cost to perform all postclosure care in 2010 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.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

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 allows 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 currently have 3 retirees and 1 spouse on their plan. The County also has 3 retirees and 1 spouse 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:

	COUNTY	SCHOOLS
Annual required contribution	\$ 10,400	\$ 30,300
Interest on net OPEB obligation	248	504
Adjustment to annual required contribution	(214)	(435)
Annual OPEB cost (expense)	\$ 10,434	\$ 30,369
Estimated Contributions made	(5,000)	(21,800)
Increase in net OPEB obligation	5,434	8,569
Net OPEB obligation-beginning of year	6,200	12,600
Net OPEB obligation-end of year	\$ 11,634	\$ 21,169

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

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 2009 and 2010 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
County :			
6/30/2010	\$ 10,434	47.92%	\$ 11,634
6/30/2009	10,000	38.00%	6,200
Schools:			
6/30/2010	\$ 30,369	71.78%	\$ 21,169
6/30/2009	29,200	56.85%	12,600

Funded Status and Funding Progress

As of January 1, 2009, the most recent actuarial valuation date, the County's actuarial accrued liability for benefits was \$113,300, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,081,000, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.68 percent.

As of January 1, 2009, the most recent actuarial valuation date, the School Board's actuarial accrued liability for benefits was \$341,700, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$8,304,100, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.11 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.

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

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

Actuarial Methods and Assumptions (Continued)

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 2010 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, 2009 was thirty years.

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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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
General property taxes	\$ 17,819,454	\$ 17,819,454	\$ 17,376,874	\$ (442,580)
Other local taxes	656,030	656,030	643,424	(12,606)
Permits, privilege fees, and regulatory licenses	57,600	57,600	41,406	(16,194)
Fines and forfeitures	15,000	15,000	11,922	(3,078)
Revenue from the use of money and property	247,210	247,210	132,083	(115,127)
Charges for services	63,999	75,069	99,047	23,978
Miscellaneous	10,000	21,256	46,522	25,266
Recovered costs	10,450	10,450	10,705	255
Intergovernmental revenues:				
Commonwealth	2,274,989	2,323,080	2,089,556	(233,524)
Federal	978,540	1,024,241	934,376	(89,865)
Total revenues	\$ 22,133,272	\$ 22,249,390	\$ 21,385,915	\$ (863,475)
EXPENDITURES				
Current:				
General government administration	\$ 1,632,811	\$ 1,580,486	\$ 1,441,060	\$ 139,426
Judicial administration	403,473	416,913	402,477	14,436
Public safety	2,574,642	2,697,389	2,447,061	250,328
Public works	1,183,745	1,188,870	906,278	282,592
Health and welfare	2,864,135	2,895,930	2,191,083	704,847
Education	11,360,557	11,600,554	11,575,408	25,146
Parks, recreation, and cultural	535,468	549,538	534,123	15,415
Community development	464,690	496,545	447,969	48,576
Debt service:				
Principal retirement	1,196,908	1,289,554	1,202,177	87,377
Interest and other fiscal charges	817,930	852,287	869,750	(17,463)
Total expenditures	\$ 23,034,359	\$ 23,568,066	\$ 22,017,386	\$ 1,550,680
Excess (deficiency) of revenues over (under) expenditures	\$ (901,087)	\$ (1,318,676)	\$ (631,471)	\$ 687,205
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (215,917)	\$ (215,917)	\$ (760,000)	\$ (544,083)
Total other financing sources and uses	\$ (215,917)	\$ (215,917)	\$ (760,000)	\$ (544,083)
Net change in fund balances	\$ (1,117,004)	\$ (1,534,593)	\$ (1,391,471)	\$ 143,122
Fund balances - beginning	1,117,004	1,534,593	9,744,681	8,210,088
Fund balances - ending	\$ -	\$ -	\$ 8,353,210	\$ 8,353,210

County of Surry, Virginia
Schedule of Pension Funding Progress
Last Nine 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)
6/30/2009	\$ 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%
6/30/2001	8,253,145	6,645,362	(1,607,783)	124.19%	2,258,278	-71.20%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2009	\$ 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%
6/30/2001	3,457,433	2,823,091	(634,342)	122.47%	960,663	-66.03%

County of Surry, Virginia
Schedule of Funding Progress - Retiree Healthcare Plan
For the Year Ended June 30, 2010

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%
School Board: 1/1/2009	\$ -	\$ 341,700	\$ 341,700	0.00%	\$ 8,304,100	4.11%

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OTHER SUPPLEMENTARY INFORMATION

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***COMBINING AND INDIVIDUAL FUND 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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Revenue from the use of money and property	\$ 25,000	\$ 25,000	\$ 7,760	\$ (17,240)
Intergovernmental revenues:				
Commonwealth	-	-	171,173	171,173
Federal	250,000	250,000	376,808	126,808
Total revenues	<u>\$ 275,000</u>	<u>\$ 275,000</u>	<u>\$ 555,741</u>	<u>\$ 280,741</u>
EXPENDITURES				
Capital projects	\$ 970,000	\$ 5,934,973	\$ 3,441,248	\$ 2,493,725
Total expenditures	<u>\$ 970,000</u>	<u>\$ 5,934,973</u>	<u>\$ 3,441,248</u>	<u>\$ 2,493,725</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (695,000)</u>	<u>\$ (5,659,973)</u>	<u>\$ (2,885,507)</u>	<u>\$ 2,774,466</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 625,000	\$ 625,000
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 625,000</u>	<u>\$ 625,000</u>
Net change in fund balances	\$ (695,000)	\$ (5,659,973)	\$ (2,260,507)	\$ 3,399,466
Fund balances - beginning	695,000	5,659,973	4,140,348	(1,519,625)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,879,841</u>	<u>\$ 1,879,841</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 15	\$ 15
Miscellaneous	-	-	6,232	6,232
Intergovernmental revenues:				
Commonwealth	-	59,620	64,603	4,983
Total revenues	\$ -	\$ 59,620	\$ 70,850	\$ 11,230
EXPENDITURES				
Current:				
Community development	\$ 79,160	\$ 138,780	\$ 59,620	\$ 79,160
Total expenditures	\$ 79,160	\$ 138,780	\$ 59,620	\$ 79,160
Excess (deficiency) of revenues over (under) expenditures	\$ (79,160)	\$ (79,160)	\$ 11,230	\$ 90,390
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 79,160	\$ 79,160	\$ -	\$ (79,160)
Net change in fund balances	\$ -	\$ -	\$ 11,230	\$ 11,230
Fund balances - beginning	-	-	617,270	617,270
Fund balances - ending	\$ -	\$ -	\$ 628,500	\$ 628,500

County of Surry, Virginia
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Agency Funds			
	<u>Special Welfare</u>	<u>Crater AAA</u>	<u>Emergency Food and Shelter</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 34,393	\$ 321	\$ 3,217	\$ 37,931
Total assets	<u>\$ 34,393</u>	<u>\$ 321</u>	<u>\$ 3,217</u>	<u>\$ 37,931</u>
LIABILITIES				
Amounts held for others	\$ -	\$ 321	\$ 3,217	\$ 3,538
Amounts held for social services clients	34,393	-	-	34,393
Total liabilities	<u>\$ 34,393</u>	<u>\$ 321</u>	<u>\$ 3,217</u>	<u>\$ 37,931</u>

County of Surry, Virginia

Fiduciary Funds
Statement of Changes in Fiduciary Net Assets - Agency Funds
For the Year Ended June 30, 2010

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 7,564	\$ 29,838	\$ 3,009	\$ 34,393
Liabilities:				
Amounts held for social services clients	\$ 7,564	\$ 29,838	\$ 3,009	\$ 34,393
Crater AAA Fund:				
Assets:				
Cash and cash equivalents	\$ 5,937	\$ 36,241	\$ 41,857	\$ 321
Liabilities:				
Amounts held for others	\$ 5,937	\$ 36,241	\$ 41,857	\$ 321
Emergency Food and Shelter Fund:				
Assets:				
Cash and cash equivalents	\$ 12	\$ 9,824	\$ 6,619	\$ 3,217
Liabilities:				
Amounts held for others	\$ 12	\$ 9,824	\$ 6,619	\$ 3,217
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 13,513	\$ 75,903	\$ 51,485	\$ 37,931
Total assets	\$ 13,513	\$ 75,903	\$ 51,485	\$ 37,931
Liabilities:				
Amounts held for others	\$ 5,949	\$ 46,065	\$ 48,476	\$ 3,538
Amounts held for social services clients	7,564	29,838	3,009	34,393
Total liabilities	\$ 13,513	\$ 75,903	\$ 51,485	\$ 37,931

***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, 2010

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,085,364	\$ 77,813	\$ 1,163,177
Due from other governmental units	406,773	21,508	428,281
Total assets	<u>\$ 1,492,137</u>	<u>\$ 99,321</u>	<u>\$ 1,591,458</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 127,626	\$ -	\$ 127,626
Accrued liabilities	1,197,364	36,968	1,234,332
Due to other governmental units	167,147	-	167,147
Total liabilities	<u>\$ 1,492,137</u>	<u>\$ 36,968</u>	<u>\$ 1,529,105</u>
Fund balances:			
Unreserved:			
Undesignated	\$ -	\$ 62,353	\$ 62,353
Total fund balances	<u>\$ -</u>	<u>\$ 62,353</u>	<u>\$ 62,353</u>
Total liabilities and fund balances	<u>\$ 1,492,137</u>	<u>\$ 99,321</u>	<u>\$ 1,591,458</u>

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

Total fund balances per above	\$ 62,353
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,505,896
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(116,885)
Net assets of governmental activities	<u>\$ 11,451,364</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, 2010

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 1,832	\$ 193	\$ 2,025
Charges for services	-	264,570	264,570
Miscellaneous	58,806	266	59,072
Intergovernmental revenues:			
Local government	11,574,308	-	11,574,308
Commonwealth	3,458,427	9,541	3,467,968
Federal	1,063,007	377,897	1,440,904
Total revenues	<u>\$ 16,156,380</u>	<u>\$ 652,467</u>	<u>\$ 16,808,847</u>
EXPENDITURES			
Current:			
Education	\$ 16,156,380	\$ 608,521	\$ 16,764,901
Total expenditures	<u>\$ 16,156,380</u>	<u>\$ 608,521</u>	<u>\$ 16,764,901</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 43,946</u>	<u>\$ 43,946</u>
Net change in fund balances	\$ -	\$ 43,946	\$ 43,946
Fund balances - beginning	-	18,407	18,407
Fund balances - ending	<u>\$ -</u>	<u>\$ 62,353</u>	<u>\$ 62,353</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 \$ 43,946

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	\$ 461,706	
Depreciation expense	1,165,223	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>(1,730,582)</u>	(103,653)

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	\$ (8,569)	
(Increase) decrease in compensated absences	<u>(3,858)</u>	(12,427)
Change in net assets of governmental activities		<u>\$ (72,134)</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, 2010

	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	\$ -	\$ -	\$ 1,832	\$ 1,832	\$ -	\$ -	\$ 193	\$ 193
Charges for services	-	-	-	-	275,000	275,000	264,570	(10,430)
Miscellaneous	75,000	75,000	58,806	(16,194)	-	-	266	266
Intergovernmental revenues:								
Local government	11,255,475	11,599,454	11,574,308	(25,146)	103,982	-	-	-
Commonwealth	3,701,021	3,554,486	3,458,427	(96,059)	9,917	9,810	9,541	(269)
Federal	798,202	1,527,445	1,063,007	(464,438)	240,000	338,950	377,897	38,947
Total revenues	\$ 15,829,698	\$ 16,756,385	\$ 16,156,380	\$ (600,005)	\$ 628,899	\$ 623,760	\$ 652,467	\$ 28,707
EXPENDITURES								
Current:								
Education	\$ 15,829,698	\$ 16,772,296	\$ 16,156,380	\$ 615,916	\$ 628,899	\$ 607,849	\$ 608,521	\$ (672)
Total expenditures	\$ 15,829,698	\$ 16,772,296	\$ 16,156,380	\$ 615,916	\$ 628,899	\$ 607,849	\$ 608,521	\$ (672)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (15,911)	\$ -	\$ 15,911	\$ -	\$ 15,911	\$ 43,946	\$ 28,035
OTHER FINANCING SOURCES (USES)								
Transfers in	\$ -	\$ 15,911	\$ -	\$ (15,911)	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-	(15,911)	-	15,911
Total other financing sources and uses	\$ -	\$ 15,911	\$ -	\$ (15,911)	\$ -	\$ (15,911)	\$ -	\$ 15,911
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,946	\$ 43,946
Fund balances - beginning	-	-	-	-	-	-	18,407	18,407
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,353	\$ 62,353

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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, 2010

Schedule 1
Page 1 of 7

<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	\$ 6,044,185	\$ 6,044,185	\$ 5,866,731	\$ (177,454)
Real and personal public service corporation taxes	10,710,133	10,710,133	10,347,732	(362,401)
Personal property taxes	958,136	958,136	1,033,693	75,557
Penalties	40,000	40,000	48,426	8,426
Interest	67,000	67,000	80,292	13,292
Total general property taxes	<u>\$ 17,819,454</u>	<u>\$ 17,819,454</u>	<u>\$ 17,376,874</u>	<u>\$ (442,580)</u>
Other local taxes:				
Local sales and use taxes	\$ 350,000	\$ 350,000	\$ 420,983	\$ 70,983
Consumption tax	15,320	15,320	20,439	5,119
Business license taxes	50,710	50,710	78,222	27,512
Motor vehicle licenses	125,000	125,000	5,107	(119,893)
Communications tax	55,000	55,000	53,972	(1,028)
Taxes on recordation and wills	60,000	60,000	64,701	4,701
Total other local taxes	<u>\$ 656,030</u>	<u>\$ 656,030</u>	<u>\$ 643,424</u>	<u>\$ (12,606)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 3,500	\$ 3,500	\$ 5,020	\$ 1,520
Building permits	38,500	38,500	22,604	(15,896)
Permits and other licenses	15,600	15,600	13,782	(1,818)
Total permits, privilege fees, and regulatory licenses	<u>\$ 57,600</u>	<u>\$ 57,600</u>	<u>\$ 41,406</u>	<u>\$ (16,194)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 15,000	\$ 15,000	\$ 11,922	\$ (3,078)
Revenue from use of money and property:				
Revenue from use of money	\$ 150,000	\$ 150,000	\$ 34,845	\$ (115,155)
Revenue from use of property	97,210	97,210	97,238	28
Total revenue from use of money and property	<u>\$ 247,210</u>	<u>\$ 247,210</u>	<u>\$ 132,083</u>	<u>\$ (115,127)</u>
Charges for services:				
Sheriff fees	\$ 299	\$ 299	\$ 598	\$ 299
Charges for Commonwealth's Attorney	100	100	133	33
Charges for Treasurer	5,500	5,500	16,782	11,282
Courthouse maintenance fees	3,200	3,200	2,980	(220)
Charges for other court services	16,000	16,000	18,321	2,321
Charges for sanitation and waste removal	16,500	16,500	29,794	13,294
Charges for parks and recreation	22,400	33,470	30,439	(3,031)
Total charges for services	<u>\$ 63,999</u>	<u>\$ 75,069</u>	<u>\$ 99,047</u>	<u>\$ 23,978</u>
Miscellaneous revenue:				
Miscellaneous	\$ 10,000	\$ 21,256	\$ 46,522	\$ 25,266

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 1
Page 2 of 7

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Regional jail	\$ 10,000	\$ 10,000	\$ 4,734	\$ (5,266)
VPI extension phone reimbursement	300	300	466	166
Local health department	-	-	5,000	5,000
Care of animals	150	150	505	355
Total recovered costs	<u>\$ 10,450</u>	<u>\$ 10,450</u>	<u>\$ 10,705</u>	<u>\$ 255</u>
Total revenue from local sources	<u>\$ 18,879,743</u>	<u>\$ 18,902,069</u>	<u>\$ 18,361,983</u>	<u>\$ (540,086)</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 15,000	\$ -	\$ 102	\$ 102
Mobile home titling tax	-	15,000	14,983	(17)
Taxes on deeds	-	-	16,730	16,730
State recordation tax	20,000	20,000	27,565	7,565
Personal property tax relief funds	677,907	677,907	677,907	-
Reduction in state aid to local governments	(28,973)	(28,973)	(28,973)	-
Total noncategorical aid	<u>\$ 683,934</u>	<u>\$ 683,934</u>	<u>\$ 708,314</u>	<u>\$ 24,380</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 75,925	\$ 75,925	\$ 71,342	\$ (4,583)
Sheriff	486,577	486,577	429,784	(56,793)
Commissioner of revenue	77,434	77,434	72,456	(4,978)
Treasurer	84,890	84,890	78,808	(6,082)
Registrar/electoral board	40,000	40,000	32,731	(7,269)
Clerk of the circuit court	144,606	144,606	134,314	(10,292)
Total shared expenses	<u>\$ 909,432</u>	<u>\$ 909,432</u>	<u>\$ 819,435</u>	<u>\$ (89,997)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 526,419	\$ 526,419	\$ 376,805	\$ (149,614)
Fire programs fund	-	29,517	28,070	(1,447)
Septic grant	-	1,855	3,330	1,475
Comprehensive services act	75,000	75,000	48,914	(26,086)
Wireless funds	51,000	51,000	60,107	9,107
Emergency medical services	-	7,651	7,651	-

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 1
Page 3 of 7

<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)				
Victim-witness grant	\$ 20,000	\$ 20,000	\$ 19,185	\$ (815)
Clerk's records grant	-	3,943	3,943	-
Juvenile confinement	9,204	9,204	8,525	(679)
Animal friendly plates	-	-	152	152
Litter control	-	5,125	5,125	-
Total other categorical aid	\$ 681,623	\$ 729,714	\$ 561,807	\$ (167,907)
Total categorical aid	\$ 1,591,055	\$ 1,639,146	\$ 1,381,242	\$ (257,904)
Total revenue from the Commonwealth	\$ 2,274,989	\$ 2,323,080	\$ 2,089,556	\$ (233,524)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 972,040	\$ 972,040	\$ 780,988	\$ (191,052)
State homeland security	-	10,950	10,950	-
Disaster recovery	-	1,403	3,794	2,391
Edward Byrne JAG grant - ARRA	-	-	15,187	15,187
Buffer zone protection grant	-	-	84,482	84,482
Workforce development - ARRA	-	33,348	33,348	-
Summer feeding program	6,500	6,500	5,627	(873)
Total categorical aid	\$ 978,540	\$ 1,024,241	\$ 934,376	\$ (89,865)
Total revenue from the federal government	\$ 978,540	\$ 1,024,241	\$ 934,376	\$ (89,865)
Total General Fund	\$ 22,133,272	\$ 22,249,390	\$ 21,385,915	\$ (863,475)
County Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 15	\$ 15
Total revenue from use of money and property	\$ -	\$ -	\$ 15	\$ 15
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 6,232	\$ 6,232
Total miscellaneous revenue	\$ -	\$ -	\$ 6,232	\$ 6,232
Total revenue from local sources	\$ -	\$ -	\$ 6,247	\$ 6,247

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

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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 Special Revenue Fund: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Indoor plumbing grants	\$ -	\$ 59,620	\$ 64,603	\$ 4,983
Total revenue from the Commonwealth	\$ -	\$ 59,620	\$ 64,603	\$ 4,983
Total County Special Revenue Fund	\$ -	\$ 59,620	\$ 70,850	\$ 11,230
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 25,000	\$ 25,000	\$ 7,760	\$ (17,240)
Total revenue from local sources	\$ 25,000	\$ 25,000	\$ 7,760	\$ (17,240)
Revenue from the Commonwealth:				
Categorical aid:				
Indoor plumbing grant	\$ -	\$ -	\$ 171,173	\$ 171,173
Total categorical aid	\$ -	\$ -	\$ 171,173	\$ 171,173
Total revenue from the Commonwealth	\$ -	\$ -	\$ 171,173	\$ 171,173
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ 250,000	\$ 250,000	\$ 376,808	\$ 126,808
Total categorical aid	\$ 250,000	\$ 250,000	\$ 376,808	\$ 126,808
Total revenue from the federal government	\$ 250,000	\$ 250,000	\$ 376,808	\$ 126,808
Total County Capital Projects Fund	\$ 275,000	\$ 275,000	\$ 555,741	\$ 280,741
Total Primary Government	\$ 22,408,272	\$ 22,584,010	\$ 22,012,506	\$ (571,504)

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

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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:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,832	\$ 1,832
Total revenue from use of money and property	\$ -	\$ -	\$ 1,832	\$ 1,832
Miscellaneous revenue:				
Miscellaneous	\$ 75,000	\$ 75,000	\$ 58,806	\$ (16,194)
Total revenue from local sources	\$ 75,000	\$ 75,000	\$ 60,638	\$ (14,362)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Surry	\$ 11,255,475	\$ 11,599,454	\$ 11,574,308	\$ (25,146)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 921,299	\$ 854,050	\$ 879,207	\$ 25,157
Basic school aid	1,646,969	1,591,183	1,465,691	(125,492)
Remedial summer education	20,662	19,566	19,566	-
Regular foster care	23,144	57,789	53,964	(3,825)
GED funding	7,859	7,859	7,859	-
Gifted and talented	14,679	14,363	14,363	-
SOL remediation	54,567	53,391	53,391	-
Adult education	2,280	2,280	-	(2,280)
Special education	185,770	181,945	181,945	-
Textbook payment	37,820	-	-	-
Vocational education	106,595	102,895	103,358	463
Early reading intervention	7,214	7,214	7,214	-
School fringes	222,736	186,714	186,714	-
English as a second language	-	-	384	384
State lottery payments	-	-	36,047	36,047
Virtual advances placement	-	-	156	156
Mentor teacher program	-	1,077	742	(335)
School construction	28,997	33,680	-	(33,680)
Enrollment loss	10,404	23,271	23,271	-
At risk payments	73,599	70,551	70,551	-
Primary class size	79,427	71,658	71,658	-
Technology	128,000	128,000	128,000	-
SOL algebra readiness	-	-	7,346	7,346
At risk four-year olds	-	-	147,000	147,000
Virginia preschool initiative	129,000	147,000	-	(147,000)
Total categorical aid	\$ 3,701,021	\$ 3,554,486	\$ 3,458,427	\$ (96,059)
Total revenue from the Commonwealth	\$ 3,701,021	\$ 3,554,486	\$ 3,458,427	\$ (96,059)

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

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:				
Categorical aid:				
Title I	\$ 172,869	\$ 181,359	\$ 164,333	\$ (17,026)
Title I - ARRA	-	112,775	-	(112,775)
Title VI-B, special education flow-through	239,352	240,109	227,816	(12,293)
Title VI-B, special education flow-through - ARRA	-	249,752	72,274	(177,478)
Vocational education	-	18,591	35,389	16,798
Title VI-B, special education pre-school	4,708	4,473	8,703	4,230
Title VI-B, special education pre-school - ARRA	-	8,411	-	(8,411)
Drug free schools	4,200	3,424	2,479	(945)
Education technology grant	7,783	7,730	1,303	(6,427)
Title V	-	-	2,691	2,691
State fiscal stabilization funds - ARRA	253,515	368,217	257,934	(110,283)
JROTC	53,000	61,646	61,646	-
Twenty-first Century Grant	-	199,999	182,710	(17,289)
Title II, Part A	60,775	63,268	45,729	(17,539)
Title II, Part D - ARRA	-	5,513	-	(5,513)
Other federal funds	2,000	2,178	-	(2,178)
Total categorical aid	\$ 798,202	\$ 1,527,445	\$ 1,063,007	\$ (464,438)
Total revenue from the federal government	\$ 798,202	\$ 1,527,445	\$ 1,063,007	\$ (464,438)
Total School Operating Fund	\$ 15,829,698	\$ 16,756,385	\$ 16,156,380	\$ (600,005)
School Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 193	\$ 193
Total revenue from use of money and property	\$ -	\$ -	\$ 193	\$ 193
Charges for services:				
Cafeteria sales	\$ 275,000	\$ 275,000	\$ 264,570	\$ (10,430)
Total charges for services	\$ 275,000	\$ 275,000	\$ 264,570	\$ (10,430)
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 266	\$ 266
Total miscellaneous revenue	\$ -	\$ -	\$ 266	\$ 266
Total revenue from local sources	\$ 275,000	\$ 275,000	\$ 265,029	\$ (9,971)

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

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 Special Revenue Fund: (Continued)				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Surry, Virginia	\$ 103,982	\$ -	\$ -	\$ -
Total revenues from local governments	\$ 103,982	\$ -	\$ -	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 9,917	\$ 9,810	\$ 9,541	\$ (269)
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 240,000	\$ 285,000	\$ 308,013	\$ 23,013
School food equipment - ARRA	-	13,320	13,320	-
Summer feeding	-	-	14,785	14,785
Commodities	-	40,630	41,779	1,149
Total categorical aid	\$ 240,000	\$ 338,950	\$ 377,897	\$ 38,947
Total revenue from the federal government	\$ 240,000	\$ 338,950	\$ 377,897	\$ 38,947
Total School Special Revenue Fund	\$ 628,899	\$ 623,760	\$ 652,467	\$ 28,707
Total Discretely Presented Component Unit - School Board	\$ 16,458,597	\$ 17,380,145	\$ 16,808,847	\$ (571,298)

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County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 285,711	\$ 241,186	\$ 154,382	\$ 86,804
General and financial administration:				
County administrator	\$ 322,169	\$ 322,169	\$ 310,768	\$ 11,401
Legal services	70,720	70,720	70,429	291
Commissioner of revenue	173,666	173,666	168,405	5,261
Treasurer	252,352	252,352	244,662	7,690
Board of equalization	90,000	90,000	84,792	5,208
Finance department	152,435	152,435	147,963	4,472
Information technology	124,925	124,925	120,592	4,333
Other general and financial administration	62,500	55,000	53,860	1,140
Total general and financial administration	\$ 1,248,767	\$ 1,241,267	\$ 1,201,471	\$ 39,796
Board of elections:				
Electoral board and officials	\$ 98,333	\$ 98,033	\$ 85,207	\$ 12,826
Total general government administration	\$ 1,632,811	\$ 1,580,486	\$ 1,441,060	\$ 139,426
Judicial administration:				
Courts:				
Circuit court	\$ 17,200	\$ 17,200	\$ 10,296	\$ 6,904
General district court	7,804	7,804	6,251	1,553
Special magistrates	800	800	753	47
Southside legal aid	7,261	7,261	7,261	-
Victim Witness	20,000	20,000	19,185	815
Clerk of the circuit court	226,362	239,802	234,937	4,865
Total courts	\$ 279,427	\$ 292,867	\$ 278,683	\$ 14,184
Commonwealth's attorney:				
Commonwealth's attorney	\$ 124,046	\$ 124,046	\$ 123,794	\$ 252
Total judicial administration	\$ 403,473	\$ 416,913	\$ 402,477	\$ 14,436
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,301,198	\$ 1,306,715	\$ 1,196,556	\$ 110,159
Virginia juvenile crime control act	15,425	15,425	15,346	79
Riverside Criminal justice	14,000	14,000	14,000	-
Total law enforcement and traffic control	\$ 1,330,623	\$ 1,336,140	\$ 1,225,902	\$ 110,238
Fire and rescue services:				
Fire department/rescue services	\$ 548,121	\$ 576,052	\$ 575,725	\$ 327
Correction and detention:				
Confinement and care of prisoners	\$ 210,429	\$ 210,429	\$ 177,960	\$ 32,469

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 107,933	\$ 119,933	\$ 117,962	\$ 1,971
Other protection:				
Animal control	\$ 130,805	\$ 134,097	\$ 102,271	\$ 31,826
Emergency services	191,731	265,738	208,488	57,250
E-911 communications	55,000	55,000	38,753	16,247
Total other protection	\$ 377,536	\$ 454,835	\$ 349,512	\$ 105,323
Total public safety	\$ 2,574,642	\$ 2,697,389	\$ 2,447,061	\$ 250,328
Public works:				
Sanitation and waste removal:				
Sanitation	\$ 568,576	\$ 568,576	\$ 488,975	\$ 79,601
Litter control	-	5,125	1,467	3,658
Total sanitation and waste removal	\$ 568,576	\$ 573,701	\$ 490,442	\$ 83,259
Maintenance of general buildings and grounds:				
General properties	\$ 615,169	\$ 615,169	\$ 415,836	\$ 199,333
Total public works	\$ 1,183,745	\$ 1,188,870	\$ 906,278	\$ 282,592
Health and welfare:				
Health:				
Supplement of local health department	\$ 206,281	\$ 206,281	\$ 206,281	\$ -
Mental health and mental retardation:				
Chapter X Board	\$ 56,867	\$ 56,867	\$ 56,867	\$ -
Welfare:				
Public assistance and welfare administration	\$ 2,204,324	\$ 2,203,324	\$ 1,628,620	\$ 574,704
Area agency on aging	1,148	1,148	1,148	-
State and local hospitalization	5,500	1,000	-	1,000
Comprehensive services act	175,000	175,000	50,719	124,281
SSG improvement association	29,604	29,604	32,084	(2,480)
Workforce development	-	33,348	32,130	1,218
Office on youth	172,561	175,008	168,884	6,124
Geneive shelter	3,500	3,500	3,500	-
Surry free clinic	7,500	7,500	7,500	-
Other welfare contributions	1,850	3,350	3,350	-
Total welfare	\$ 2,600,987	\$ 2,632,782	\$ 1,927,935	\$ 704,847
Total health and welfare	\$ 2,864,135	\$ 2,895,930	\$ 2,191,083	\$ 704,847

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 1,100	\$ 1,100	\$ 1,100	\$ -
Contribution to County School Board	11,359,457	11,599,454	11,574,308	25,146
Total education	\$ 11,360,557	\$ 11,600,554	\$ 11,575,408	\$ 25,146
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation center	\$ 404,594	\$ 415,664	\$ 402,799	\$ 12,865
Williamsburg area transit	25,000	25,000	25,000	-
Total parks and recreation	\$ 429,594	\$ 440,664	\$ 427,799	\$ 12,865
Cultural enrichment:				
Surry county tourism committee	\$ 6,000	\$ 9,000	\$ 6,450	\$ 2,550
Library:				
Contribution to regional library	\$ 99,874	\$ 99,874	\$ 99,874	\$ -
Total parks, recreation, and cultural	\$ 535,468	\$ 549,538	\$ 534,123	\$ 15,415
Community development:				
Planning and community development:				
Planning and zoning	\$ 308,828	\$ 310,683	\$ 295,845	\$ 14,838
Zoning board	3,575	3,575	3,045	530
Highway transportation safety commission	2,850	2,850	350	2,500
Planning district commission	8,750	8,750	7,097	1,653
Economic development	42,329	72,329	49,752	22,577
Other planning and community development	9,325	9,325	8,672	653
Total planning and community development	\$ 375,657	\$ 407,512	\$ 364,761	\$ 42,751
Environmental management:				
Contribution to soil and water conservation district	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
Cooperative extension program:				
Extension office	\$ 80,033	\$ 80,033	\$ 74,208	\$ 5,825
Total community development	\$ 464,690	\$ 496,545	\$ 447,969	\$ 48,576
Debt service:				
Principal retirement	\$ 1,196,908	\$ 1,289,554	\$ 1,202,177	\$ 87,377
Interest and other fiscal charges	817,930	852,287	869,750	(17,463)
Total debt service	\$ 2,014,838	\$ 2,141,841	\$ 2,071,927	\$ 69,914
Total General Fund	\$ 23,034,359	\$ 23,568,066	\$ 22,017,386	\$ 1,550,680

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
County Special Revenue Fund:				
Community development				
Indoor plumbing program	\$ 79,160	\$ 79,160	\$ -	\$ 79,160
Economic development	-	59,620	59,620	-
Total community development	\$ 79,160	\$ 138,780	\$ 59,620	\$ 79,160
 Total community development	 \$ 79,160	 \$ 138,780	 \$ 59,620	 \$ 79,160
 Total County Special Revenue Fund	 \$ 79,160	 \$ 138,780	 \$ 59,620	 \$ 79,160
County Capital Projects Fund:				
Capital projects expenditures:				
Landfill closure	\$ 50,000	\$ 50,000	\$ 34,274	\$ 15,726
Waste management collection centers	225,000	225,000	-	225,000
Technology upgrades	20,000	20,000	20,800	(800)
Broadband technology initiative	400,000	400,000	11,289	388,711
Circuit courthouse renovations	-	1,203,496	153,338	1,050,158
Highway revenue sharing	50,000	50,000	-	50,000
Land development ordinance	75,000	75,000	16,865	58,135
Parks and rec equipment/upgrades	100,000	100,000	-	100,000
Emergency services study/update	50,000	50,000	-	50,000
Public safety equipment acquisition	-	569,134	428,821	140,313
Code reclassification	-	-	2,316	(2,316)
Elberon Heights project	-	483,359	211,748	271,611
School capital projects	-	2,708,984	2,561,797	147,187
Total capital projects	\$ 970,000	\$ 5,934,973	\$ 3,441,248	\$ 2,493,725
 Total County Capital Projects Fund	 \$ 970,000	 \$ 5,934,973	 \$ 3,441,248	 \$ 2,493,725
 Total Primary Government	 \$ 24,083,519	 \$ 29,641,819	 \$ 25,518,254	 \$ 4,123,565

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 887,048	\$ 887,048	\$ 830,747	\$ 56,301
Instruction costs	11,804,301	11,870,301	11,479,677	390,624
Pupil transportation	1,246,100	1,291,100	1,225,178	65,922
Operation and maintenance of school plant	1,892,249	2,068,847	1,977,811	91,036
Facilities	-	655,000	642,967	12,033
Total operating costs	<u>\$ 15,829,698</u>	<u>\$ 16,772,296</u>	<u>\$ 16,156,380</u>	<u>\$ 615,916</u>
Total education	<u>\$ 15,829,698</u>	<u>\$ 16,772,296</u>	<u>\$ 16,156,380</u>	<u>\$ 615,916</u>
Total School Operating Fund	<u>\$ 15,829,698</u>	<u>\$ 16,772,296</u>	<u>\$ 16,156,380</u>	<u>\$ 615,916</u>
School Special Revenue Fund:				
Education:				
School food services:				
School food services	\$ 628,899	\$ 607,849	\$ 566,742	\$ 41,107
Commodities	-	-	41,779	(41,779)
Total School Special Revenue Fund	<u>\$ 628,899</u>	<u>\$ 607,849</u>	<u>\$ 608,521</u>	<u>\$ (672)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 16,458,597</u>	<u>\$ 17,380,145</u>	<u>\$ 16,764,901</u>	<u>\$ 615,244</u>

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Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Water and Sewer	Total
2002-03	\$ 1,083,987	\$ 253,302	\$ 1,472,136	\$ 840,257	\$ 2,019,805	\$ 10,477,678	\$ 410,902	\$ 394,405	\$ 225,518	\$ -	\$ 17,177,990
2003-04	979,192	250,210	3,779,073	997,920	2,086,662	10,339,257	439,939	343,459	179,045	-	19,394,757
2004-05	1,584,888	275,953	1,866,039	1,059,305	2,177,704	9,095,340	452,777	634,133	167,521	181,339	17,494,999
2005-06	1,278,906	337,970	1,948,872	1,889,656	2,185,792	11,065,790	481,350	387,025	133,447	202,840	19,911,648
2006-07	1,298,600	357,205	2,001,162	1,135,848	3,378,174	10,405,848	589,996	496,724	475,740	248,942	20,388,239
2007-08	1,375,071	806,049	2,469,893	2,101,649	2,263,034	12,736,313	507,811	494,492	690,748	383,052	23,828,112
2008-09	1,864,806	358,576	2,907,399	1,237,489	2,368,475	11,734,160	567,971	923,784	836,260	383,367	23,182,287
2009-10	1,556,300	744,437	2,761,300	1,025,861	2,189,821	11,932,831	554,813	747,514	833,989	404,703	22,751,569

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

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Contributions Not Restricted to Specific Programs	Total	
2002-03	\$ 76,683	\$ 2,107,511	\$ -		\$ 14,057,285	\$ 366,140	\$ 210,623	\$ 13,369	\$ 716,614	\$ 17,548,225	
2003-04	83,199	3,331,422	-		14,265,479	393,523	186,331	41,432	1,234,338	19,535,724	
2004-05	97,711	2,254,687	-		14,793,585	679,224	299,040	21,957	653,792	18,799,996	
2005-06	111,124	3,777,818	29,000		15,516,251	597,105	512,313	110,694	914,354	21,568,659	
2006-07	150,942	2,177,196	2,915,649		15,120,129	587,852	955,234	68,379	762,952	22,738,333	
2007-08	195,502	2,281,233	694,342		17,644,857	664,638	872,613	581	730,465	23,084,231	
2008-09	189,339	2,545,547	76,580		17,728,739	754,536	299,565	24,255	697,935	22,316,496	
2009-10	197,957	2,315,618	669,792		17,428,339	643,424	139,858	52,754	708,314	22,156,056	

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

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2001	\$ 1,113,579	\$ 259,815	\$ 1,448,110	\$ 783,692	\$ 1,996,938	\$ 12,765,492	\$ 425,490	\$ 224,010	\$ 1,119,953	\$ 20,137,079
2002	856,646	264,400	1,572,351	863,224	2,032,152	12,313,136	399,928	305,710	1,191,616	19,799,163
2003	877,618	262,536	1,511,527	805,372	2,005,392	13,071,071	394,307	318,987	1,048,791	20,295,601
2004	903,505	250,720	3,760,426	942,838	2,100,150	12,954,598	426,705	316,018	837,986	22,492,946
2005	1,281,332	275,953	1,878,610	868,843	2,156,434	12,761,349	438,274	392,656	901,813	20,955,264
2006	1,170,523	339,890	1,909,200	850,183	2,167,120	14,041,739	467,439	370,733	859,092	22,175,919
2007	1,060,320	356,302	1,978,914	927,802	2,435,713	14,368,809	549,193	506,418	913,362	23,096,833
2008	1,279,711	346,306	2,309,462	990,575	2,293,730	16,271,736	506,431	464,046	751,890	25,213,887
2009	1,554,499	396,862	2,536,356	1,022,167	2,361,067	16,488,486	540,575	438,558	1,465,949	26,804,519
2010	1,441,060	402,477	2,447,061	906,278	2,191,083	16,766,001	534,123	507,589	2,071,927	27,267,599

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

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

(3) Excludes Capital Projects funds.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2001	\$ 13,874,164	\$ 355,126	\$ 19,879	\$ 13,355	\$ 515,309	\$ 283,064	\$ 216,713	\$ 17,093	\$ 5,613,758	\$ 20,908,461
2002	15,002,921	375,330	15,935	23,586	417,461	287,384	338,406	85,799	5,787,045	22,333,867
2003	14,055,810	366,140	29,337	5,949	211,711	237,813	122,035	55,447	5,885,077	20,969,319
2004	14,831,392	393,523	23,299	23,316	189,046	285,250	83,657	52,742	7,497,570	23,379,795
2005	14,544,879	679,224	33,924	24,690	302,930	294,304	94,490	37,761	6,479,297	22,491,499
2006	15,832,563	597,105	39,985	26,313	573,325	329,266	189,276	35,170	7,238,316	24,861,319
2007	15,139,181	587,852	69,502	27,554	958,847	322,277	117,280	84,103	7,147,686	24,454,282
2008	17,442,571	664,638	61,447	15,245	471,192	364,935	66,419	54,784	6,717,814	25,859,045
2009	17,637,845	754,536	48,036	24,902	251,016	361,491	99,576	17,710	8,465,256	27,660,368
2010	17,376,874	643,424	41,406	11,922	134,123	363,617	111,826	10,705	7,997,407	26,691,304

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

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

(3) Excludes Capital Projects funds.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2001	\$ 14,254,142	\$ 13,854,262	97.19%	\$ 63,373	\$ 13,917,635	97.64%	\$ 945,881	6.64%
2002	15,568,140	15,255,053	97.99%	60,345	15,315,398	98.38%	1,076,724	6.92%
2003	14,669,674	14,447,527	98.49%	149,450	14,596,977	99.50%	518,554	3.53%
2004 (3)	15,358,307	15,377,233	100.12%	481,957	15,859,190	103.26%	550,792	3.59%
2005	15,133,422	14,880,556	98.33%	150,309	15,030,865	99.32%	628,325	4.15%
2006	16,457,411	16,572,928	100.70%	5,684	16,578,612	100.74%	465,614	2.83%
2007	15,600,794	15,304,788	98.10%	364,978	15,669,766	100.44%	558,611	3.58%
2008	17,440,097	17,301,159	99.20%	6,399	17,307,558	99.24%	627,234	3.60%
2009	17,597,560	17,480,039	99.33%	16,483	17,496,522	99.43%	645,177	3.67%
2010	17,970,523	17,224,036	95.85%	21,505	17,245,541	95.97%	722,574	4.02%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

(3) Includes tax year 2002 and 2003 PPTRA collections.

Table 6

County of Surry, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal		Machinery and Tools	Public Service(2)		Total
		Property and Mobile Homes	Real Estate		Personal Property		
2001	\$ 394,035,736	\$ 38,679,275	\$ 230,080	\$ 1,351,002,478	-	\$ 1,783,947,569	
2002	433,814,351	38,454,170	215,400	1,477,770,849	-	1,950,254,770	
2003	435,431,747	39,423,638	201,660	1,351,947,273	-	1,827,004,318	
2004	454,168,629	39,897,173	246,469	1,423,102,752	-	1,917,415,023	
2005	461,603,600	38,700,295	275,325	1,273,917,022	-	1,774,496,242	
2006	546,241,500	42,569,947	2,142,878	1,405,266,656	-	1,996,220,981	
2007	561,776,967	46,296,254	3,069,697	1,109,668,896	-	1,720,811,814	
2008	820,331,000	48,530,068	3,822,458	1,533,628,525	-	2,406,312,051	
2009	846,070,980	53,237,443	3,058,587	1,510,896,740	-	2,413,263,750	
2010	862,651,543	45,099,299	2,343,330	1,478,178,593	-	2,388,272,765	

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools
2001	\$ 0.75	\$ 3.50	\$ 3.50
2002	0.75	3.50	1.00
2003	0.75	3.50	1.00
2004	0.75	3.50	1.00
2005	0.80	3.50	1.00
2006	0.77	3.50	1.00
2007	0.84	3.50	1.00
2008	0.70	3.50	1.00
2009	0.70	3.50	1.00
2010	0.70	3.50	1.00

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Assumed by Other Localities (4)			
2001	6,829	\$ 1,783,947,569	\$ 4,943,575	\$ -	\$ -	\$ 4,943,575	0.28%	724
2002	6,829	1,950,254,770	4,180,000	-	-	4,180,000	0.21%	612
2003	6,829	1,827,004,318	3,455,000	-	-	3,455,000	0.19%	506
2004	6,829	1,917,415,023	2,865,000	-	-	2,865,000	0.15%	420
2005	6,829	1,774,496,242	2,305,000	-	-	2,305,000	0.13%	338
2006	6,829	1,996,220,981	1,860,000	-	-	1,860,000	0.09%	272
2007	6,829	1,720,811,814	16,445,000	-	-	16,445,000	0.96%	2,408
2008	6,829	2,406,312,051	16,055,000	-	-	16,055,000	0.67%	2,351
2009	6,829	2,413,263,750	18,650,000	-	-	18,650,000	0.77%	2,731
2010	6,829	2,388,272,765	17,755,000	-	-	17,755,000	0.74%	2,600

(1) Tayloe Institute at the University of Virginia for 1990 Census and Weldon Cooper Center for Public Service for 2000 Census.

(2) From Table 6

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.

Excludes revenue bonds, landfill closure/postclosure care liability, capital leases, and compensated absences.

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

COMPLIANCE SECTION

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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 unit, each major fund, and the aggregate remaining fund information of the County of Surry, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County of Surry, Virginia's basic financial statements and have issued our report thereon dated December 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

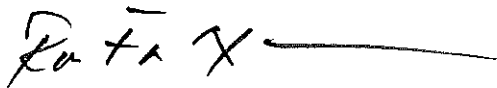
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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*.

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 "Fa Fa X" followed by a long horizontal line.

Richmond, Virginia
December 8, 2010

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 Independent Auditors' Report

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, 2010. 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, 2010.

Internal Control Over Compliance

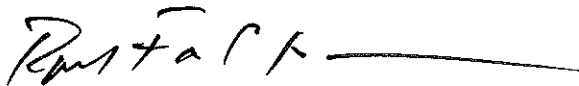
Management of the County of Surry, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Surry,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

Richmond, Virginia
December 8, 2010

County of Surry, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Page 1 of 3

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	11,421
Temporary assistance for needy families	93.558	0400109/90109	171,298
Refugee and entrant assistance - state administered programs	93.566	0500109/90113	438
Low-income home energy assistance	93.568	0600409/90114	8,320
Child care and development block grant	93.575	0770109/90544	42,629
Child care mandatory and matching funds of the child care and development fund	93.596	0760109/90116	44,809
Adoption incentive payments	93.603	1120109/90651	17
Child welfare services - state grants	93.645	0900109/90251	579
Foster care - Title IV-E	93.658	1100109/90105	60,840
Adoption assistance	93.659	1120109/90228	9,290
Adoption assistance - ARRA	93.659	1120109/90606	391
Social services block grant	93.667	1000109/90313	116,811
Chafee foster care independence program	93.674	9150109/90254	1,236
Child care and development block grant - ARRA	93.713	0740109/90540	17,518
Children's health insurance program	93.767	0540109/90102	7,752
Medical assistance program	93.778	1200109/90101	104,241
Total Department of Health and Human Services			<u>\$ 597,590</u>
U. S. Department of Homeland Security:			
Direct Payments:			
Emergency food and shelter national board program	97.024		\$ 6,324
Emergency food and shelter national board program - ARRA	97.114		<u>3,500</u>
Total U. S. Department of Homeland Security - direct payments			<u>\$ 9,824</u>
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Disaster grants - public assistance	97.036	77501-145	\$ 3,794
State homeland security program	97.073	77501- 52708	10,950
Buffer zone protection program	97.078	77501-52767	<u>84,482</u>
Total U. S. Department of Homeland Security - pass through payments			<u>\$ 99,226</u>
Total U. S. Department of Homeland Security			<u>\$ 109,050</u>
Department of Justice:			
Pass Through Payments:			
<i>Compensation Board:</i>			
Edward Byrne justice assistance grant - ARRA	16.803		<u>\$ 15,187</u>

County of Surry, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Page 2 of 3

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of the Defense:			
Direct Payments:			
Junior ROTC	12.xxx		\$ 61,646
Department of Agriculture:			
Direct Payments:			
Food distribution	10.555		\$ 40,630
Food distribution	10.559		1,149
Summer food service program for children	10.559		20,412
Water and waste disposal systems for rural communities	10.760		57,208
Total Department of Agriculture - direct payments			\$ 119,399
Pass Through Payments:			
<i>Department of Education:</i>			
School breakfast program	10.553	17901- 40591	88,879
National school lunch program	10.555	17901- 40623	219,134
Child nutrition discretionary grants - ARRA	10.579	17901- 40592	13,320
<i>Department of Social Services:</i>			
State administrative matching grants for the supplemental nutrition assistance program	10.561	0010109/ 90103	179,837
State administrative matching grants for the supplemental nutrition assistance program - ARRA	10.561	0040109/ 90104	3,561
Total Department of Agriculture - pass-through payments			\$ 504,731
Total Department of Agriculture			\$ 624,130
Department of Labor:			
Pass Through Payments:			
<i>Crater Workforce Investment Board:</i>			
WIA youth activities - ARRA	17.259	unavailable	\$ 33,348
Department of Housing and Community 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	53505- 50797	\$ 376,808

County of Surry, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Page 3 of 3

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I grants to local educational agencies	84.010	17901- 42901	\$ 164,333
Special education - grants to states	84.027	17901- 43071	227,816
Special education - grants to states - ARRA	84.391	17901- 61245	72,274
Career and technical education - basic grants to states	84.048	17901- 61095	35,389
Special Education - preschool grants	84.173	17901- 62521	8,703
Safe and drug free schools and communities - state grants	84.186	17901- 60511	2,479
Twenty-First Century Community Learning Centers	84.287	17901- 60565	182,710
State grants for innovative programs	84.298	17901- 49005	2,691
Education technology state grants	84.318	17901- 61600	1,303
Improving teacher quality state grants	84.367	17901- 61480	45,729
State fiscal stabilization fund - education state grants - recovery act	84.394	17901- 62532	257,934
Total Department of Education			<u>\$ 1,001,361</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,819,120</u></u>

See accompanying notes to schedule of expenditures of federal awards.

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County of Surry, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

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, 2010. 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 - 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	\$ 934,376
County Capital Projects Fund	376,808
Agency Funds:	
Emergency Food and Shelter Fund	9,824
Enterprise Fund	57,208
Total primary government	<u>\$ 1,378,216</u>

Component Unit Public Schools:

School Operating Fund	\$ 1,063,007
School Cafeteria Fund	377,897
Total component unit public schools	<u>\$ 1,440,904</u>

Total federal expenditures per basic financial statements	<u>\$ 2,819,120</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 2,819,120</u></u>
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County of Surry, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

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 reportedType of auditor's report issued on compliance
for major programs:unqualifiedAny findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133?_____ yes ☒ no

Identification of major programs:

CFDA Number(s)

14.228

84.027/84.391/84.173

84.394

Name of Federal Program or Cluster

Community Development Block Grant

Special Education Cluster

State Fiscal Stabilization Fund - Education State
Funds - Recovery ActDollar 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, 2010

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, 2010

There were no prior year findings and questioned costs.

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