

COUNTY OF SURRY, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

Cover: A sunset at Sunken Meadow, in the Spring Grove section of the County. On the James River, the area was long used by citizens for recreational activities. Photo by: Pat Bernshausen

COUNTY OF SURRY, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

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

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COUNTY OF SURRY, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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COUNTY OF SURRY, VIRGINIA

Board of Supervisors

Judy S. Lyttle, Chairperson

Ernest L. Blount
Giron R. Wooden, Sr.

Kenneth R. Holmes
John M. Seward

Social Services Board

Linda Lewis, Chairperson

Linda B. Ellis
Honorable Kenneth Holmes

Juanita Parker
Ann Sutherland
Marie Pierce

County School Board

Elsie Dennis, Chairperson

Dr. Marion Wilkins
Audrey Byrd

Laura Ruffin
Harold Jones

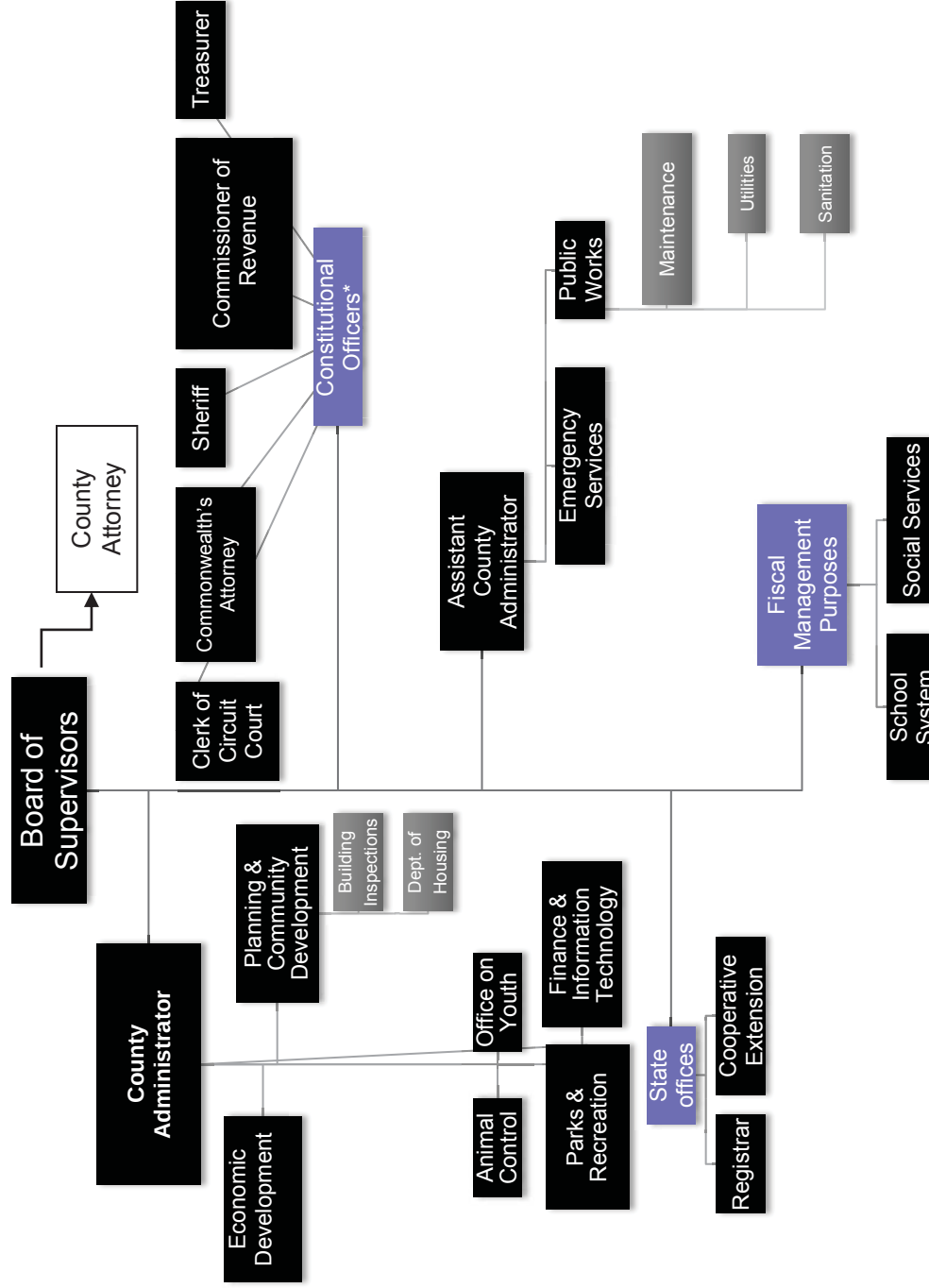
Other Officials

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

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

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Surry County Organization Chart



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

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**County of Surry
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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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

Terri E. Hale

Director of Finance & IT
Telephone: (757) 294-5271
Fax: (757) 294-5204
Email: thale@surrycountyva.gov

December 4, 2013

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

Members of the Board:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Surry County (the "County") for the fiscal year ended June 30, 2013. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain a reasonable understanding of the County's financial affairs have been included.

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

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

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

As a recipient of federal and state financial assistance, the County is also responsible for maintaining internal controls that comply with applicable laws and regulations. The audit for fiscal year ended June 30, 2013 has been completed and no material internal control weaknesses or material violations of laws and regulations have been identified.

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

Surry County Transmittal Letter, FY13

The Honorable Members of the Surry County Board of Supervisors

budget in accordance with §15.2-2507, *Code of Virginia, 1950, as amended*. The budget is implemented through Board-approved appropriations, with supplemental appropriations made as required. The Board of Supervisors has the authority, except for expenditures for mandated programs, to appropriate amounts greater than or less than the adopted budget.

Section 15.2-2511 of the *Code of Virginia, 1950, as amended* requires that local governments have their financial records audited annually as of the end of the fiscal year by independent certified public accountants. The independent audit provides reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2013 are free of material misstatement. Robinson, Farmer Cox Associates (RFCA) is contracted to perform this service and have issued an unqualified opinion on the County's financial statements for the fiscal year. The independent auditor's report is located at the front of the Financial Section of this report.

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

Profile of the Government and its Services

Formed in 1652, the County of Surry is strategically located in southeastern Virginia, 10 miles south of Williamsburg, 50 miles southeast of Richmond and 40 miles northwest of Norfolk. The County covers 306 square miles and has a population of 6,844. The greater portion of the County's land area remains rural, and residential growth has not greatly rebounded from the economic slowdown. The County is governed by a five-member Board of Supervisors elected by districts. The Board has overall administrative and legislative responsibilities including levying taxes, appropriating funds, approving and enforcing the County's Comprehensive Plan, making and enforcing ordinances and establishing policies. The County Administrator is appointed to implement the policy decisions of the Board and to direct the day to day activities of the County. In addition to the Board, elected constitutional officers 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 of Supervisors makes monthly appropriations to the School Board based upon the adopted budget. Since the School Board is fiscally dependent on the County, the financial statements of Surry County Public Schools are included as a component unit of the County in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14.

The County provides a range of municipal services including education, public safety (sheriff, animal control, building inspections, emergency services, volunteer fire departments and paid/volunteer rescue services), parks, recreation & cultural activities, public works, health and welfare administration, planning & community development and general administrative services. In addition, the County provides sewer services to approximately 142 residential and commercial customers in the Town of Dendron and 3 business customers in the Town of Surry. The operation of the wastewater system is an enterprise fund, which means that it should be self-supporting, and is accounted for separately from the County's general operating fund.

Long-Term Financial Planning

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

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

Multi-Year Initiatives

Broadband Initiative: In 2011 the County was approved for a \$940,000 grant from the Virginia Department of Housing & Community Development (VDHCD) to support broadband infrastructure development. Approximately 4 miles of underground fiber has been installed at 13 facilities in and around the Town of Surry, including the network. The network will provide service at speed far in excess of Federal Communications Commission (FCC) minimums and services typically available in urban areas. The grant period was extended until May 2014 to provide for discussions on 1 350' tower located at the Government Center vs. 3 150' towers constructed throughout the County.

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

Development plans/ordinances: The County began updating the land use-related policies and procedures first adopted in 1975. The new zoning ordinance became effective in March 2013. Subsequent revisions to the site plan, subdivision plan and sign ordinances will commence in the 2014 calendar year utilizing consultant support and a steering committee of business and residential constituents appointed by the Board of Supervisors.

Capital Projects

The County has substantially completed a majority of the capital projects initiated in previous fiscal years. These projects included the courthouse construction & government center renovations, the acquisition of public safety equipment & fire station renovation, the high school construction & renovation project and the Elberon Heights Community Improvement Project. As noted earlier, the broadband development initiative is a multi-year project and will continue through FY14.

Acknowledgements

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



Tyrone W. Franklin
County Administrator



Terri E. Hale
Director of Finance & Information Technology

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Surry, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Surry, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the County adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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.

Other Information (continued)

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Surry, Virginia's internal control over financial reporting and compliance.

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

Richmond, Virginia
November 4, 2013

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Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Surry, Virginia we offer readers of the County's financial statements this overview and analysis of the County's financial activities for the fiscal year ended June 30, 2013. Readers are encouraged to consider this information in conjunction with that in the letter of transmittal.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The government-wide statements report information about the County 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 the *Statement of Net Position* and the *Statement of Activities*, which include all the government's assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting. All of the current year's transactions are taken into account regardless of when cash is received or paid.

The *Statement of Net Position* presents information on all of the County's assets and deferred outflows, liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

- *Governmental activities* include most of the County's basic services, including but not limited to, public safety, general government & judicial administration, public works, health and welfare, community development and parks & recreation. These activities are financed by local tax revenue; other local revenue; state revenues, including grants; and federal revenues, primarily for welfare administration and public assistance.
- *Business-type activities* include user fees charged to customers to help cover the costs of certain services it provides. The County's Utilities Fund is included here.
- A *component unit* in the form of the school operating funds is included as a separate legal entity in this report. The County is financially accountable for this component unit and provides operating support from local tax revenue. The Cafeteria Fund is also reported here.

Fund Financial Statements

Fund financial statements provide detailed information about the County's more significant funds. Funds are used to monitor 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 County's funds can be divided into two categories: *governmental funds* and *proprietary funds*.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental funds account for essentially the same functions or services reported as governmental activities in the government-wide financial statements, with the exception of the method of accounting. 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 focus of governmental funds is more narrow than that of the government-wide financial statements, reconciliation between the two methods is provided at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

The County maintains budgetary control over its operating funds. Budgetary controls ensure legal compliance to the appropriations. To demonstrate compliance with the budget, a budgetary comparison statement is provided for the General Fund to include variance information. The County's major governmental funds include the General Fund and the (County) Capital Projects Fund.

Proprietary funds consist of enterprise funds. Enterprise funds are established to provide for the delivery of goods and services to the general public similar to private sector business. The Utilities Fund provides a centralized source for water and sewer services to County residents.

Notes to the financial statements

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

Required Supplementary Information

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

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Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Statement of Net Position* serves as a useful indicator over time of financial position. The County's governmental assets at June 30, 2013 exceeded liabilities by \$16.8 million, while business assets exceeded its liabilities by \$5.4 million. The following table provides comparative information on the County's net position as of June 30, 2012 and June 30, 2013.

County of Surry, Virginia's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$16,501,821	\$14,964,125	\$ 3,409	\$ 10,508	\$16,505,230	\$14,974,633
Capital assets	20,029,920	20,266,232	6,246,439	6,455,614	26,276,359	26,721,846
Total assets	\$36,531,741	\$35,230,357	\$6,249,848	\$6,466,122	\$42,781,589	\$41,696,479
Current liabilities	\$ 879,615	\$ 1,024,742	\$ 19,093	\$ 29,318	\$ 898,708	\$ 1,054,060
Long-term liabilities:						
Due within one year	984,305	947,493	60,875	58,972	1,045,180	1,006,465
Due in more than one year	17,889,788	18,844,128	725,451	786,325	18,615,239	19,630,453
Total liabilities	\$19,753,708	\$20,816,363	\$ 805,419	\$ 874,615	\$20,559,127	\$21,690,978
Deferred inflows:						
Unavailable revenue	\$ 15,213	\$ -	\$ -	\$ -	\$ 15,213	\$ -
Net position:						
Net investment in capital assets	\$ 3,321,023	\$ 2,631,382	\$5,460,113	\$5,610,317	\$ 8,781,136	\$ 8,241,699
Unrestricted	13,441,797	11,782,612	(15,684)	(18,810)	13,426,113	11,763,802
Total net position	\$16,762,820	\$14,413,994	\$5,444,429	\$5,591,507	\$22,207,249	\$20,005,501

Unrestricted net position of governmental activities account for \$13.4 million or 80.2% of the County's total governmental net position and are used to meet the County's ongoing obligations. The remaining governmental assets are investment in capital assets (e.g. land, buildings, systems, machinery & equipment and infrastructure), less accumulated depreciation and any debt used to acquire those assets outstanding at year-end. The County uses these capital assets to provide services to citizens, so they are not available for future spending.

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Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Surry, Virginia's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 224,538	\$ 183,647	\$ 50,812	\$ 60,427	\$ 275,350	\$ 244,074
Operating grants and contributions	2,199,793	2,231,420	-	-	2,199,793	2,231,420
Capital grants and contributions	672,973	70,447	-	-	672,973	70,447
General revenues:						
General property taxes	20,724,814	19,924,721	-	-	20,724,814	19,924,721
Other local taxes	742,671	878,104	-	-	742,671	878,104
Grants and other contributions not restricted	778,690	771,328	-	-	778,690	771,328
Other general revenues	130,514	110,344			130,514	110,344
Transfers	(207,251)	(240,853)	207,251	240,853	-	-
Total revenues	\$ 25,266,742	\$ 23,929,158	\$ 258,063	\$ 301,280	\$ 25,524,805	\$ 24,230,438
Expenses:						
General government administration	\$ 1,647,559	\$ 1,375,325	\$ -	\$ -	\$ 1,647,559	\$ 1,375,325
Judicial administration	746,655	734,692	-	-	746,655	734,692
Public safety	3,316,803	3,022,043	-	-	3,316,803	3,022,043
Public works	1,061,654	1,059,277	405,141	451,572	1,466,795	1,510,849
Health and welfare	2,451,304	2,269,681	-	-	2,451,304	2,269,681
Education	11,967,342	11,570,030	-	-	11,967,342	11,570,030
Parks, recreation, and cultural	562,994	515,549	-	-	562,994	515,549
Community development	479,927	570,296	-	-	479,927	570,296
Interest and other fiscal charges	709,606	748,812	-	-	709,606	748,812
Total expenses	\$ 22,943,844	\$ 21,865,705	\$ 405,141	\$ 451,572	\$ 23,348,985	\$ 22,317,277
Change in net position	\$ 2,322,898	\$ 2,063,453	\$ (147,078)	\$ (150,292)	\$ 2,175,820	\$ 1,913,161
Beginning of year	14,439,922	12,376,469	5,591,507	5,741,799	20,031,429	18,118,268
End of year	\$ 16,762,820	\$ 14,439,922	\$ 5,444,429	\$ 5,591,507	\$ 22,207,249	\$ 20,031,429

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Statement of Activities* illustrates the general revenue sources that support the various governmental operations. Governmental activities increased the County's net position by \$2,322,898 from \$14.4 million to \$16.8 million at June 30, 2013. Key factors associated with the increase in net position include:

- An increase of \$800,093 in general property taxes, primarily public service corporation taxes;
- An increase of \$602,526 in one-time grant funds.

The net position of the County's business-type activities decreased from \$5.6 million in FY2012 to \$5.4 million. This is primarily attributed to the depreciation of infrastructure. The County's General Fund provided \$207,251 in operating support for the Utilities Fund in FY13. The table on the preceding page shows the revenues and expenditures of the governmental and business-type activities.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

The County's total revenues from the general fund were \$25.1 million for the fiscal year ended June 30, 2013. General Fund revenue increased 4.0% in FY13. General property taxes, the largest source of revenue, were \$21.0 million, including public service corporation taxes (\$13.0 million), real estate taxes (\$6.6 million) and personal property taxes (\$1.2 million). Almost 84% of the County's revenue from governmental activities is derived from property taxes, as shown below in the table of Revenue Classified by Source.

Other local taxes is comprised primarily of local sales tax, business and vehicle licenses, utility consumption taxes and recordation tax. The second largest local revenue source, other local taxes totaled \$742,671 in FY13. This represented a decrease of \$135,433, or 15.4% decrease over the previous year due primarily to a decrease in the local sales tax distributed by the state. Revenue from the use of money and property is associated with bank account interest rates and investments. An increase of 7.8% reflects the slowly recovering economy.

Revenues Classified by Source - General Fund

	June 30, 2013		June 30, 2012		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Property Taxes	\$21,012,899	83.79%	\$19,964,237	82.76%	\$1,048,662	5.25%
Other Local Taxes	742,671	2.96%	878,104	3.64%	(135,433)	-15.42%
Permits, Fees and Regulatory Licenses	42,017	0.17%	50,542	0.21%	(8,525)	-16.87%
Fines & Forfeitures	49,350	0.20%	18,091	0.07%	31,259	172.79%
Revenue from Use of Money & Property	97,971	0.39%	90,902	0.38%	7,069	7.78%
Charges for Services	122,434	0.49%	112,347	0.47%	10,087	8.98%
Miscellaneous & Recovered Cost	30,817	0.12%	5,476	0.02%	25,341	462.76%
Intergovernmental:						
Commonwealth	2,142,938	8.55%	2,126,006	8.81%	16,932	0.80%
Federal	835,545	3.33%	876,742	3.63%	(41,197)	-4.70%
Total Revenues	\$25,076,642	100%	\$24,122,447	100%	\$954,195	3.96%

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Intergovernmental revenues allocated by the state and federal governments totaled \$3.0 million during FY13, which reflects a slight decrease of \$24,265 or .8%. Revenue from the commonwealth for non-categorical aid increased by slightly less than 1.0%, or \$7,370, in FY13. Non-categorical aid is not earmarked for a specific program and may be used for the general operation of the local government. The bulk of non-categorical aid is the state reimbursement for personal property tax relief of \$677,907. Shared expenses (the state share of the operation of the constitutional offices and electoral board/registrar) increased by \$21,533, or 2.7%, while the other categorical aid consisting of welfare administration and federal & state grants moderately increased by \$14,260, or 1.1%.

Governmental Funds Expenditure Analysis

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

Expenditures by Function - General Fund

	June 30, 2013		June 30, 2012		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Government Administration	1,357,725	6.01%	1,303,131	6.00%	54,594	4.02%
Judicial Administration	415,237	1.84%	402,742	1.85%	12,495	3.01%
Public Safety	3,012,288	13.33%	2,730,279	12.57%	282,009	9.36%
Public Works	983,123	4.35%	1,009,790	4.65%	(26,667)	-2.71%
Health & Welfare	2,422,570	10.72%	2,337,613	10.76%	84,957	3.51%
Education	11,766,080	52.08%	11,338,153	52.19%	427,927	3.64%
Parks, Recreation & Cultural	538,068	2.38%	490,216	2.26%	47,852	8.89%
Community Development	448,596	1.99%	403,859	1.86%	44,737	9.97%
Debt Service: Principal Retirement	922,469	4.08%	936,045	4.31%	(13,576)	-1.47%
Debt Service: Interest Payments	727,346	3.22%	772,479	3.56%	(45,133)	-6.21%
Total Expenditures	22,593,502	100%	21,724,307	100%	869,195	3.85%

The County's total General Fund expenditures of \$22.6 million for the fiscal year ended June 30, 2013 covered a wide range of services, with 52.1% or \$11.7 million for education (payments to the School System, a component unit), 13.3% or \$3.0 million for public safety, 10.7% or \$2.4 million for health and welfare services, 7.3% or \$1.6 million for debt service and 6.0% or \$1.4 million related to general government administration. The remaining 10.6% include expenditures for public works, parks & recreation, community development and judicial administration. Expenditures for the fiscal year ended June 30, 2013 (excluding education) increased by 4.2% or \$441,268 from the previous year. The fiscal year saw moderate spending increases for projects dependent on non-local funding.

The General Fund is the main operating fund of the County. Primarily, the County's ending fund balance at June 30th is used to fund financial obligations of the County from July 1st through December 5th of each year, when the County receives its largest influx of revenue in the form of general property taxes. Prior to December 5th only minimal revenues such as federal and state reimbursements, fees for services, permits and fines are routinely received. Therefore, not all of the \$11.8 million is available for spending at the County's discretion. In short, the County depends on its fund balance, or reserves for cash flow at certain times during the fiscal year.

The County's current policy has established a committed fund balance of 25% of General Fund appropriated expenditures. At June 30, 2013 the committed fund balance was \$5,536,834, or 40.6%, and the unassigned fund balance was \$8,093,311, or 59.4% of the total fund balance.

The Capital Projects Fund consists of the non-operating expenditures and reflects the capital needs of the County. Capital expenditures are not recurring operating expenditures, but one-time significant expenditures for the construction of buildings & infrastructure or the purchase of large equipment & vehicles. The fund balance at June 30, 2013 was \$1,423,553.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

The FY13 capital expenditures totaled \$1,010,776, including these projects:

- o The broadband implementation project -- \$235,859, or 23.3%;
- o Property acquisition -- \$161,779, or 16.0%;
- o E911 dispatch center upgrade -- \$163,951, or 16.2%;
- o Construction of solid waste convenience site -- \$144,218, or 14.3%;
- o Paving of health department parking lot -- \$123,113, or 12.2%;
- o Stabilization of various County-owned buildings -- \$77,116, or 7.6%;
- o Completion of Surry High School renovations -- \$66,262, or 6.6%;
- o Miscellaneous other projects -- \$38,478, or 3.8%.
- o

General Fund Budgetary Highlights

Surry County has consistently taken a conservative approach to financial management, staying well within budgetary limits for expenditures during the fiscal year. FY13 had General Fund operating expenditures of \$518,228 below the revised budget. The County's budget was amended during the year to reflect grants, carryover of unspent appropriations from FY12 and other unanticipated revenues. The difference between the original adopted budget and the amended budget was \$117,987.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2013 totaled \$20.0 million (net of accumulated depreciation). This represents a net decrease of \$236,312, due primarily to depreciation. The investment in capital assets includes land and land improvements, buildings, infrastructure and machinery & equipment. Additional information on the County's capital assets can be found in Note 5 of this report.

Long-Term Debt - At the end of the current fiscal year, the County had total debt outstanding of \$17.4 million, excluding bond premiums, compensated absences, and landfill post-closure liability. Of this amount, \$15.4 million comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources through revenue bonds and lease revenue bonds.

The amount of debt outstanding related to School Board activities is \$2.6 million of the total outstanding general obligation bonds of the governmental activities.

During the current fiscal year, the County's total debt decreased by \$984,924, excluding compensated absences and landfill post-closure liability.

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

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the County for the fiscal year ending June 30, 2013 was 7.3%, a decrease of 0.7% from the same period last year. Generally, the County's unemployment rate remains slightly above the state's average.
- The FY13 operating budget for all funds is \$42.3 million, a decrease of 1.1% from the FY12 budget.
- Tax rates for future periods are dependent on the effects of fluctuations in the assessed valuations of real property. For 2013, the real property tax rate remained at \$0.73 per \$100 of assessed value.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Surry, Virginia
Statement of Net Position
June 30, 2013

	Primary Government				
	Governmental	Business-type	Total	Component Units	
	Activities	Activities		School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 15,358,700	\$ -	\$ 15,358,700	\$ 1,052,989	\$ 102,834
Receivables (net of allowance for uncollectibles):					
Taxes receivable	763,781	-	763,781	-	-
Accounts receivable	53,573	3,409	56,982	65,413	-
Due from other governmental units	325,767	-	325,767	470,628	-
Prepaid items	-	-	-	105,695	-
Capital assets (net of accumulated depreciation):					
Land and land improvements	846,937	3,636	850,573	158,330	-
Buildings and system	17,408,233	6,142,483	23,550,716	7,936,705	-
Equipment	1,535,418	100,320	1,635,738	1,918,532	-
Infrastructure	239,332	-	239,332	-	-
Total assets	\$ 36,531,741	\$ 6,249,848	\$ 42,781,589	\$ 11,708,292	\$ 102,834
LIABILITIES					
Accounts payable	\$ 366,511	\$ 16,830	\$ 383,341	\$ 244,597	-
Accrued liabilities	-	-	-	1,340,484	-
Accrued interest payable	293,934	2,263	296,197	-	-
Due to other governmental units	219,170	-	219,170	-	-
Long-term liabilities:					
Due within one year	984,305	60,875	1,045,180	7,962	-
Due in more than one year	17,889,788	725,451	18,615,239	149,463	-
Total liabilities	\$ 19,753,708	\$ 805,419	\$ 20,559,127	\$ 1,742,506	\$ -
DEFERRED INFLOW OF RESOURCES					
Unavailable revenue - property taxes	\$ 15,213	\$ -	\$ 15,213	\$ -	\$ -
Total deferred inflow of resources	\$ 15,213	\$ -	\$ 15,213	\$ -	\$ -
NET POSITION					
Net investment in capital assets	\$ 3,321,023	\$ 5,460,113	\$ 8,781,136	\$ 10,013,567	\$ -
Unrestricted	13,441,797	(15,684)	13,426,113	(47,781)	102,834
Total net position	\$ 16,762,820	\$ 5,444,429	\$ 22,207,249	\$ 9,965,786	\$ 102,834

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, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government Business-type Activities		Component Unit
			Grants and Contributions	Capital Grants and Contributions		Total	School Board	IDA
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,647,559	\$ 1,784	\$ 152,436	\$ -	\$ (1,493,339)	\$ (1,493,339)		
Judicial administration	746,655	91,304	220,036	-	(435,315)	(435,315)		
Public safety	3,316,803	42,316	580,862	421,695	(2,271,930)	(2,271,930)		
Public works	1,061,654	49,609	7,216	-	(1,004,829)	(1,004,829)		
Health and welfare	2,451,304	-	1,232,140	-	(1,219,164)	(1,219,164)		
Education	11,967,342	-	-	-	(11,967,342)	(11,967,342)		
Parks, recreation, and cultural	562,994	28,788	7,103	-	(527,103)	(527,103)		
Community development	479,927	10,737	-	251,278	(217,912)	(217,912)		
Interest on long-term debt	709,606	-	-	-	(709,606)	(709,606)		
Total governmental activities	\$ 22,943,844	\$ 224,538	\$ 2,199,793	\$ 672,973	\$ (19,846,540)	\$ (19,846,540)		
Business-type activities:								
Water and sewer	\$ 405,141	\$ 50,812	\$ -	\$ -	\$ (354,329)	\$ (354,329)		
Total business-type activities	\$ 405,141	\$ 50,812	\$ -	\$ -	\$ (354,329)	\$ (354,329)		
Total primary government	\$ 23,348,985	\$ 275,350	\$ 2,199,793	\$ 672,973	\$ (20,200,869)	\$ (20,200,869)		
COMPONENT UNITS:								
School Board	\$ 16,660,274	\$ 238,984	\$ 3,833,311	\$ -	\$ (12,587,979)	\$ (12,587,979)		
Industrial Development Authority	-	-	-	-	-	-		
Total component unit	\$ 16,660,274	\$ 238,984	\$ 3,833,311	\$ -	\$ (12,587,979)	\$ (12,587,979)		
General revenues:								
General property taxes					\$ 20,724,814	\$ 20,724,814	\$ -	\$ -
Other local taxes:								
Local sales and use taxes			446,193		-	446,193	-	-
Motor vehicle licenses			131,574		-	131,574	-	-
Other local taxes			164,904		-	164,904	-	-
Unrestricted revenues from use of money and property			98,183		-	98,183	423	51
Miscellaneous			32,331		-	32,331	74,041	-
Payments from Surry County			-		-	-	11,897,313	-
Grants and contributions not restricted to specific programs			778,690		-	778,690	-	-
Transfers			(207,251)		207,251	-	-	-
Total general revenues and transfers			\$ 22,169,438	\$ 207,251	\$ 22,376,689	\$ 11,971,777	\$ 51	\$ 51
Change in net position			\$ 2,322,898	\$ (147,078)	\$ 2,175,820	\$ (616,202)	\$ 51	\$ 51
Net position- beginning - restated			14,439,922	5,591,507	20,031,429	10,581,988	102,783	102,783
Net position - ending			\$ 16,762,820	\$ 5,444,429	\$ 22,207,249	\$ 9,965,786	\$ 102,834	\$ 102,834

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

FUND FINANCIAL STATEMENTS

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County of Surry, Virginia
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 13,618,003	\$ 1,521,874	\$ 218,823	\$ 15,358,700
Receivables (net of allowance for uncollectibles):				
Taxes receivable	763,781	-	-	763,781
Accounts receivable	53,573	-	-	53,573
Due from other governmental units	305,503	20,264	-	325,767
Total assets	<u>\$ 14,740,860</u>	<u>\$ 1,542,138</u>	<u>\$ 218,823</u>	<u>\$ 16,501,821</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 247,926	\$ 118,585	\$ -	\$ 366,511
Due to other governmental units	219,170	-	-	219,170
Total liabilities	<u>\$ 467,096</u>	<u>\$ 118,585</u>	<u>\$ -</u>	<u>\$ 585,681</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 643,619	\$ -	\$ -	\$ 643,619
Total deferred inflows of resources	<u>\$ 643,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 643,619</u>
Fund balances:				
Committed	\$ 5,536,834	\$ 1,423,553	\$ 214,850	\$ 7,175,237
Assigned	-	-	3,973	3,973
Unassigned	8,093,311	-	-	8,093,311
Total fund balances	<u>\$ 13,630,145</u>	<u>\$ 1,423,553</u>	<u>\$ 218,823</u>	<u>\$ 15,272,521</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,740,860</u>	<u>\$ 1,542,138</u>	<u>\$ 218,823</u>	<u>\$ 16,501,821</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 Position
June 30, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 15,272,521
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Capital assets used in governmental activities are not financial resources and, therefore,
are not reported in the funds.

Capital assets, cost	\$ 31,035,204	
Less: accumulated depreciation	(11,005,284)	20,029,920

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	628,406
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Long-term liabilities, including bonds payable, are not due and payable in the current
period and, therefore, are not reported in the funds. The following is a summary of
items supporting this adjustment:

General obligation bonds	\$ (2,665,745)	
Revenue bond	(1,238,152)	
Bank loan	(12,805,000)	
Compensated absences	(217,188)	
Landfill postclosure care	(1,948,008)	
Accrued interest payable	(293,934)	(19,168,027)

Net position of governmental activities	\$ 16,762,820
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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, 2013

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 21,012,899	\$ -	\$ -	\$ 21,012,899
Other local taxes	742,671	-	-	742,671
Permits, privilege fees, and regulatory licenses	42,017	-	-	42,017
Fines and forfeitures	49,350	-	-	49,350
Revenue from the use of money and property	97,971	149	63	98,183
Charges for services	122,434	-	10,737	133,171
Miscellaneous	29,931	-	2,400	32,331
Recovered costs	886	-	-	886
Intergovernmental revenues:				
Commonwealth	2,142,938	589,170	-	2,732,108
Federal	835,545	83,803	-	919,348
Total revenues	<u>\$ 25,076,642</u>	<u>\$ 673,122</u>	<u>\$ 13,200</u>	<u>\$ 25,762,964</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,357,725	\$ -	\$ -	\$ 1,357,725
Judicial administration	415,237	-	-	415,237
Public safety	3,012,288	-	3,188	3,015,476
Public works	983,123	-	-	983,123
Health and welfare	2,422,570	-	-	2,422,570
Education	11,766,080	-	-	11,766,080
Parks, recreation, and cultural	538,068	-	-	538,068
Community development	448,596	-	6,808	455,404
Capital projects	-	1,010,776	-	1,010,776
Debt service:				
Principal retirement	922,469	-	-	922,469
Interest and other fiscal charges	727,346	-	-	727,346
Total expenditures	<u>\$ 22,593,502</u>	<u>\$ 1,010,776</u>	<u>\$ 9,996</u>	<u>\$ 23,614,274</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,483,140</u>	<u>\$ (337,654)</u>	<u>\$ 3,204</u>	<u>\$ 2,148,690</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 25,345	\$ 25,345
Transfers out	(232,596)	-	-	(232,596)
Total other financing sources (uses)	<u>\$ (232,596)</u>	<u>\$ -</u>	<u>\$ 25,345</u>	<u>\$ (207,251)</u>
Net change in fund balances	\$ 2,250,544	\$ (337,654)	\$ 28,549	\$ 1,941,439
Fund balances - beginning	11,379,601	1,761,207	190,274	13,331,082
Fund balances - ending	<u>\$ 13,630,145</u>	<u>\$ 1,423,553</u>	<u>\$ 218,823</u>	<u>\$ 15,272,521</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, 2013

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

Net change in fund balances - total governmental funds	\$	1,941,439
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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 depreciation exceeded the capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$	778,420	
Depreciation expense		(879,732)	
Activity related to joint tenancy assets of Component Unit and Primary Government		(135,000)	(236,312)

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

Increase(decrease) in unavailable property taxes	\$	(288,085)	(288,085)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

Principal retired on school general obligation bonds	\$	135,000	
Principal retired on revenue bond		202,469	
Principal retired on bank loans		585,000	
Bond premium amortization		3,484	
Decrease (increase) in landfill postclosure care		(32,563)	893,390

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 compensated absences	\$	(1,790)	
Decrease (increase) in accrued interest payable		14,256	12,466

Change in net position of governmental activities	\$	2,322,898
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The notes to the financial statements are an integral part of this statement.

County of Surry, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Fund Water and Sewer
ASSETS	
Current assets:	
Accounts receivable, net of allowance for uncollectibles	\$ 3,409
Total current assets	<u>\$ 3,409</u>
Noncurrent assets:	
Capital assets:	
Land	\$ 3,636
Utility plant in service	7,898,176
Machinery and equipment	177,200
Less accumulated depreciation	<u>(1,832,573)</u>
Total capital assets	<u>\$ 6,246,439</u>
Total noncurrent assets	<u>\$ 6,246,439</u>
Total assets	<u>\$ 6,249,848</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 16,830
Accrued interest payable	2,263
Bonds payable - current portion	60,875
Total current liabilities	<u>\$ 79,968</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	<u>\$ 725,451</u>
Total noncurrent liabilities	<u>\$ 725,451</u>
Total liabilities	<u>\$ 805,419</u>
NET POSITION	
Net investment in capital assets	\$ 5,460,113
Unrestricted	<u>(15,684)</u>
Total net position	<u><u>\$ 5,444,429</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 Position
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Fund Water and Sewer
OPERATING REVENUES	
Charges for services:	
Water and sewer revenues	\$ 48,812
Total operating revenues	<u>\$ 48,812</u>
OPERATING EXPENSES	
Other supplies and expenses	\$ 165,722
Depreciation	209,175
Total operating expenses	<u>\$ 374,897</u>
Operating income (loss)	<u>\$ (326,085)</u>
NONOPERATING REVENUES (EXPENSES)	
Connection fees	\$ 2,000
Interest expense	(30,244)
Total nonoperating revenues (expenses)	<u>\$ (28,244)</u>
Income before transfers	<u>\$ (354,329)</u>
Transfers in	<u>\$ 207,251</u>
Change in net position	<u>\$ (147,078)</u>
Total net position- beginning	5,591,507
Total net position - ending	<u><u>\$ 5,444,429</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, 2013

	Enterprise Fund Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 55,911
Payments to suppliers	(175,658)
Net cash provided by (used for) operating activities	<u>\$ (119,747)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 207,251
Net cash provided by (used for) noncapital financing activities	<u>\$ 207,251</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (58,971)
Connection fees	2,000
Interest payments	(30,533)
Net cash provided by (used for) capital and related financing activities	<u>\$ (87,504)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ -</u>
Cash and cash equivalents - beginning	-
Cash and cash equivalents - ending	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (326,085)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	209,175
(Increase) decrease in accounts receivable	7,099
Increase (decrease) in accounts payable	(9,936)
Total adjustments	<u>\$ 206,338</u>
Net cash provided by (used for) operating activities	<u><u>\$ (119,747)</u></u>

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

County of Surry, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 39,368
Total assets	<u>\$ 39,368</u>
LIABILITIES	
Amounts held for social services clients	\$ 39,231
Amounts held for others	137
Total liabilities	<u>\$ 39,368</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, 2013

Note 1—Summary of Significant Accounting Policies:

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

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

Financial Statement Presentation

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

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

Government-Wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net Position 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. Interfund services provided and used are not eliminated in the process of consolidation. 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 Position - The Statement of Net Position 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 Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2013

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) capital grants and contributions. 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, 2013

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, 2013.

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, 2013.

The Surry County Industrial Development Authority is responsible for industrial and commercial development in the County. The Authority consists of five members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the IDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2013. The Authority does not issue a separate financial report.

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

None

Excluded from the County's Annual Financial Report

District 19 Community Services Board

The District 19 Community Services Board is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The governing body of this organization is appointed by the participating jurisdictions which include the Cities of Colonial Heights, Emporia, Hopewell, Petersburg and the Counties of Surry, Greensville, Prince George and Sussex. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations. Surry County contributed \$58,573 to the District 19 Community Services Board for the fiscal year ended June 30, 2013.

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, 2013

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 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 and have no measurement focus but use the accrual basis of accounting for asset and liability recognition. 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, 2013

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

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

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

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

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

1. Governmental Funds

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

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

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

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

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

1. Governmental Funds (Continued)

The County reports the following non-major governmental funds:

Special Revenue Funds – Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special Revenue Funds consist of the following funds: Indoor Plumbing, Sheriff DEA Task Force and Economic Development. These funds are merged for financial statement purposes.

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

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

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

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original 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 with maturity date less than 90 days and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$118,347 at June 30, 2013 and is comprised of property taxes of \$74,548 and water and sewer charges of \$43,799.

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 and infrastructure, 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. 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 the asset's life are not capitalized.

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

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

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2013

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

I. Compensated Absences

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

J. Retirement Plan

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

K. Use of Estimates

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

L. Fund Equity

The County presents fund balances in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

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

L. Fund Equity (Continued)

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

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

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

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

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

	County			
	General	Capital	Other	Total
	Fund	Projects	Funds	
Fund Balances:				
Committed:				
Ongoing expenditure obligations	\$ 5,536,834	\$ -	\$ -	\$ 5,536,834
Capital Improvements	-	1,423,553	-	1,423,553
DEA Task Force	-	-	96,179	96,179
Economic Development	-	-	118,671	118,671
Total Committed Fund Balance	\$ 5,536,834	\$ 1,423,553	\$ 214,850	\$ 7,175,237
Assigned:				
Indoor plumbing	\$ -	\$ -	\$ 3,973	\$ 3,973
Total Assigned Fund Balance	\$ -	\$ -	\$ 3,973	\$ 3,973
Unassigned Fund Balance	\$ 8,093,311	\$ -	\$ -	\$ 8,093,311
Total Fund Balances	\$ 13,630,145	\$ 1,423,553	\$ 218,823	\$ 15,272,521

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

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

M. Net Position

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

N. Long-term Obligations

In the government-wide financial statements, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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 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.

O. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The County has implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. The Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements has not changed as a result of implementing this Statement and no restatement of prior balances is required.

P. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The County does not have any deferred outflows of resources as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2013

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

Q. Items Previously Reported as Assets and Liabilities, Statement No. 65 of Governmental Accounting Standards Board

The County early implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was not charged as a result of implementing this Statement and no restatement of prior balances is required.

R. Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Note 2—Stewardship, Compliance, and Accounting:

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

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

Expenditures and Appropriations

Expenditures did not exceed appropriations in any funds at June 30, 2013.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2013

Note 3—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2013 were rated by Standard & Poor’s and the ratings are presented below using the Standard & Poor’s rating scale. The County’s investment policy has an emphasis on safety and liquidity of investments. The County’s policy is to invest where funds are readily available with little risk of penalties for early withdrawal.

Locality's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	<u>\$ 14,837,017</u>
Total	<u><u>\$ 14,837,017</u></u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 3—Deposits and Investments: (Continued)

External Investment Pools

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

Note 4—Due to/from Other Governments:

At June 30, 2013, the County has receivables due from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Surry	\$ -	\$ 219,170
Commonwealth of Virginia:		
Local sales tax	62,641	-
Rolling stock tax	19	-
State Sales Tax	-	169,047
Local law enforcement block grant	725	-
Constitutional officer reimbursements	66,006	-
Recordation tax	2,378	-
Mobile home titling tax	2,259	-
Communications tax	8,314	-
Comprehensive services act	48,345	-
Wireless funds	8,460	-
Welfare	32,802	-
Fire programs	2,750	-
Federal Government:		
Transportation safety	6,636	-
Disaster recovery	3,974	-
CDBG	20,264	-
School fund grants	-	82,411
Welfare	60,194	-
Total due from other governments	<u>\$ 325,767</u>	<u>\$ 470,628</u>

At June 30, 2013, amounts due to other local governments are as follows:

Other Local Governments:		
Surry County School Board	\$ <u>219,170</u>	\$ <u>-</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<i>Primary Government:</i>				
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 685,158	\$ 161,779	\$ -	\$ 846,937
Total capital assets not subject to depreciation	\$ 685,158	\$ 161,779	\$ -	\$ 846,937
Capital assets subject to depreciation:				
Buildings and improvements	\$ 18,798,260	\$ 141,660	\$ -	\$ 18,939,920
Equipment	4,555,224	229,512	-	4,784,736
Infrastructure	-	245,469	-	245,469
Jointly owned assets	6,136,815	-	(81,327)	6,218,142
Total capital assets subject to depreciation	\$ 29,490,299	\$ 616,641	\$ (81,327)	\$ 30,188,267
Accumulated depreciation:				
Buildings and improvements	\$ 3,664,291	\$ 477,396	\$ -	\$ 4,141,687
Equipment	2,853,119	396,199	-	3,249,318
Infrastructure	-	6,137	-	6,137
Jointly owned assets	3,391,815	169,136	(47,191)	3,608,142
Total accumulated depreciation	\$ 9,909,225	\$ 1,048,868	\$ (47,191)	\$ 11,005,284
Total capital assets subject to depreciation, net	\$ 19,581,074	\$ (432,227)	\$ (34,136)	\$ 19,182,983
Governmental activities capital assets, net	\$ 20,266,232	\$ (270,448)	\$ (34,136)	\$ 20,029,920

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 158,330	\$ -	\$ -	\$ 158,330
Total capital assets not subject to depreciation	\$ 158,330	\$ -	\$ -	\$ 158,330
Capital assets subject to depreciation:				
Equipment	\$ 4,755,388	\$ 158,580	\$ 11,300	\$ 4,902,668
Building improvement	184,686	-	-	184,686
Jointly owned assets	18,627,476	-	81,327	18,546,149
Total capital assets subject to depreciation	\$ 23,567,550	\$ 158,580	\$ 92,627	\$ 23,633,503
Accumulated depreciation:				
Equipment	\$ 2,686,083	\$ 309,353	\$ 11,300	\$ 2,984,136
Building improvement	27,915	4,618	-	32,533
Jointly owned assets	10,295,400	513,388	47,191	10,761,597
Total accumulated depreciation	\$ 13,009,398	\$ 827,359	\$ 58,491	\$ 13,778,266
Total capital assets subject to depreciation, net	\$ 10,558,152	\$ (668,779)	\$ 34,136	\$ 9,855,237
Component unit school board capital assets, net	\$ 10,716,482	\$ (668,779)	\$ 34,136	\$ 10,013,567
Governmental activities:				
General government administration			\$ 63,368	
Judicial administration			330,796	
Public safety			364,961	
Public works			41,389	
Health and welfare			34,543	
Education			169,136	
Parks, recreation and cultural			20,918	
Community development			23,757	
Total Governmental activities			\$ 1,048,868	
Business-type activities			\$ 209,175	
Component Unit School Board			\$ 827,359	

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 5—Capital Assets: (Continued)

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Surry, Virginia for the year ended June 30, 2013, is that school financed assets in the amount of \$2,610,000 are reported in the Primary Government for financial reporting purposes.

A summary of proprietary fund property, plant, and equipment at June 30, 2013 follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<i>Business-type activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 3,636	\$ -	\$ -	\$ 3,636
Total capital assets not subject to depreciation	\$ 3,636	\$ -	\$ -	\$ 3,636
Capital assets subject to depreciation:				
Utility Plant in Service	\$ 7,898,176	\$ -	\$ -	\$ 7,898,176
Equipment	177,200	-	-	177,200
Total capital assets subject to depreciation	\$ 8,075,376	\$ -	\$ -	\$ 8,075,376
Accumulated depreciation:				
Utility Plant in Service	\$ 1,558,238	\$ 197,455	\$ -	\$ 1,755,693
Equipment	65,160	11,720	-	76,880
Total accumulated depreciation	\$ 1,623,398	\$ 209,175	\$ -	\$ 1,832,573
Total capital assets subject to depreciation, net	\$ 6,451,978	\$ (209,175)	\$ -	\$ 6,242,803
Business-type activities capital assets, net	\$ 6,455,614	\$ (209,175)	\$ -	\$ 6,246,439

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2013 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 232,596
Other governmental funds	25,345	-
Water and Sewer Fund	<u>207,251</u>	<u>-</u>
Total	<u>\$ 232,596</u>	<u>\$ 232,596</u>

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

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 7—Long Term Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2013:

Primary Government:

	Balance at July 1, 2012	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2013	Amounts Due Within One Year
Governmental Activities:					
Incurred by County:					
Compensated absences					
(payloadable by General Fund)	\$ 215,398	\$ 23,330	\$ 21,540	\$ 217,188	\$ 21,719
Bank loans	13,390,000	-	585,000	12,805,000	605,000
Revenue bond	1,440,621	-	202,469	1,238,152	209,102
Landfill postclosure care	1,915,445	32,563	-	1,948,008	-
	<u>\$ 16,961,464</u>	<u>\$ 55,893</u>	<u>\$ 809,009</u>	<u>\$ 16,208,348</u>	<u>\$ 835,821</u>
Incurred by School Board:					
General obligation bonds	\$ 2,745,000	\$ -	\$ 135,000	\$ 2,610,000	\$ 145,000
Bond premium	59,229	-	3,484	55,745	3,484
	<u>\$ 2,804,229</u>	<u>\$ -</u>	<u>\$ 138,484</u>	<u>\$ 2,665,745</u>	<u>\$ 148,484</u>
Total incurred by School Board					
	<u>\$ 2,804,229</u>	<u>\$ -</u>	<u>\$ 138,484</u>	<u>\$ 2,665,745</u>	<u>\$ 148,484</u>
Total Governmental Activities	<u>\$ 19,765,693</u>	<u>\$ 55,893</u>	<u>\$ 947,493</u>	<u>\$ 18,874,093</u>	<u>\$ 984,305</u>
Business-type Activities:					
Revenue bond	\$ 845,297	\$ -	\$ 58,971	\$ 786,326	\$ 60,875
	<u>\$ 845,297</u>	<u>\$ -</u>	<u>\$ 58,971</u>	<u>\$ 786,326</u>	<u>\$ 60,875</u>
Total Business-type Activities					
	<u>\$ 845,297</u>	<u>\$ -</u>	<u>\$ 58,971</u>	<u>\$ 786,326</u>	<u>\$ 60,875</u>
Total Primary Government Obligations	<u>\$ 20,610,990</u>	<u>\$ 55,893</u>	<u>\$ 1,006,464</u>	<u>\$ 19,660,419</u>	<u>\$ 1,045,180</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

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		Bank Loans		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 60,875	\$ 28,340	\$ 605,000	\$ 518,855	\$ 209,102	\$ 41,520
2015	62,840	26,375	625,000	496,845	215,953	34,142
2016	64,871	24,344	660,000	467,913	223,029	26,523
2017	66,969	22,247	685,000	440,545	230,336	18,643
2018	69,136	20,080	710,000	412,255	237,883	10,526
2019	71,375	17,841	740,000	382,837	121,849	2,132
2020	73,689	15,527	775,000	352,088	-	-
2021	11,825	13,615	810,000	320,005	-	-
2022	12,353	13,087	840,000	286,488	-	-
2023	12,905	12,535	875,000	251,637	-	-
2024	13,481	11,959	910,000	215,455	-	-
2025	14,082	11,358	940,000	177,837	-	-
2026	14,711	10,729	990,000	138,785	-	-
2027	15,368	10,072	1,025,000	97,785	-	-
2028	16,054	9,386	1,065,000	55,453	-	-
2029	16,770	8,670	550,000	11,275	-	-
2030	17,519	7,921	-	-	-	-
2031	18,301	7,139	-	-	-	-
2032	19,118	6,322	-	-	-	-
2033	19,971	5,469	-	-	-	-
2034	20,863	4,577	-	-	-	-
2035	21,794	3,646	-	-	-	-
2036	22,767	2,673	-	-	-	-
2037	23,783	1,657	-	-	-	-
2038	24,906	595	-	-	-	-
Total	<u>\$ 786,326</u>	<u>\$ 296,164</u>	<u>\$ 12,805,000</u>	<u>\$ 4,626,058</u>	<u>\$ 1,238,152</u>	<u>\$ 133,486</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	School Obligations	
	General Obligation Bonds	
	Principal	Interest
2014	\$ 145,000	\$ 129,570
2015	110,000	124,185
2016	115,000	119,572
2017	125,000	114,028
2018	130,000	107,525
2019	135,000	100,768
2020	145,000	93,446
2021	150,000	85,555
2022	160,000	77,262
2023	170,000	68,435
2024	180,000	59,072
2025	185,000	49,309
2026	200,000	39,010
2027	210,000	28,305
2028	220,000	17,340
2029	230,000	5,865
Total	<u>\$ 2,610,000</u>	<u>\$ 1,219,247</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

	<u>Total Amount</u>
<u>Incurring by County:</u>	
<u>Bank Loans:</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%	\$ 7,685,000
\$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%	5,120,000
Total Bank Loans Payable	<u>\$ 12,805,000</u>
<u>Revenue Bond:</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%.	\$ 1,238,152
Landfill postclosure care (Note 14)	\$ 1,948,008
Compensated absences (payable by General Fund)	\$ 217,188
Total incurred by County	<u>\$ 16,208,348</u>
	<u>Total Amount</u>
<u>Incurring by School Board:</u>	
<u>General Obligation Bonds:</u>	
\$6,445,000 School Bonds issued November 18, 1993, payable in various annual installments through December 15, 2014, interest payable semi-annually at 4.73%	\$ 35,000
\$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%.	2,575,000
Total General Obligation Bonds	<u>\$ 2,610,000</u>
Bond issuance premium	\$ 55,745
Total incurred by School Board	<u>\$ 2,665,745</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

	Total Amount
<u>Enterprise Fund:</u>	
Revenue Bonds:	
\$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%	\$ 399,979
\$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%	386,347
Total Revenue Bonds	\$ 786,326
Total Long-Term Obligations, Enterprise Fund	\$ 786,326
Total Long-Term Obligations, Primary Government	\$ 19,660,419

Component Unit - School Board:

The following is a summary of long-term obligation transactions for the year ended June 30, 2013:

	Balance at July 1, 2012	Increases	Decreases	Balance at June 30, 2013	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences (payable by School Fund)	\$ 81,174	\$ 6,561	\$ 8,117	\$ 79,618	\$ 7,962
Net OPEB Obligation (payable by School Fund)	69,243	47,864	39,300	77,807	-
Total Component Unit-School Board	\$ 150,417	\$ 54,425	\$ 47,417	\$ 157,425	\$ 7,962

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 8—Unearned and Unavailable Revenue:

Unearned and unavailable 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. The County had no unearned revenue at June 30, 2013, but reports unavailable revenue totaling \$643,619 is comprised of the following:

Unavailable Property Tax Revenue – Property tax revenue representing uncollected tax billings not available for funding of current expenditures totaled \$628,406 at June 30, 2013.

Unavailable Prepaid Property Taxes – Property taxes due subsequent to June 30, 2013 but paid in advance by the taxpayers totaled \$15,213 at June 30, 2013.

Note 9— Commitments and Contingent Liabilities:

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

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

Note 10—Litigation:

At June 30, 2013, there were no matters of litigation involving the County that would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

Note 11 —Risk Management:

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

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

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2013

Note 11 –Risk Management: (Continued)

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

Note 12 –Defined Benefit Pension Plan:

Primary Government and Discretely Presented Component Unit-School Board:

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who were vested as January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with a least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the members plan apply.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2013

Note 12 —Defined Benefit Pension Plan: (Continued)

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

A. Plan Description (Continued)

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at: <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. 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 and School Board non-professional's contribution rate for the fiscal year ended 2013 were 10.58% and 11.39% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$930,547, \$490,114, and \$313,302 to the teacher cost-sharing pool for the fiscal years ended June 30, 2013, 2012, and 2011 respectively and these contributions represented 11.66%, 6.33%, and 3.93%, respectively, of current covered payroll.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2013

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 2013, the County's annual pension cost of \$380,282 was equal to the County's required and actual contributions.

For the fiscal year 2013, the School Board's annual pension cost for the School Board's non-professional employees was \$110,658 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, 2013	\$ 380,282	100%	\$ -
June 30, 2012	249,356	100%	-
June 30, 2011	252,887	100%	-
School Board:			
Non-Professional:			
June 30, 2013	\$ 110,658	100%	\$ -
June 30, 2012	62,721	100%	-
June 30, 2011	66,611	100%	-

(1) Employer portion only

The fiscal year 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, 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 for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board'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, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

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, 2012, the most recent actuarial valuation date, the plan was 78.31% funded. The actuarial accrued liability for benefits was \$15,413,658, and the actuarial value of assets was \$12,070,781, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,342,877. The covered payroll (annual payroll of active employees covered by the plan) was \$3,573,024, and ratio of the UAAL to the covered payroll was 93.56%.

As of June 30, 2012, the most recent actuarial valuation date, the School Board's Non-Professional plan was 75.61% funded. The actuarial accrued liability for benefits was \$5,664,241, and the actuarial value of assets was \$4,282,676, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,381,565. The covered payroll (annual payroll of active employees covered by the plan) was \$855,633, and the ratio of the UAAL to the covered payroll was 161.47%.

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

Note 13 —Surety Bonds:

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 14 —Landfill Closure and Postclosure Care Cost:

The \$1,948,008 reported as landfill postclosure liability at June 30, 2013, represents the estimated liability for postclosure monitoring. This amount is based on what it would cost to perform all postclosure care in 2013 over a remaining period of 24 years. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2013

Note 15 —Other Postemployment Benefits - Health Insurance:

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The 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 School Board. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation to the Retiree Health Plan:

		<u>SCHOOLS</u>
Annual required contribution	\$	48,000
Interest on net OPEB obligation		2,424
Adjustment to annual required contribution		<u>(2,560)</u>
Annual OPEB cost (expense)	\$	47,864
Contributions made		<u>(39,300)</u>
Increase in net OPEB obligation		8,564
Net OPEB obligation-beginning of year		<u>69,243</u>
Net OPEB obligation-end of year	\$	<u><u>77,807</u></u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 15 – Other Postemployment Benefits - Health Insurance: (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2013 and the two preceding years were as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
Schools:					
6/30/2013	\$	47,864	82.11%	\$	77,807
6/30/2012		30,587	28.12%		69,243
6/30/2011		28,987	10.00%		47,256

Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the School Board's actuarial accrued liability for benefits was \$496,800, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$8,968,600, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.54 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.

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.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 15 – Other Postemployment Benefits - Health Insurance: (Continued)

Actuarial Methods and Assumptions

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

The following simplifying assumptions were made:

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

Mortality-Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2010 using Scale AA.

Coverage elections -The actuary assumed that 30% of eligible retirees will elect coverage and that 30% of retirees who elect coverage will cover a spouse.

Based on the historical and expected returns of the 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, 2013 was thirty years.

Note 16-Other Postemployment Benefits - VRS Health Insurance Credit:

Plan Description

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

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 16-Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)

Plan Description (Continued)

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

Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2013 and 2012 was \$88,586, and \$44,656 and equaled the required contributions for each year.

Note 17-Upcoming Pronouncements

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statement No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The County has not determined the impact of this pronouncement on its financial statements.

Note 18-Changes in Beginning Net Position

The following adjustments were made to beginning net position at June 30, 2013:

	Governmental Activities
Net position as previously reported	\$ 14,413,994
Adjustment for removal of OPEB liability	25,928
Net position as restated	<u>\$ 14,439,922</u>

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION:

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

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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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
General property taxes	\$ 19,421,493	\$ 19,421,493	\$ 21,012,899	\$ 1,591,406
Other local taxes	724,000	724,000	742,671	18,671
Permits, privilege fees, and regulatory licenses	35,250	35,250	42,017	6,767
Fines and forfeitures	-	15,000	49,350	34,350
Revenue from the use of money and property	85,716	85,716	97,971	12,255
Charges for services	122,775	107,775	122,434	14,659
Miscellaneous	3,700	6,834	29,931	23,097
Recovered costs	500	500	886	386
Intergovernmental revenues:				
Commonwealth	2,193,006	2,245,516	2,142,938	(102,578)
Federal	746,391	763,037	835,545	72,508
Total revenues	<u>\$ 23,332,831</u>	<u>\$ 23,405,121</u>	<u>\$ 25,076,642</u>	<u>\$ 1,671,521</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,657,040	\$ 1,433,408	\$ 1,357,725	\$ 75,683
Judicial administration	427,572	427,572	415,237	12,335
Public safety	2,911,568	3,087,814	3,012,288	75,526
Public works	1,142,998	1,037,953	983,123	54,830
Health and welfare	2,555,495	2,655,886	2,422,570	233,316
Education	11,664,381	11,794,849	11,766,080	28,769
Parks, recreation, and cultural	517,951	534,882	538,068	(3,186)
Community development	468,249	487,823	448,596	39,227
Debt service:				
Principal retirement	922,469	922,469	922,469	-
Interest and other fiscal charges	729,074	729,074	727,346	1,728
Total expenditures	<u>\$ 22,996,797</u>	<u>\$ 23,111,730</u>	<u>\$ 22,593,502</u>	<u>\$ 518,228</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 336,034</u>	<u>\$ 293,391</u>	<u>\$ 2,483,140</u>	<u>\$ 2,189,749</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(1,960,499)	(1,960,499)	(232,596)	1,727,903
Total other financing sources (uses)	<u>\$ (1,960,499)</u>	<u>\$ (1,960,499)</u>	<u>\$ (232,596)</u>	<u>\$ 1,727,903</u>
Net change in fund balances	\$ (1,624,465)	\$ (1,667,108)	\$ 2,250,544	\$ 3,917,652
Fund balances - beginning	1,624,465	1,667,108	11,379,601	9,712,493
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,630,145</u>	<u>\$ 13,630,145</u>

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

Primary Government:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2012	\$ 12,070,781	\$ 15,413,658	\$ 3,342,877	78.31%	\$ 3,573,024	93.56%
6/30/2011	12,194,714	15,258,959	3,064,245	79.92%	3,297,064	92.94%
6/30/2010	11,941,182	15,047,109	3,105,927	79.36%	3,196,043	97.18%
6/30/2009	11,962,239	13,506,372	1,544,133	88.57%	3,336,404	46.28%
6/30/2008	11,791,428	12,921,580	1,130,152	91.25%	2,998,520	37.69%
6/30/2007	10,848,217	11,697,908	849,691	92.74%	2,877,082	29.53%
6/30/2006	9,603,245	10,523,636	920,391	91.25%	2,776,862	33.15%
6/30/2005	9,020,559	10,220,218	1,199,659	88.26%	2,879,240	41.67%
6/30/2004	8,700,433	8,523,224	(177,209)	102.08%	2,638,908	-6.72%
6/30/2003	8,570,934	7,909,687	(661,247)	108.36%	2,299,979	-28.75%

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)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2012	\$ 4,282,676	\$ 5,664,241	\$ 1,381,565	75.61%	\$ 855,633	161.47%
6/30/2011	4,432,064	5,522,300	1,090,236	80.26%	936,670	116.39%
6/30/2010	4,429,141	5,310,214	881,073	83.41%	972,755	90.58%
6/30/2009	4,499,615	5,007,073	507,458	89.87%	1,032,553	49.15%
6/30/2008	4,540,241	4,803,356	263,115	94.52%	940,194	27.99%
6/30/2007	4,202,162	4,459,257	257,095	94.23%	1,017,784	25.26%
6/30/2006	3,818,648	3,917,932	99,284	97.47%	901,490	11.01%
6/30/2005	3,677,448	3,715,367	37,919	98.98%	955,447	3.97%
6/30/2004	3,635,421	3,603,172	(32,249)	100.90%	996,227	-3.24%
6/30/2003	3,590,492	3,016,020	(574,472)	119.05%	945,295	-60.77%
6/30/2002	3,579,055	3,082,517	(496,538)	116.11%	925,275	-53.66%

County of Surry, Virginia
Schedule of OPEB Funding Progress - Retiree Healthcare Plan
For the Year Ended June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Payroll ((b-a)/c)
School Board:						
1/1/2009 \$	-	\$ 341,700	\$ 341,700	0.00%	\$ 8,304,100	4.11%
1/1/2011	-	280,700	280,700	0.00%	8,886,400	3.16%
1/1/2013	-	496,800	496,800	0.00%	8,968,600	5.54%

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUNDS STATEMENTS AND
SCHEDULES*

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County of Surry, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
County Capital Projects Fund
For the Year Ended June 30, 2013

	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	\$ -	\$ -	\$ 149	\$ 149
Recovered costs	200,000	200,000	-	(200,000)
Intergovernmental revenues:				
Commonwealth	650,000	799,496	589,170	(210,326)
Federal	-	-	83,803	83,803
Total revenues	<u>\$ 850,000</u>	<u>\$ 999,496</u>	<u>\$ 673,122</u>	<u>\$ (326,374)</u>
EXPENDITURES				
Capital projects	\$ 2,185,000	\$ 2,334,496	\$ 1,010,776	\$ 1,323,720
Total expenditures	<u>\$ 2,185,000</u>	<u>\$ 2,334,496</u>	<u>\$ 1,010,776</u>	<u>\$ 1,323,720</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,335,000)</u>	<u>\$ (1,335,000)</u>	<u>\$ (337,654)</u>	<u>\$ 997,346</u>
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	\$ 410,000	\$ 410,000	\$ -	\$ (410,000)
Total other financing sources (uses)	<u>\$ 410,000</u>	<u>\$ 410,000</u>	<u>\$ -</u>	<u>\$ (410,000)</u>
Net change in fund balances	\$ (925,000)	\$ (925,000)	\$ (337,654)	\$ 587,346
Fund balances - beginning	925,000	925,000	1,761,207	836,207
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,423,553</u>	<u>\$ 1,423,553</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, 2013

	<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	\$ 25	\$ 25	\$ 63	\$ 38
Charges for services	-	-	10,737	10,737
Miscellaneous	13,883	13,883	2,400	(11,483)
Total revenues	<u>\$ 13,908</u>	<u>\$ 13,908</u>	<u>\$ 13,200</u>	<u>\$ (708)</u>
EXPENDITURES				
Current:				
Public safety	\$ -	\$ -	\$ 3,188	\$ (3,188)
Community development	93,908	93,908	6,808	87,100
Total expenditures	<u>\$ 93,908</u>	<u>\$ 93,908</u>	<u>\$ 9,996</u>	<u>\$ 83,912</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (80,000)</u>	<u>\$ (80,000)</u>	<u>\$ 3,204</u>	<u>\$ 83,204</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 80,000	\$ 80,000	\$ 25,345	\$ (54,655)
Total other financing sources (uses)	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 25,345</u>	<u>\$ (54,655)</u>
Net change in fund balances	\$ -	\$ -	\$ 28,549	\$ 28,549
Fund balances - beginning	-	-	190,274	190,274
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 218,823</u>	<u>\$ 218,823</u>

County of Surry, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	<u>Agency Funds</u>		
	<u>Special Welfare</u>	<u>Emergency Food and Shelter</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 39,231	\$ 137	\$ 39,368
Total assets	<u>\$ 39,231</u>	<u>\$ 137</u>	<u>\$ 39,368</u>
LIABILITIES			
Amounts held for others	\$ -	\$ 137	\$ 137
Amounts held for social services clients	39,231	-	39,231
Total liabilities	<u>\$ 39,231</u>	<u>\$ 137</u>	<u>\$ 39,368</u>

County of Surry, Virginia

Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2013

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 37,503	\$ 3,116	\$ 1,388	\$ 39,231
Liabilities:				
Amounts held for social services clients	\$ 37,503	\$ 3,116	\$ 1,388	\$ 39,231
Crater AAA Fund:				
Assets:				
Cash and cash equivalents	\$ 655	\$ 24,326	\$ 24,981	\$ -
Liabilities:				
Amounts held for others	\$ 655	\$ 24,326	\$ 24,981	\$ -
Emergency Food and Shelter Fund:				
Assets:				
Cash and cash equivalents	\$ 136	\$ 1	\$ -	\$ 137
Liabilities:				
Amounts held for others	\$ 136	\$ 1	\$ -	\$ 137
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 38,294	\$ 27,443	\$ 26,369	\$ 39,368
Total assets	\$ 38,294	\$ 27,443	\$ 26,369	\$ 39,368
Liabilities:				
Amounts held for others	\$ 791	\$ 24,327	\$ 24,981	\$ 137
Amounts held for social services clients	37,503	3,116	1,388	39,231
Total liabilities	\$ 38,294	\$ 27,443	\$ 26,369	\$ 39,368

*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, 2013

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,020,533	\$ 32,456	\$ 1,052,989
Receivables (net of allowance for uncollectibles):			
Accounts receivable	65,413	-	65,413
Due from other governmental units	455,732	14,896	470,628
Prepaid items	105,695	-	105,695
Total assets	<u>\$ 1,647,373</u>	<u>\$ 47,352</u>	<u>\$ 1,694,725</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 244,195	\$ 402	\$ 244,597
Accrued liabilities	1,297,483	43,001	1,340,484
Total liabilities	<u>\$ 1,541,678</u>	<u>\$ 43,403</u>	<u>\$ 1,585,081</u>
Fund balances:			
Nonspendable:			
School operating Fund	\$ 105,695	\$ -	\$ 105,695
Committed:			
School Cafeteria Fund	-	3,949	3,949
Total fund balances	<u>\$ 105,695</u>	<u>\$ 3,949</u>	<u>\$ 109,644</u>
Total liabilities and fund balances	<u>\$ 1,647,373</u>	<u>\$ 47,352</u>	<u>\$ 1,694,725</u>

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

Total fund balances per above \$ 109,644

Capital assets used in governmental activities are not financial resources and, therefore,
are not reported in the funds.

Capital assets cost	\$ 23,791,833	
Less: accumulated depreciation	<u>(13,778,266)</u>	10,013,567

Long-term liabilities, including compensated absences, are not due and payable in the current
period and, therefore, are not reported in the funds.

Compensated absences	\$ (79,618)	
Net OPEB obligation	<u>(77,807)</u>	(157,425)

Net position of governmental activities		<u>\$ 9,965,786</u>
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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, 2013

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 423	\$ -	\$ 423
Charges for services	-	238,984	238,984
Miscellaneous	74,041	-	74,041
Intergovernmental revenues:			
Local government	11,724,785	37,528	11,762,313
Commonwealth	2,811,957	9,581	2,821,538
Federal	666,024	345,749	1,011,773
Total revenues	<u>\$ 15,277,230</u>	<u>\$ 631,842</u>	<u>\$ 15,909,072</u>
EXPENDITURES			
Current:			
Education	\$ 15,171,535	\$ 643,816	\$ 15,815,351
Total expenditures	<u>\$ 15,171,535</u>	<u>\$ 643,816</u>	<u>\$ 15,815,351</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 105,695</u>	<u>\$ (11,974)</u>	<u>\$ 93,721</u>
Net change in fund balances	\$ 105,695	\$ (11,974)	\$ 93,721
Fund balances - beginning	-	15,923	15,923
Fund balances - ending	<u>\$ 105,695</u>	<u>\$ 3,949</u>	<u>\$ 109,644</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 \$ 93,721

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 depreciation exceeded the capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 158,580	
Depreciation expense	(996,495)	
Activity related to joint tenancy assets of Component Unit and Primary Government	<u>135,000</u>	(702,915)

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 Net OPEB obligation	\$ (8,564)	
(Increase) decrease in compensated absences	<u>1,556</u>	(7,008)

Change in net position of governmental activities \$ (616,202)

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, 2013

	School Operating Fund				School Cafeteria Fund			
	Budgeted Amounts		Actual		Budgeted Amounts		Actual	
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of money and property	\$ -	\$ -	\$ 423	\$ 423	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	275,000	275,000	238,984	(36,016)
Miscellaneous	100,000	100,000	74,041	(25,959)	-	-	-	-
Intergovernmental revenues:								
Local government	11,619,995	11,749,463	11,724,785	(24,678)	40,619	41,619	37,528	(4,091)
Commonwealth	2,889,979	2,889,979	2,811,957	(78,022)	10,790	10,790	9,581	(1,209)
Federal	548,400	548,400	666,024	117,624	275,000	302,954	345,749	42,795
Total revenues	\$ 15,158,374	\$ 15,287,842	\$ 15,277,230	\$ (10,612)	\$ 601,409	\$ 630,363	\$ 631,842	\$ 1,479
EXPENDITURES								
Current:								
Education	\$ 15,158,374	\$ 15,287,842	\$ 15,171,535	\$ 116,307	\$ 601,409	\$ 630,363	\$ 643,816	\$ (13,453)
Total expenditures	\$ 15,158,374	\$ 15,287,842	\$ 15,171,535	\$ 116,307	\$ 601,409	\$ 630,363	\$ 643,816	\$ (13,453)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 105,695	\$ 105,695	\$ -	\$ -	\$ (11,974)	\$ (11,974)
Net change in fund balances	\$ -	\$ -	\$ 105,695	\$ 105,695	\$ -	\$ -	\$ (11,974)	\$ (11,974)
Fund balances - beginning	-	-	-	-	-	-	15,923	15,923
Fund balances - ending	\$ -	\$ -	\$ 105,695	\$ 105,695	\$ -	\$ -	\$ 3,949	\$ 3,949

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*DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY*

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County of Surry, Virginia

Statement of Net Position
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2013

ASSETS

Current assets:

Cash and cash equivalents	\$	<u>102,834</u>
Total current assets	\$	<u>102,834</u>
Total assets	\$	<u>102,834</u>

NET POSITION

Unrestricted	\$	<u>102,834</u>
Total net position	\$	<u><u>102,834</u></u>

County of Surry, Virginia

Statement of Revenues, Expenses, and Changes in Fund Net Position
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2013

NONOPERATING REVENUES (EXPENSES)

Interest income	\$	51
Total nonoperating revenues (expenses)	\$	51
Change in net position	\$	51
Total net position - beginning		102,783
Total net position - ending	\$	102,834

County of Surry, Virginia

Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2013

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$	<u>51</u>
Net cash provided by (used for) investing activities	\$	<u>51</u>
Net increase (decrease) in cash and cash equivalents	\$	51
Cash and cash equivalents - beginning		<u>102,783</u>
Cash and cash equivalents - ending	\$	<u><u>102,834</u></u>

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SUPPORTING SCHEDULES

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County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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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>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,256,547	\$ 6,256,547	\$ 6,555,273	\$ 298,726
Real and personal public service corporation taxes	11,800,000	11,800,000	13,013,521	1,213,521
Personal property taxes	1,241,946	1,241,946	1,192,830	(49,116)
Penalties	43,000	43,000	73,005	30,005
Interest	80,000	80,000	178,270	98,270
Total general property taxes	\$ 19,421,493	\$ 19,421,493	\$ 21,012,899	\$ 1,591,406
Other local taxes:				
Local sales and use taxes	\$ 450,000	\$ 450,000	\$ 446,193	\$ (3,807)
Consumption tax	20,000	20,000	19,548	(452)
Business license taxes	80,000	80,000	82,040	2,040
Motor vehicle licenses	134,000	134,000	131,574	(2,426)
Taxes on recordation and wills	40,000	40,000	63,316	23,316
Total other local taxes	\$ 724,000	\$ 724,000	\$ 742,671	\$ 18,671
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 4,500	\$ 4,500	\$ 4,360	\$ (140)
Building permits	16,000	16,000	25,061	9,061
Permits and other licenses	14,750	14,750	12,596	(2,154)
Total permits, privilege fees, and regulatory licenses	\$ 35,250	\$ 35,250	\$ 42,017	\$ 6,767
Fines and forfeitures:				
Court fines and forfeitures	\$ -	\$ 15,000	\$ 49,350	\$ 34,350
Revenue from use of money and property:				
Revenue from use of money	\$ 17,090	\$ 17,090	\$ 22,150	\$ 5,060
Revenue from use of property	68,626	68,626	75,821	7,195
Total revenue from use of money and property	\$ 85,716	\$ 85,716	\$ 97,971	\$ 12,255
Charges for services:				
Sheriff fees	\$ 300	\$ 300	\$ 299	\$ (1)
Charges for Commonwealth's Attorney	200	200	290	90
Charges for Treasurer	4,800	4,800	1,784	(3,016)
Courthouse maintenance fees	2,800	2,800	3,142	342
Charges for other court services	33,550	18,550	38,522	19,972
Charges for sanitation and waste removal	45,000	45,000	49,609	4,609
Charges for parks and recreation	36,125	36,125	28,788	(7,337)
Total charges for services	\$ 122,775	\$ 107,775	\$ 122,434	\$ 14,659
Miscellaneous revenue:				
Miscellaneous	\$ 3,700	\$ 6,834	\$ 29,931	\$ 23,097

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Care of animals	\$ 500	\$ 500	\$ 886	\$ 386
Total recovered costs	\$ 500	\$ 500	\$ 886	\$ 386
 Total revenue from local sources	 \$ 20,393,434	 \$ 20,396,568	 \$ 22,098,159	 \$ 1,701,591
 Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ -	\$ -	\$ 19	\$ 19
Mobile home titling tax	15,000	15,000	5,941	(9,059)
Taxes on deeds	17,000	17,000	20,573	3,573
Communications tax	52,200	52,200	52,585	385
State recordation tax	17,000	17,000	21,352	4,352
Personal property tax relief funds	677,907	677,907	677,907	-
Total noncategorical aid	\$ 779,107	\$ 779,107	\$ 778,377	\$ (730)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 69,248	\$ 69,248	\$ 69,386	\$ 138
Sheriff	417,322	417,322	429,342	12,020
Commissioner of revenue	62,338	62,338	62,488	150
Treasurer	64,362	64,362	64,565	203
Registrar/electoral board	27,905	27,905	25,245	(2,660)
Clerk of the circuit court	135,804	135,804	134,587	(1,217)
Total shared expenses	\$ 776,979	\$ 776,979	\$ 785,613	\$ 8,634
Other categorical aid:				
Public assistance and welfare administration	\$ 427,933	\$ 427,933	\$ 311,143	\$ (116,790)
Fire programs fund	16,000	16,000	17,580	1,580
Comprehensive services act	81,134	129,375	109,285	(20,090)
Wireless funds	45,000	45,000	98,370	53,370
Emergency medical services	8,000	8,000	8,141	141
Victim-witness grant	19,569	19,569	16,063	(3,506)
Animal friendly plates	200	200	138	(62)
Disaster recovery	-	2,053	11,012	8,959
Radio emergency preparedness grant	25,000	25,000	-	(25,000)
Juvenile confinement	6,584	6,584	-	(6,584)

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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>
General Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Local law enforcement block grant	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
Litter control	5,000	7,216	7,216	-
Total other categorical aid	\$ 636,920	\$ 689,430	\$ 578,948	\$ (110,482)
Total categorical aid	\$ 1,413,899	\$ 1,466,409	\$ 1,364,561	\$ (101,848)
Total revenue from the Commonwealth	\$ 2,193,006	\$ 2,245,516	\$ 2,142,938	\$ (102,578)
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ -	\$ -	\$ 313	\$ 313
Categorical aid:				
Public assistance and welfare administration	\$ 673,837	\$ 673,837	\$ 745,060	\$ 71,223
ISTEA grant	-	-	3,186	3,186
Ground transportation safety	-	4,935	6,636	1,701
Disaster recovery	-	15,836	9,056	(6,780)
Edward Byrne JAG grant	-	-	725	725
Workforce development	72,554	68,429	66,652	(1,777)
Summer feeding program	-	-	3,917	3,917
Total categorical aid	\$ 746,391	\$ 763,037	\$ 835,232	\$ 72,195
Total revenue from the federal government	\$ 746,391	\$ 763,037	\$ 835,545	\$ 72,508
Total General Fund	\$ 23,332,831	\$ 23,405,121	\$ 25,076,642	\$ 1,671,521
County Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 25	\$ 25	\$ 63	\$ 38
Total revenue from use of money and property	\$ 25	\$ 25	\$ 63	\$ 38
Charges for services:				
Administrative fees	\$ -	\$ -	\$ 10,737	\$ 10,737
Total charges for services	\$ -	\$ -	\$ 10,737	\$ 10,737

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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>
General Fund: (Continued)				
County Special Revenue Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 13,883	\$ 13,883	\$ 2,400	\$ (11,483)
Total miscellaneous revenue	\$ 13,883	\$ 13,883	\$ 2,400	\$ (11,483)
Total revenue from local sources	\$ 13,908	\$ 13,908	\$ 13,200	\$ (708)
Total County Special Revenue Fund	\$ 13,908	\$ 13,908	\$ 13,200	\$ (708)
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 149	\$ 149
Recovered costs:				
ODEC-Surry library expansion	\$ 200,000	\$ 200,000	\$ -	\$ (200,000)
Total recovered costs	\$ 200,000	\$ 200,000	\$ -	\$ (200,000)
Total revenue from local sources	\$ 200,000	\$ 200,000	\$ 149	\$ (199,851)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
PSAP grant	\$ -	\$ -	\$ 272,674	\$ 272,674
CDBG broadband funds	650,000	650,000	167,475	(482,525)
E911 wireless funds	-	149,496	149,021	(475)
Total categorical aid	\$ 650,000	\$ 799,496	\$ 589,170	\$ (210,326)
Total revenue from the Commonwealth	\$ 650,000	\$ 799,496	\$ 589,170	\$ (210,326)
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ -	\$ 83,803	\$ 83,803
Total categorical aid	\$ -	\$ -	\$ 83,803	\$ 83,803
Total revenue from the federal government	\$ -	\$ -	\$ 83,803	\$ 83,803
Total County Capital Projects Fund	\$ 850,000	\$ 999,496	\$ 673,122	\$ (326,374)
Total Primary Government	\$ 24,196,739	\$ 24,418,525	\$ 25,762,964	\$ 1,344,439

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 423	\$ 423
Total revenue from use of money and property	\$ -	\$ -	\$ 423	\$ 423
Miscellaneous revenue:				
Miscellaneous	\$ 100,000	\$ 100,000	\$ 74,041	\$ (25,959)
Total revenue from local sources	\$ 100,000	\$ 100,000	\$ 74,464	\$ (25,536)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Surry	\$ 11,619,995	\$ 11,749,463	\$ 11,724,785	\$ (24,678)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,013,864	\$ 1,013,864	\$ 1,009,770	\$ (4,094)
Basic school aid	988,319	988,319	941,064	(47,255)
Remedial summer education	18,068	18,068	12,380	(5,688)
GED funding	7,859	7,859	7,859	-
Special education homebound	453	453	-	(453)
Gifted and talented	9,642	9,642	9,298	(344)
Adult education	2,280	2,280	-	(2,280)
Special education	151,808	151,808	146,392	(5,416)
Textbook payment	18,408	18,408	17,751	(657)
Remedial education	37,337	37,337	36,004	(1,333)
Vocational education	91,166	91,166	87,891	(3,275)
Early reading intervention	2,945	2,945	2,945	-
School fringes	185,452	185,452	204,213	18,761
Technology	128,000	128,000	128,000	-
Epipen	-	-	295	295
Mentor teacher program	1,077	1,077	736	(341)
At risk payments	48,040	48,040	46,254	(1,786)
Primary class size	38,066	38,066	38,604	538
SOL algebra readiness	4,522	4,522	5,258	736
At risk four-year olds	117,000	117,000	117,000	-
Other state funds	25,673	25,673	243	(25,430)
Total categorical aid	\$ 2,889,979	\$ 2,889,979	\$ 2,811,957	\$ (78,022)
Total revenue from the Commonwealth	\$ 2,889,979	\$ 2,889,979	\$ 2,811,957	\$ (78,022)

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 180,000	\$ 180,000	\$ 214,170	\$ 34,170
Title VI-B, special education flow-through	233,000	233,000	240,315	7,315
Vocational education	16,000	16,000	15,566	(434)
Title VI-B, special education pre-school	4,400	4,400	3,646	(754)
JROTC	62,000	62,000	64,243	2,243
Twenty-first Century Grant	-	-	69,180	69,180
Title II, Part A	53,000	53,000	58,904	5,904
Total categorical aid	\$ 548,400	\$ 548,400	\$ 666,024	\$ 117,624
Total revenue from the federal government	\$ 548,400	\$ 548,400	\$ 666,024	\$ 117,624
Total School Operating Fund	\$ 15,158,374	\$ 15,287,842	\$ 15,277,230	\$ (10,612)
Discretely Presented Component Unit - School Board:				
School Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 275,000	\$ 275,000	\$ 238,984	\$ (36,016)
Total charges for services	\$ 275,000	\$ 275,000	\$ 238,984	\$ (36,016)
Total revenue from local sources	\$ 275,000	\$ 275,000	\$ 238,984	\$ (36,016)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Surry, Virginia	\$ 40,619	\$ 41,619	\$ 37,528	\$ (4,091)
Total revenues from local governments	\$ 40,619	\$ 41,619	\$ 37,528	\$ (4,091)
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 10,790	\$ 10,790	\$ 9,581	\$ (1,209)
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 275,000	\$ 275,000	\$ 306,374	\$ 31,374
Summer feeding	-	-	10,854	10,854
Commodities	-	27,954	28,521	567
Total categorical aid	\$ 275,000	\$ 302,954	\$ 345,749	\$ 42,795
Total revenue from the federal government	\$ 275,000	\$ 302,954	\$ 345,749	\$ 42,795
Total School Cafeteria Fund	\$ 601,409	\$ 630,363	\$ 631,842	\$ 1,479
Total Discretely Presented Component Unit - School Board	\$ 15,759,783	\$ 15,918,205	\$ 15,909,072	\$ (9,133)

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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	\$ 304,535	\$ 130,151	\$ 99,122	\$ 31,029
General and financial administration:				
County administrator	\$ 361,452	\$ 313,031	\$ 306,935	\$ 6,096
Legal services	72,000	79,696	78,000	1,696
Commissioner of revenue	185,276	193,258	189,943	3,315
Treasurer	257,075	257,501	252,151	5,350
Finance department	168,248	168,248	164,304	3,944
Information technology	152,109	135,178	132,271	2,907
Other general and financial administration	47,040	47,040	37,953	9,087
Total general and financial administration	\$ 1,243,200	\$ 1,193,952	\$ 1,161,557	\$ 32,395
Board of elections:				
Electoral board and officials	\$ 109,305	\$ 109,305	\$ 97,046	\$ 12,259
Total general government administration	\$ 1,657,040	\$ 1,433,408	\$ 1,357,725	\$ 75,683
Judicial administration:				
Courts:				
Circuit court	\$ 13,200	\$ 13,200	\$ 12,935	\$ 265
General district court	11,192	11,192	9,827	1,365
Special magistrates	725	725	527	198
Southside legal aid	7,261	7,261	7,261	-
Victim Witness	19,834	19,834	13,673	6,161
Clerk of the circuit court	244,267	244,267	241,779	2,488
Total courts	\$ 296,479	\$ 296,479	\$ 286,002	\$ 10,477
Commonwealth's attorney:				
Commonwealth's attorney	\$ 131,093	\$ 131,093	\$ 129,235	\$ 1,858
Total judicial administration	\$ 427,572	\$ 427,572	\$ 415,237	\$ 12,335
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,455,838	\$ 1,468,907	\$ 1,466,856	\$ 2,051
Virginia juvenile crime control act	22,460	23,054	23,054	-
Riverside Criminal justice	12,658	12,658	12,658	-
Total law enforcement and traffic control	\$ 1,490,956	\$ 1,504,619	\$ 1,502,568	\$ 2,051
Fire and rescue services:				
Fire department/rescue services	\$ 609,630	\$ 609,630	\$ 602,016	\$ 7,614
Correction and detention:				
Confinement and care of prisoners	\$ 191,053	\$ 293,488	\$ 293,488	\$ -

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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	\$ 130,349	\$ 130,349	\$ 111,233	\$ 19,116
Other protection:				
Animal control	\$ 120,150	\$ 134,506	\$ 134,431	\$ 75
Emergency services	321,430	349,334	307,180	42,154
Natural disasters	-	17,888	16,364	1,524
E-911 communications	48,000	48,000	45,008	2,992
Total other protection	\$ 489,580	\$ 549,728	\$ 502,983	\$ 46,745
Total public safety	\$ 2,911,568	\$ 3,087,814	\$ 3,012,288	\$ 75,526
Public works:				
Sanitation and waste removal:				
Sanitation	\$ 566,739	\$ 449,948	\$ 442,239	\$ 7,709
Litter control	5,000	7,216	7,093	123
Total sanitation and waste removal	\$ 571,739	\$ 457,164	\$ 449,332	\$ 7,832
Maintenance of general buildings and grounds:				
General properties	\$ 571,259	\$ 580,789	\$ 533,791	\$ 46,998
Total public works	\$ 1,142,998	\$ 1,037,953	\$ 983,123	\$ 54,830
Health and welfare:				
Health:				
Supplement of local health department	\$ 216,539	\$ 216,539	\$ 216,539	\$ -
Mental health and mental retardation:				
Community services board	\$ 57,686	\$ 58,573	\$ 58,573	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,853,266	\$ 1,853,266	\$ 1,646,411	\$ 206,855
Area agency on aging	3,799	3,799	3,799	-
Comprehensive services act	134,136	228,075	204,913	23,162
SSG improvement association	29,604	29,604	29,604	-
Workforce development	72,660	68,535	66,611	1,924
Office on youth	175,185	178,548	178,523	25
Geneive shelter	3,600	7,200	7,200	-
Surry free clinic	6,500	6,500	6,500	-
Other welfare contributions	2,520	5,247	3,897	1,350
Total welfare	\$ 2,281,270	\$ 2,380,774	\$ 2,147,458	\$ 233,316
Total health and welfare	\$ 2,555,495	\$ 2,655,886	\$ 2,422,570	\$ 233,316

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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	\$ 3,767	\$ 3,767	\$ 3,767	\$ -
Contribution to County School Board	11,660,614	11,791,082	11,762,313	28,769
Total education	\$ 11,664,381	\$ 11,794,849	\$ 11,766,080	\$ 28,769
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation center	\$ 386,506	\$ 403,437	\$ 403,437	\$ -
Williamsburg area transit	35,000	35,000	35,000	-
Historical society	-	-	3,186	(3,186)
Total parks and recreation	\$ 421,506	\$ 438,437	\$ 441,623	\$ (3,186)
Library:				
Contribution to regional library	\$ 96,445	\$ 96,445	\$ 96,445	\$ -
Total parks, recreation, and cultural	\$ 517,951	\$ 534,882	\$ 538,068	\$ (3,186)
Community development:				
Planning and community development:				
Planning and zoning	\$ 324,241	\$ 321,845	\$ 294,650	\$ 27,195
Zoning board	2,000	2,695	2,695	-
Highway transportation safety commission	1,200	1,200	650	550
Planning district commission	4,700	5,901	5,826	75
Economic development	44,129	63,703	63,246	457
Other planning and community development	6,200	6,700	5,975	725
Total planning and community development	\$ 382,470	\$ 402,044	\$ 373,042	\$ 29,002
Environmental management:				
Contribution to soil and water conservation district	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
Cooperative extension program:				
Extension office	\$ 76,779	\$ 76,779	\$ 66,554	\$ 10,225
Total community development	\$ 468,249	\$ 487,823	\$ 448,596	\$ 39,227
Debt service:				
Principal retirement	\$ 922,469	\$ 922,469	\$ 922,469	\$ -
Interest and other fiscal charges	729,074	729,074	727,346	1,728
Total debt service	\$ 1,651,543	\$ 1,651,543	\$ 1,649,815	\$ 1,728
Total General Fund	\$ 22,996,797	\$ 23,111,730	\$ 22,593,502	\$ 518,228

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 2
Page 4 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
County Special Revenue Fund:				
Public Safety:				
Other Protection:				
DEA task force	\$ -	\$ -	\$ 3,188	\$ (3,188)
Total other protection	\$ -	\$ -	\$ 3,188	\$ (3,188)
Total public safety	\$ -	\$ -	\$ 3,188	\$ (3,188)
Community development				
Indoor plumbing program	\$ 13,908	\$ 13,908	\$ 6,808	\$ 7,100
Economic development	80,000	80,000	-	80,000
Total community development	\$ 93,908	\$ 93,908	\$ 6,808	\$ 87,100
Total County Special Revenue Fund	\$ 93,908	\$ 93,908	\$ 9,996	\$ 83,912
County Capital Projects Fund:				
Capital projects expenditures:				
Waste management collection centers	\$ -	\$ 225,000	\$ 144,218	\$ 80,782
Broadband technology initiative	850,000	850,000	235,859	614,141
Health department parking lot	150,000	150,000	123,113	26,887
Library expansion	200,000	200,000	-	200,000
Facility stabilization	150,000	150,000	77,116	72,884
Parks and recreation facility upgrades	-	-	2,306	(2,306)
E911 dispatch center upgrade	335,000	484,496	163,951	320,545
County capital projects	500,000	275,000	197,951	77,049
School capital projects	-	-	66,262	(66,262)
Total capital projects	\$ 2,185,000	\$ 2,334,496	\$ 1,010,776	\$ 1,323,720
Total County Capital Projects Fund	\$ 2,185,000	\$ 2,334,496	\$ 1,010,776	\$ 1,323,720
Total Primary Government	\$ 25,275,705	\$ 25,540,134	\$ 23,614,274	\$ 1,925,860

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 2
Page 5 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Operating Costs:				
Administration, health, and attendance	\$ 959,365	\$ 844,365	\$ 835,210	\$ 9,155
Instruction costs	10,578,373	10,506,841	10,503,941	2,900
Districtwide technology	704,847	788,847	789,456	(609)
Pupil transportation	1,072,226	1,134,226	1,016,822	117,404
Operation and maintenance of school plant	1,843,563	1,943,563	1,956,106	(12,543)
Facilities	-	70,000	70,000	-
Total operating costs	<u>\$ 15,158,374</u>	<u>\$ 15,287,842</u>	<u>\$ 15,171,535</u>	<u>\$ 116,307</u>
Total education	<u>\$ 15,158,374</u>	<u>\$ 15,287,842</u>	<u>\$ 15,171,535</u>	<u>\$ 116,307</u>
Total School Operating Fund	<u>\$ 15,158,374</u>	<u>\$ 15,287,842</u>	<u>\$ 15,171,535</u>	<u>\$ 116,307</u>
School Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
School food services	\$ 601,409	\$ 630,363	\$ 615,295	\$ 15,068
Commodities	-	-	28,521	(28,521)
Total School Cafeteria Fund	<u>\$ 601,409</u>	<u>\$ 630,363</u>	<u>\$ 643,816</u>	<u>\$ (13,453)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 15,759,783</u>	<u>\$ 15,918,205</u>	<u>\$ 15,815,351</u>	<u>\$ 102,854</u>

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Statistical Section

Contents

Tables

Financial Trends

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

1 - 4

Revenue Capacity

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

5-8

Debt Capacity

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

9-10

Demographic and Economic Information

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

11-12

Operating Information

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

13-15

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

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

Table 1

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 7,152,511	\$ 6,242,619	\$ 6,421,199	\$ 6,659,548	\$ 5,262,920	\$ 1,240,925	\$ 2,320,769	\$ 2,422,090	\$ 2,631,382	\$ 3,321,023
Restricted	-	496,748	-	-	-	-	-	-	-	-
Unrestricted	7,832,801	7,523,836	8,454,431	7,804,588	7,395,194	10,625,829	9,117,385	9,928,451	11,782,612	13,441,797
Total governmental activities net position	\$ 14,985,312	\$ 14,263,203	\$ 14,875,630	\$ 14,464,136	\$ 12,658,114	\$ 11,866,754	\$ 11,438,154	\$ 12,350,541	\$ 14,413,994	\$ 16,762,820
Business-type activities										
Net investment in capital assets	\$ -	\$ 3,170,726	\$ 3,198,566	\$ 5,959,957	\$ 6,069,662	\$ 5,967,613	\$ 5,867,567	\$ 5,762,362	\$ 5,610,317	\$ 5,460,113
Unrestricted	-	(1,025,643)	(8,899)	(8,702)	(2,014)	25,604	(41,263)	(20,563)	(18,810)	(15,684)
Total business-type activities net position	\$ -	\$ 2,145,083	\$ 3,189,667	\$ 5,951,255	\$ 6,067,648	\$ 5,993,217	\$ 5,826,304	\$ 5,741,799	\$ 5,591,507	\$ 5,444,429
Primary Government										
Net investment in capital assets	\$ 7,152,511	\$ 9,413,345	\$ 9,619,765	\$ 12,619,505	\$ 11,332,582	\$ 7,208,538	\$ 8,188,336	\$ 8,184,452	\$ 8,241,699	\$ 8,781,136
Restricted	-	496,748	-	-	-	-	-	-	-	-
Unrestricted	7,832,801	6,498,193	8,445,532	7,795,886	7,393,180	10,651,433	9,076,122	9,907,888	11,763,802	13,426,113
Total Primary government net position	\$ 14,985,312	\$ 16,408,286	\$ 18,065,297	\$ 20,415,391	\$ 18,725,762	\$ 17,859,971	\$ 17,264,458	\$ 18,092,340	\$ 20,005,501	\$ 22,207,249

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

Table 2
Page 1 of 2

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities										
General government administration	\$ 979,192	\$ 1,584,888	\$ 1,278,906	\$ 1,298,600	\$ 1,375,071	\$ 1,864,806	\$ 1,556,300	\$ 1,381,514	\$ 1,375,325	\$ 1,647,559
Judicial administration	250,210	275,953	337,970	357,205	806,049	358,576	744,437	742,347	734,692	746,655
Public safety	3,779,073	1,866,039	1,948,872	2,001,162	2,469,893	2,907,399	2,761,300	2,732,338	3,022,043	3,316,803
Public works	997,920	1,059,305	1,889,656	1,135,848	2,101,649	1,237,489	1,025,861	995,742	1,059,277	1,061,654
Health and welfare	2,086,662	2,177,704	2,185,792	3,378,174	2,263,034	2,368,475	2,189,821	2,440,233	2,269,681	2,451,304
Community development	343,459	634,133	387,025	496,724	494,492	923,784	747,514	484,311	570,296	479,927
Parks, Recreation and cultural	439,939	452,777	481,350	589,996	507,811	567,971	554,813	571,977	515,549	562,994
Education	10,339,257	9,095,340	11,065,790	10,405,848	12,736,313	11,734,160	11,932,831	11,787,315	11,570,030	11,967,342
Interest and other financial charges	179,045	167,521	133,447	475,740	690,748	836,260	833,989	798,490	748,812	709,606
Total governmental activities	\$ 19,394,757	\$ 17,313,660	\$ 19,708,808	\$ 20,139,297	\$ 23,445,060	\$ 22,798,920	\$ 22,346,866	\$ 21,934,267	\$ 21,865,705	\$ 22,943,844
Business-type activities										
Water and Sewer	\$ -	\$ 181,339	\$ 202,840	\$ 248,942	\$ 383,052	\$ 383,367	\$ 404,703	\$ 422,687	\$ 451,572	\$ 405,141
Total business-type activities	\$ -	\$ 181,339	\$ 202,840	\$ 248,942	\$ 383,052	\$ 383,367	\$ 404,703	\$ 422,687	\$ 451,572	\$ 405,141
Total primary government expenses	\$ 19,394,757	\$ 17,494,999	\$ 19,911,648	\$ 20,388,239	\$ 23,828,112	\$ 23,182,287	\$ 22,751,569	\$ 22,356,954	\$ 22,317,277	\$ 23,348,985
Program Revenues										
Governmental activities										
Charges for services:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,025	\$ 12,414	\$ 1,784
General government administration	39,982	33,771	37,681	44,224	42,476	56,959	50,736	40,941	41,784	91,304
Judicial administration	23,598	1,914	40,284	2,907	61,746	48,335	41,406	36,976	50,841	42,316
Public safety	6,780	44,678	14,126	81,878	31,777	21,849	29,794	49,054	49,139	49,609
Public works	12,839	17,348	19,033	21,933	22,318	20,621	30,439	38,400	29,469	28,788
Parks, recreation and cultural	-	-	-	-	-	-	-	-	-	10,737
Community development	3,331,422	2,254,687	2,826,121	2,177,196	2,281,233	2,545,547	2,315,618	2,204,458	2,231,420	2,199,793
Operating grants and contributions	11,419	-	29,000	28,215	424,813	76,580	612,584	186,400	70,447	672,973
Capital Grants and contributions	\$ 3,426,040	\$ 2,352,398	\$ 2,966,245	\$ 2,356,353	\$ 2,864,363	\$ 2,769,891	\$ 3,080,577	\$ 2,564,254	\$ 2,485,514	\$ 3,097,304
Total governmental activities										
Business-type activities										
Charges for services:	\$ -	\$ -	\$ -	\$ -	\$ 37,185	\$ 41,575	\$ 45,582	\$ 60,662	\$ 60,427	\$ 50,812
Water and Sewer	-	119,992	951,697	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	2,887,434	269,529	-	57,208	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities	\$ -	\$ 119,992	\$ 951,697	\$ 2,887,434	\$ 306,714	\$ 41,575	\$ 102,790	\$ 60,662	\$ 60,427	\$ 50,812
Total primary government revenues	\$ 3,426,040	\$ 2,472,390	\$ 3,917,942	\$ 5,243,787	\$ 3,171,077	\$ 2,811,466	\$ 3,183,367	\$ 2,624,916	\$ 2,545,941	\$ 3,148,116

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

Table 2
Page 2 of 2

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenue										
Governmental activities	\$ (15,968,717)	\$ (14,961,262)	\$ (16,742,563)	\$ (17,782,944)	\$ (20,580,697)	\$ (20,029,029)	\$ (19,266,289)	\$ (19,370,013)	\$ (19,380,191)	\$ (19,846,540)
Business-type activities	-	(61,347)	748,857	2,638,492	(76,338)	(341,792)	(301,913)	(362,025)	(391,145)	(354,329)
Total primary government net expense	\$ (15,968,717)	\$ (15,022,609)	\$ (15,993,706)	\$ (15,144,452)	\$ (20,657,035)	\$ (20,370,821)	\$ (19,568,202)	\$ (19,732,038)	\$ (19,771,336)	\$ (20,200,869)

General Revenues and Other Changes in Net Position

Governmental Activities:										
Taxes										
Property taxes	\$ 14,265,479	\$ 14,793,585	\$ 15,516,251	\$ 15,120,129	\$ 17,644,857	\$ 17,728,739	\$ 17,428,339	\$ 18,987,082	\$ 19,924,721	\$ 20,724,814
Other local taxes	393,523	679,224	597,105	587,852	664,638	754,536	643,424	692,822	878,104	742,671
Investment earnings	186,331	299,040	512,313	955,234	872,613	299,565	139,858	88,504	91,269	98,183
Miscellaneous	41,432	21,732	109,057	66,404	581	24,255	52,754	45,913	19,075	32,331
Non-categorical aid from the Commonwealth	1,234,338	653,792	914,354	762,952	730,465	697,935	708,314	735,599	771,328	778,690
Transfers	-	(139,489)	(155,308)	(121,121)	(192,731)	(267,361)	(135,000)	(277,520)	(240,853)	(207,251)
Total governmental activities	\$ 16,121,103	\$ 16,307,884	\$ 17,493,772	\$ 17,371,450	\$ 19,720,423	\$ 19,237,669	\$ 18,837,689	\$ 20,282,400	\$ 21,443,644	\$ 22,169,438

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Business-type activities										
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	225	1,637	1,975	-	-	-	-	-	-
Transfers	-	139,489	155,308	121,121	192,731	267,361	135,000	277,520	240,853	207,251
Total business-type activities	\$ -	\$ 139,714	\$ 156,945	\$ 123,096	\$ 192,731	\$ 267,361	\$ 135,000	\$ 277,520	\$ 240,853	\$ 207,251
Total primary government	\$ 16,121,103	\$ 16,447,598	\$ 17,650,717	\$ 17,494,546	\$ 19,913,154	\$ 19,505,030	\$ 18,972,689	\$ 20,559,920	\$ 21,684,497	\$ 22,376,689

Changes in Net Position

Governmental activities	\$ 152,386	\$ 1,346,622	\$ 751,209	\$ (411,494)	\$ (860,274)	\$ (791,360)	\$ (428,600)	\$ 912,387	\$ 2,063,453	\$ 2,322,898
Business-type activities	-	78,367	905,802	2,761,588	116,393	(74,431)	(166,913)	(84,505)	(150,292)	(147,078)
Total primary government	\$ 152,386	\$ 1,424,989	\$ 1,657,011	\$ 2,350,094	\$ (743,881)	\$ (865,791)	\$ (595,513)	\$ 827,882	\$ 1,913,161	\$ 2,175,820

Table 3

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund										
Reserved	\$ 115,000	\$ 496,748	\$ -	\$ 12,101,167	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	7,052,849	7,830,138	8,921,596	9,285,703	10,170,215	9,744,681	8,353,210	-	-	-
Committed	-	-	-	-	-	-	-	6,835,193	5,788,537	5,536,834
Unassigned	-	-	-	-	-	-	-	2,428,955	5,591,064	8,093,311
Total general fund	\$ 7,167,849	\$ 8,326,886	\$ 8,921,596	\$ 21,386,870	\$ 10,170,215	\$ 9,744,681	\$ 8,353,210	\$ 9,264,148	\$ 11,379,601	\$ 13,630,145
All other governmental funds										
Unreserved, reported in:										
Special revenue funds	\$ 415,149	\$ 460,554	\$ 607,670	\$ 643,935	\$ 618,145	\$ 617,270	\$ 628,500	\$ -	\$ -	\$ -
Capital projects funds	-	-	-	-	3,424,693	4,140,348	1,879,841	-	-	-
Committed	-	-	-	-	-	-	-	2,231,830	1,979,195	1,638,403
Assigned	-	-	-	-	-	-	-	-	-	3,973
Total all other governmental funds	\$ 415,149	\$ 460,554	\$ 607,670	\$ 643,935	\$ 4,042,838	\$ 4,757,618	\$ 2,508,341	\$ 2,190,895	\$ 1,951,481	\$ 1,642,376

Note:

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

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

Table 4

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
General property taxes	\$ 14,831,392	\$ 14,544,879	\$ 15,832,563	\$ 15,139,181	\$ 17,442,571	\$ 17,637,845	\$ 17,376,874	\$ 18,768,963	\$ 19,964,237	\$ 21,012,899
Other local taxes	393,523	679,224	597,105	587,852	664,638	754,536	643,424	692,822	878,104	742,671
Permits, privilege fees and licenses	23,299	33,924	39,985	69,502	61,447	48,036	41,406	36,976	50,542	42,017
Fines and Forfeitures	23,316	24,690	26,313	27,554	15,245	24,902	11,922	12,182	18,091	49,350
Revenue from use of money & property	186,331	299,040	512,313	955,234	872,613	299,565	139,858	88,504	91,269	98,183
Charges for services	36,584	39,097	44,826	53,886	81,625	74,826	99,047	124,238	115,014	133,171
Miscellaneous	41,432	21,732	109,057	66,404	581	24,255	52,754	45,913	19,075	32,331
Recovered costs	52,742	37,761	35,170	84,103	54,784	17,710	10,705	3,599	209	886
Commonwealth of Virginia	2,531,675	1,793,615	2,246,101	1,982,229	2,179,694	2,376,715	2,325,332	2,167,407	2,126,006	2,732,108
Federal Government	2,045,504	1,114,864	1,523,374	986,134	1,256,817	943,347	1,311,184	959,050	947,189	919,348
Total revenues	\$ 20,165,798	\$ 18,588,826	\$ 20,966,807	\$ 19,952,079	\$ 22,630,015	\$ 22,201,737	\$ 22,012,506	\$ 22,899,654	\$ 24,209,736	\$ 25,762,964
Expenditures										
General government administration	\$ 903,505	\$ 1,281,332	\$ 1,170,523	\$ 1,060,320	\$ 1,279,711	\$ 1,554,499	\$ 1,441,060	\$ 1,315,093	\$ 1,303,131	\$ 1,357,725
Judicial administration	250,720	275,953	339,890	356,302	346,306	396,862	402,477	398,667	402,742	415,237
Public Safety	3,760,426	1,878,610	1,909,200	1,978,914	2,309,462	2,536,356	2,447,061	2,431,375	2,730,279	3,015,476
Public works	942,838	868,843	850,183	927,802	990,575	1,022,167	906,278	953,519	1,009,790	983,123
Health and welfare	2,100,150	2,156,434	2,167,120	2,435,713	2,293,730	2,361,067	2,191,083	2,219,441	2,337,613	2,422,570
Education	9,740,807	8,859,094	10,148,083	10,118,916	12,214,510	10,921,288	11,575,408	11,413,268	11,338,153	11,766,080
Community development	316,018	392,656	370,733	506,418	464,046	438,558	507,589	436,425	404,459	538,068
Parks, recreation and cultural	426,705	438,274	467,439	549,193	506,431	540,575	534,123	532,124	490,216	455,404
Capital projects	633,432	1,590,035	1,787,410	3,482,479	8,483,375	5,527,490	3,441,248	445,392	367,937	1,010,776
Debt service										
Principal	653,877	729,284	721,773	688,908	671,901	734,832	1,202,177	1,069,826	936,045	922,469
Interest and other fiscal charges	184,109	172,529	137,319	224,454	694,989	731,117	869,750	813,512	772,479	727,346
Total Expenditures	\$ 19,912,587	\$ 18,643,044	\$ 20,069,673	\$ 22,329,419	\$ 30,255,036	\$ 26,764,811	\$ 25,518,254	\$ 22,028,642	\$ 22,092,844	\$ 23,614,274
Revenues over (under) expenditures	\$ 253,211	\$ (54,218)	\$ 897,134	\$ (2,377,340)	\$ (7,625,021)	\$ (4,563,074)	\$ (3,505,748)	\$ 871,012	\$ 2,116,892	\$ 2,148,690
Other financing sources (uses)										
Transfers in	\$ -	\$ 49,103	\$ -	\$ 50,051	\$ 729,141	\$ 1,364,051	\$ 625,000	\$ 48,091	\$ 594,456	\$ 25,345
Transfers out	-	(188,592)	(155,308)	(171,172)	(921,872)	(1,631,412)	(760,000)	(325,611)	(835,309)	(232,596)
Issuance of bonds	-	-	-	15,000,000	-	5,050,000	-	-	-	-
Bond issuance premium	-	-	-	-	-	69,681	-	-	-	-
Proceeds of capital leases	-	1,387,200	-	-	-	-	-	-	-	-
Total other financing sources (uses)	\$ -	\$ 1,247,711	\$ (155,308)	\$ 14,878,879	\$ (192,731)	\$ 4,852,320	\$ (135,000)	\$ (277,520)	\$ (240,853)	\$ (207,251)
Net change in fund balances	\$ 253,211	\$ 1,193,493	\$ 741,826	\$ 12,501,539	\$ (7,817,752)	\$ 289,246	\$ (3,640,748)	\$ 593,492	\$ 1,876,039	\$ 1,941,439
Debt service as a percentage of noncapital expenditures	4.36%	5.31%	4.41%	4.80%	6.01%	6.41%	9.67%	8.70%	7.89%	7.22%

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

Table 5

	2013				2004			
	Rank		Assessed Valuation (1)		Assessed Valuation (2)		Percentage of Total Assessed Valuation	
Taxpayer	Rank		Valuation		Valuation		Rank	
Dominion Virginia Power	1	\$	1,797,964,311	66.36%	1,256,148,378	66.65%	1	\$
Swann's Point Farm LLC et al	2		19,006,100	0.70%	2,873,600	0.15%	10	
Wanro LLC et al	3		11,122,800	0.41%	7,430,300	0.39%	3	
Beechland/Alliance Farms et al	4		9,303,200	0.34%	3,180,300	0.17%	9	
Murphy Brown LLC	5		8,813,100	0.33%	7,750,700	0.41%	2	
Prince George Electric Cooperative	6		8,607,600	0.32%	5,010,228	0.27%	4	
Timbervest Partners (III) of Virginia LLC	7		6,710,700	0.25%	3,838,200	0.20%	7	
Windsor Mill	8		4,764,500	0.18%				
Grayland/Gray Lumber Company	9		4,159,700	0.15%	6,804,800	0.36%	5	
Brandon & Brandon LLC et al	10		4,139,600	0.15%	3,206,900	0.17%	8	
Four Mile Tree LLC	11		4,032,500	0.15%				
Verizon South	12		3,965,946	0.15%	6,214,177	0.33%	6	
John Hancock Mutual Life Insurance Company	13		3,861,200	0.14%	2,745,400	0.15%	11	
Commonwealth Forest Investment	14		3,276,800	0.12%	2,653,000	0.14%	13	
Spring Grove Land Association	15	\$	3,209,800	0.12%	1,767,100	0.09%	15	
Schorsch, Nicholas					2,678,100	0.14%	12	
Andrews Acres					2,532,900	0.13%	14	\$
Total Assessed Valuation of RE		\$	1,892,937,857	69.86%	1,314,834,083	69.76%		\$
		\$	2,709,470,403	100.00%	1,884,706,352	100.00%		\$

Notes:

- (1) 2013 Real Estate Assessments.
(2) 2003 Real Estate Assessments.

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

Table 6

Fiscal Year	Taxes Levied for the Fiscal Year (1) (Original Levy)	Collected within the Fiscal Year of the Levy		Adjustments to Levy in Subsequent Years		Total Adjusted Levy	Collections In Subsequent Years	Total Collections to Date	
		Amount (2)	Percentage of Levy	Subsequent	Years			Amount (2)	Percentage of Levy
2013	\$ 20,979,443	\$ 20,761,624	98.96%	-	-	\$ 20,979,443	-	\$ 20,761,624	98.96%
2012	20,588,020	19,790,059	96.12%	(3,640)		20,584,380	731,261	20,521,320	99.69%
2011	18,793,552	18,272,180	97.23%	(1,037)		18,792,515	370,230	18,642,410	99.20%
2010	17,397,366	16,858,370	96.90%	(36,001)		17,361,365	389,786	17,248,156	99.35%
2009	17,597,560	17,480,039	99.33%	(27,377)		17,570,183	16,483	17,496,522	99.58%
2008	17,440,097	17,301,159	99.20%	(3,776)		17,436,321	6,399	17,307,558	99.26%
2007	15,600,794	15,304,788	98.10%	43,859		15,644,653	364,978	15,669,766	100.16%
2006	16,457,411	16,572,928	100.70%	(29,089)		16,428,322	54,684	16,627,612	101.21%
2005	15,133,422	14,880,556	98.33%	17,245		15,150,667	150,309	15,030,865	99.21%
2004	15,358,307	15,377,233	100.12%	(27,116)		15,331,191	481,957	15,859,190	103.44%

Notes:

(1) Annual CAFRs.

(2) Exclusive of penalties and interest.

Table 7

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

Fiscal Year	Residential/ Agricultural		Commercial Property (3)	Total Taxable Assessed		Total Direct Tax Rate (2)	Estimated Actual Value (1)	Taxable Assessed Value as a % of Taxable Value
	Property (3)	Property (3)		Value	Value			
2004	\$	441,326,900	\$	20,276,700	\$	0.80	\$ 390,978,249	118.06% (2)
2005		520,959,300		25,282,200	546,241,500	0.77	521,114,391	104.82% (2)
2006		537,725,500		25,377,300	563,102,800	0.84	421,763,997	133.51% (2)
2007		788,903,500		31,427,500	820,331,000	0.70	819,510,669	100.10% (2)
2008		814,604,700		31,625,800	846,230,500	0.70	836,075,734	101.21% (2)
2009		830,543,600		32,458,800	863,002,400	0.70	852,646,371	101.21% (2)
2010		839,293,100		32,734,300	872,027,400	0.73	872,027,400	100.00% (2)
2011		842,381,900		33,602,400	875,984,300	0.73	875,984,300	100.00% (2)
2012		844,458,700		33,911,900	878,370,600	0.73	878,370,600	100.00% (2)
2013		850,646,000		34,078,200	884,724,200	0.73	884,724,200	100.00% (2)

Notes:

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

Table 8

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

Fiscal Year	Personal Property (1)	Machinery & Tools (1)	Aircraft (1)	Public Service (2,3)	Total
2013	\$ 50,293,488	\$ 1,733,938	\$ 13,295	\$ 1,783,632,381	\$ 1,835,673,102
2012	50,829,529	1,720,460	14,770	1,671,151,050	1,723,715,809
2011	49,490,806	2,023,995	17,685	1,554,628,083	1,606,160,569
2010	47,762,566	2,220,830	32,290	1,478,178,593	1,528,194,279
2009	53,042,606	3,058,587	42,964	1,514,744,019	1,570,888,176
2008	48,751,737	3,822,458	34,223	1,533,628,525	1,586,236,943
2007	46,518,023	3,069,697	65,145	1,109,668,896	1,159,321,761
2006	42,539,922	2,142,878	46,450	1,405,266,656	1,449,995,906
2005	38,680,542	275,325	19,750	1,273,917,022	1,312,892,639
2004	39,945,704	246,469	14,165	1,423,102,752	1,463,309,090

Notes:

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

Table 9

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

Fiscal Year	Governmental Activities										Business-Type Activities				Summary Totals		
	Governmental Activities										Business-Type Activities				Summary Totals		
	General Obligation Bonds	State Literary Funds Loans	Capital Lease Obligations	Revenue Bond Payable	Bank Loans Payable	Revenue Bonds Payable	Total Primary Government	Percentage of Personal Income (1)	Per Capita Personal Income (1)		Revenue Bonds Payable						
2013	\$ 2,610,000	\$ -	\$ -	1,238,152	12,805,000	\$ 786,326	\$ 17,439,478	**	N/A								
2012	2,745,000	-	-	1,440,621	13,390,000	845,297	18,420,918	7.64%	37,201								
2011	2,925,000	-	-	1,636,666	13,950,000	902,427	19,414,093	8.40%	35,417								
2010	3,270,000	-	-	1,826,492	14,485,000	1,006,397	20,587,889	8.79%	33,411								
2009	3,650,000	-	-	2,010,296	15,000,000	1,058,317	21,718,613	9.39%	33,230								
2008	1,055,000	-	413,501	-	15,000,000	1,159,722	17,628,223	7.52%	32,649								
2007	1,445,000	-	695,402	-	15,000,000	1,203,352	18,343,754	8.49%	30,832								
2006	1,860,000	-	969,309	-	-	724,703	3,554,012	1.82%	28,552								
2005	2,305,000	-	1,246,081	-	-	765,810	4,316,891	2.39%	26,991								
2004	2,775,000	90,000	28,165	-	-	805,711	3,698,876	2.15%	25,915								

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

(1) Population data & estimates for 2004 through 2012, and personal income and per capital personal income data for 2004 through 2012 was obtained from the Bureau of Economic Analysis.

** Information not available yet.

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

Table 10

Fiscal Year	Bank Loans Payable	General Obligation Bonds	Literary Fund Loans	Total General Bonded Debt	General Bonded Debt Per Capita	Percent of General Bonded Debt to Assessed Real Property Value
2013	\$ 12,805,000	\$ 2,610,000	\$ -	\$ 15,415,000	381	1.74%
2012	13,390,000	2,745,000	-	16,135,000	401	1.84%
2011	13,950,000	2,925,000	-	16,875,000	421	1.93%
2010	14,485,000	3,270,000	-	17,755,000	463	2.04%
2009	15,000,000	3,650,000	-	18,650,000	519	2.16%
2008	15,000,000	1,055,000	-	16,055,000	149	1.90%
2007	15,000,000	1,445,000	-	16,445,000	205	2.00%
2006	-	1,860,000	-	1,860,000	266	0.33%
2005	-	2,305,000	-	2,305,000	336	0.42%
2004	-	2,775,000	90,000	2,865,000	404	0.62%

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

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

Table 11

Fiscal Year	(1) Population	(1) Per Capita Income	(1) Total Personal Income	(2) School Enrollment	(3) Unemployment Rate %
2013	**	\$ **	\$ **	902	7.3%
2012	6,844	37,201	254,607,000	977	7.0%
2011	6,931	35,417	246,008,000	1,017	7.6%
2010	7,061	33,411	235,611,000	1,041	4.5%
2009	7,037	33,230	233,836,000	1,044	3.2%
2008	7,061	32,649	230,534,000	1,080	3.2%
2007	7,042	30,832	217,122,000	1,113	2.5%
2006	6,991	28,552	199,606,000	1,123	3.1%
2005	6,865	26,991	185,296,000	1,142	3.5%
2004	6,873	25,915	178,115,000	1,172	4.6%

Notes: (1) Bureau of Economic Analysis
(2) Virginia Department of Education
(3) Virginia Workforce Connection
**Information Unavailable

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

Table 12

Employer	2013			2004	
	Employees	Rank	% of Total Employment	Employees	Rank
Dominion Virginia Power	500-999	1	19.01%	500-999	1
Surry County School Board	250-499	2	9.51%	250-499	2
The Atlantic Group, Inc.	100-249	3	4.44%		
Surry County	50-99	4	2.28%	50-99	3
Virginia Department of Transportation	50-99	5	1.90%		
S. W. Edwards and Sons	20-49	6	1.24%	20-49	5
Windsor Mill	20-49	7	1.14%		
Surry County Department of Social Services	20-49	8	0.76%	20-49	7
Dominion Resources	20-49	9	0.89%	10-19	10
Seward Lumber Company, Inc.	20-49	10		20-49	8
Fluor Daniel Services Corporation	20-49	11		50-99	4
Virginia Department of Conservation	10-19	12		10-19	12
Surry Provisions Company				20-49	6
Coggin Electric Specialists				20-49	9
Wayne Garnett Logging				10-19	11

Source: Virginia Employment Commission

COUNTY OF SURRY, VIRGINIA

Table 13

Full-Time Equivalent County Government Employees by Function/Program
Last Eight Fiscal Years

	Full-Time Equivalent Employees as of June 30							
	2013	2012	2011	2010	2009	2008	2007	2006
General government:								
County Administration	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0
Commissioner of the Revenue	3.6	4.3	3.2	3.7	3.7	3.0	2.0	2.0
Treasurer	4.5	4.9	5.0	4.5	4.2	3.0	3.0	3.0
Finance	2.0	3.0	3.0	3.0	3.0	3.0	1.0	1.0
Information Technologies	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Registrar	1.8	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Total General Government	15.9	17.8	16.8	16.8	16.5	14.6	10.6	10.6
Judicial Administration:								
Clerk of the Circuit Court	3.6	3.0	3.0	3.0	3.0	3.0	2.0	2.0
General District Court	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Victim's Witness	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Commonwealth Attorney	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total Judicial Administration	7.6	7	7	7	7	7	6	6
Public Safety:								
Sheriff's Office	25.2	22.5	19	19	21	20	18	18
Fire and Emergency Services	2.1	2.0	2.0	2.0	2.0	1.0	1.0	1.0
Animal Control	2.0	1.0	1.0	1.0	2.0	2.0	1.0	1.0
Total Public Safety	29.3	24.5	21.0	21.0	23.0	21.0	19.0	19.0
Public Works:								
Sanitation	14.7	13.0	14.0	15.4	17.4	6.8	6.8	8.4
Maintenance	5.0	5.0	5.0	5.0	6.0	6.0	6.0	6.0
Total Public Works	19.7	18.0	19.0	20.4	23.4	12.8	12.8	14.4
Office on Youth:								
Office on Youth	5.1	7.0	6.3	5.0	6.8	3.0	3.0	3.0
Total Office on Youth	5.1							
Health and Welfare:								
Social Services	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0
Total Health and Welfare	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0
Parks, Recreation and Cultural								
Parks and Recreation	6.0	7.0	9.0	6.3	7.4	6.0	6.0	6.0
Total Parks, Recreation and Cultural		7.0	9.0	6.3	7.4	6.0	6.0	6.0
Community Development								
Planning/Environmental/Permitting	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Building Inspections	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Extension	5.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0
Total Community Development	12.0	11.0	12.0	12.0	12.0	12.0	12.0	12.0
Total	112.6	108.3	107.8	106.5	112.3	96.4	89.4	91.0

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

COUNTY OF SURRY, VIRGINIA
Operating Indicators by Function
Last Ten Fiscal Years (where available)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Public Safety (1)	332	312	268	408	375	283	238	175	219	134
Community Development (2)										
	87	75	75	68	74	61	72	49	45	27
Commercial building permits	4	3	1	6	6	9	2	1	1	0
Parks & Recreation (3)	18,123	17,822	18,652	18,399	18,572	19,618	21,702	20,468	19,258	18,490
Sewer (4)										
	141	140	140	128	127	-	-	-	-	-
Service connections	13,047	13,747	12,724	flat fee	flat fee	-	-	-	-	-
Average daily consumption in gallons										

Sources:

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

Note: The wastewater system began operation in 2006.

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

Table 15

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Sheriff's Office (1)										
Number of stations	1	1	1	1	1	1	1	1	1	1
Physical arrests	223	164	217	197	260	262	268	269	272	266
Patrol units	20	16	16	16	18	21	23	21	19	17
Volunteer Fire Departments (2)										
Companies	4	4	4	4	4	4	4	4	4	4
Stations	3	3	3	3	3	3	3	3	3	3
Parks and Recreation (3)										
Community Centers	1	1	1	1	1	1	1	1	1	1
Number of parks maintained	1	1	1	1	1	1	1	1	1	1
Park acreage owned by the County	100	100	100	100	100	100	100	100	100	100
Baseball/softball fields	2	2	2	2	2	2	2	2	2	2
T-ball fields	1	1	1	1	1	1	1	1	1	1
Soccer fields	5	5	5	5	5	5	5	5	5	5
Basketball courts	2	2	2	2	2	2	2	2	2	2
Library (4)										
Number of libraries	2	2	2	2	2	2	2	2	2	2
Public Utilities (4)										
Wastewater System										
Service connections	141	140	140	128	127	105	104	99	-	-
Average daily consumption in gallons	13,047	13,747	12,724	flat fee	flat fee	flat fee	flat fee	flat fee	-	-
Miles of sewer main	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	-	-
Component Unit - School Board (5)										
Number of elementary schools	1	1	1	1	1	1	1	1	1	1
Number of middle schools	1	1	1	1	1	1	1	1	1	1
Number of secondary schools	1	1	1	1	1	1	1	1	1	1
Number of school buses	39	36	36	35	34	34	33	33	34	33

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

Note: The wastewater system began operation in 2006.

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' 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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Surry Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County of Surry, Virginia's basic financial statements, and have issued our report thereon dated November 4, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Surry Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Surry, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Surry, Virginia's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Surry, Virginia's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Richmond, Virginia
November 4, 2013

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

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, 2013. County of Surry, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Surry, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of County of Surry, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Surry, Virginia complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of County of Surry, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Surry, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 County of Surry, Virginia's internal control over compliance.

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 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Richmond, Virginia
November 4, 2013

County of Surry, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Page 1 of 2

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable families	93.556	0950109/90249	\$ 9,867
Temporary Assistance for Needy Families	93.558	0400109/90109	160,944
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/90113	597
Low-Income Home Energy Assistance	93.568	0600409/90114	12,009
<i>Child Care and Development Fund Cluster:</i>			
Child Care and Development Block Grant	93.575	0770109/90544	(213)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/90116	24,212
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/90251	824
Foster Care - Title IV-E	93.658	1100109/90105	62,823
Adoption Assistance	93.659	1120109/90228	9,320
Social Services Block Grant	93.667	1000109/90313	152,722
Chafee Foster Care Independence Program	93.674	9150109/90254	730
Children's Health Insurance Program	93.767	0540109/90102	4,345
Medical Assistance Program	93.778	1200109/90101	113,160
Total Department of Health and Human Services			\$ 551,340
U. S. Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	77501/77602-155	\$ 9,056
Department of Justice:			
Pass Through Payments:			
<i>Department of Criminal Justice Service:</i>			
Edward Byrne Justice Assistance Grant	16.738	unavailable	\$ 725
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and Community Highway Safety Program	20.600	60507-50252/51222	\$ 6,636
<i>Department of Transportation:</i>			
Highway and Planning Construction (ISTEA)	20.205	60302	3,186
Total Department of Transportation			\$ 9,822
Department of the Defense:			
Direct Payments:			
Junior ROTC	12.xxx	N/A	\$ 64,243
Department of Agriculture:			
Pass Through Payments:			
<i>Department of Agriculture:</i>			
Food Distribution - Summer Feeding Program (Child Nutrition Cluster)	10.559	N/A	\$ 567
<i>Department of Health:</i>			
Summer Food Service Program for Children (Child Nutrition Cluster)	10.559	N/A	14,771 15,338

County of Surry, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Page 2 of 2

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Agriculture: (Continued)			
Pass Through Payments:			
<i>Department of Agriculture:</i>			
Food Distribution (Child Nutrition Cluster)	10.555	N/A	\$ 27,954
<i>Department of Education:</i>			
National School Lunch Program (Child Nutrition Cluster)	10.555	17901- 40623	219,746 \$ 247,700
School Breakfast Program (Child Nutrition Cluster)	10.553	17901- 40591	86,628
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/ 90103	193,720
Total Department of Agriculture			\$ 543,386
Department of Labor:			
Pass Through Payments:			
<i>Crater Workforce Investment Board:</i>			
WIA Youth Activities	17.259	unavailable	\$ 66,652
Department of Housing and Urban Development:			
Pass Through Payments:			
<i>Department of Housing and Community Development:</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants to Hawaii	14.228	53305- 50792	\$ 83,803
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	17901- 42901	\$ 214,170
<i>Special Education Cluster:</i>			
Special Education - Grants to States	84.027	17901- 43071	240,315
Special Education - Preschool Grants	84.173	17901- 62521	3,646
Career and Technical Education - Basic Grants to States	84.048	17901- 61095	15,566
Twenty-First Century Community Learning Centers	84.287	17901- 60565	69,180
Improving Teacher Quality State Grants	84.367	17901- 61480	58,904
Total Department of Education			\$ 601,781
Total Expenditures of Federal Awards			\$ 1,930,808

See accompanying notes to schedule of expenditures of federal awards.

County of Surry, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

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, 2013. 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 position, or cash flows of the County of Surry, Virginia.

Note B - Summary of Significant Accounting Policies

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

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

Note C - Food Donation

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

Note D - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 835,545
County Capital Projects Fund	83,803
Total primary government	<u>\$ 919,348</u>

Component Unit School Board:

School Operating Fund	\$ 666,024
School Cafeteria Fund	345,749
Total component unit school board	<u>\$ 1,011,773</u>

Total federal expenditures per basic financial statements	<u>\$ 1,931,121</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 1,930,808
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Add: Payment in Lieu of Taxes	<u>313</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards, as adjusted	<u><u>\$ 1,931,121</u></u>
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County of Surry, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I—Summary of Auditors' ResultsFinancial Statements

Type of auditors' report issued:

unmodified

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 ✓ noFederal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes ✓ no

Significant deficiency(ies) identified?

_____ yes ✓ none reportedType of auditors' report issued on compliance
for major programs:unmodifiedAny audit findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133?_____ yes ✓ no

Identification of major programs:

CFDA Number(s)10.553/10.555/10.559
10.561Name of Federal Program or ClusterChild Nutrition Cluster
State Administrative Matching Grants for the
Supplemental Nutrition Assistance ProgramDollar 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, 2013 (Continued)

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, 2013

There were no prior year findings and questioned costs.