
COUNTY OF SURRY, VIRGINIA

Comprehensive Annual Financial Report



FOR THE FISCAL YEAR ENDED

JUNE 30, 2014

INTRODUCTORY SECTION

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COUNTY OF SURRY, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

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, 2014

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COUNTY OF SURRY, VIRGINIA

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COUNTY OF SURRY, VIRGINIA

Board of Supervisors

Ernest L. Blount, Chairperson

Judy S. Lyttle
Giron R. Wooden, Sr.

Kenneth R. Holmes
John M. Seward

Social Services Board

Juanita Parker, Chairperson

Linda B. Ellis
Honorable Kenneth R. Holmes

Allen T. Parson
Marie B. Pierce

County School Board

Harold L. Jones, Chairperson

Dr. Marion H. Wilkins
Audrey D. Byrd

Laura P. Ruffin
Elsie M. Dennis

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 W. Clayton, Sr.
Lloyd A. Hamlin
Valerie E. Pierce
Tyrone W. Franklin
Bruce A. Clark, Jr.
Carson E. Saunders, Jr.
William H. Hefty

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Government Finance Officers Association

**Certificate of
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**County of Surry
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

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, 2014

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, 2014. 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, 2014 has been completed and no material internal control weaknesses or material violations of laws and regulations have been identified.

The County adopts an annual budget by July 1st each year as required by §15.2-2503, *Code of Virginia, 1950, as amended*. When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with §15.2-2507, *Code of Virginia, 1950, as amended*. The budget is implemented through Board-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, 2014 are free of material misstatement. Robinson, Farmer Cox Associates (RFCA) is contracted to perform this service and have issued an unmodified 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 154 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 and Capital Projects

In October 2013 the County purchased a marina permanently closed because of hurricane damage. Until this time there had been no public water access, even though the County is bordered by the James River. The first phase of the project is the rebuilding of the boat ramp, slips and docks. This will be completed in November 2014 and will provide citizens a convenient access to one of Virginia's most beautiful rivers. Subsequent phases include the construction and renovation of a restaurant, bed & breakfast, additional vehicle & trailer parking, restroom & shower facility and nature center & trails.

In September 2013 the County purchased a vacated bank branch building and renovated it to house the Surry Branch of the Blackwater Regional Library. In addition to an expanded collection of books & periodicals and extended hours, the new branch has children and teens rooms, a computer lab and a community/meeting room. The loss of the bank branch to cut backs was turned into a positive for the citizens with the planned opening of the branch library in August 2014.

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. A second extension until May 2015 was granted by the funding agency to permit the relocation of the proposed tower to the Surry Industrial Park off Commerce Drive. Outstanding projects items include construction of one 30' communication tower, solicitation for wireless service provider for subscription services and relocation of public safety communication equipment.

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, flood zone and erosion and sediment control ordinances commenced 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

FINANCIAL SECTION

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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, 2014, 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 County of Surry, Virginia, as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress on pages 4-11, 62, and 63-64 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 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 7, 2014, on our consideration of 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 long horizontal line.

Richmond, Virginia
November 7, 2014

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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, 2014. 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.
- *Component units* consist of the school operating fund (including the cafeteria fund) and the Industrial Development Authority. The County is financially accountable for these component units and provides operating support from local tax revenue.

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*.

Governmental funds account for essentially the same functions or services reported as governmental activities in the

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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 units that includes the School Fund and the Cafeteria Fund. The School Board does not issue separate financial statements. The Industrial Development Authority is also reported as a component unit.

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 activities assets at June 30, 2014 exceeded liabilities by \$19.3 million, while business type activities assets exceeded its liabilities by \$5.3 million. The following table provides comparative information on the County's net position as of June 30, 2013 and June 30, 2014.

County of Surry, Virginia's Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 17,794,078	\$ 16,501,821	\$ 4,386	\$ 3,409	\$ 17,798,464	\$ 16,505,230
Capital assets	20,228,522	20,029,920	6,037,264	6,246,439	26,265,786	26,276,359
Total assets	\$ 38,022,600	\$ 36,531,741	\$ 6,041,650	\$ 6,249,848	\$ 44,064,250	\$ 42,781,589
Current liabilities	\$ 697,788	\$ 879,615	\$ 35,423	\$ 19,093	\$ 733,211	\$ 898,708
Long-term liabilities:						
Due within one year	864,370	984,305	62,841	60,875	927,211	1,045,180
Due in more than one year	17,091,393	17,889,788	662,611	725,451	17,754,004	18,615,239
Total liabilities	\$ 18,653,551	\$ 19,753,708	\$ 760,875	\$ 805,419	\$ 19,414,426	\$ 20,559,127
Unavailable revenue-property taxes	\$ 21,887	\$ 15,213	\$ -	\$ -	\$ 21,887	\$ 15,213
Total deferred inflow of resources	\$ 21,887	\$ 15,213	\$ -	\$ -	\$ 21,887	\$ 15,213
Net investment in capital assets	\$ 4,482,211	\$ 3,321,023	\$ 5,311,812	\$ 5,460,113	\$ 9,794,023	\$ 8,781,136
Unrestricted	14,864,951	13,441,797	(31,037)	(15,684)	14,833,914	13,426,113
Total net position	\$ 19,347,162	\$ 16,762,820	\$ 5,280,775	\$ 5,444,429	\$ 24,627,937	\$ 22,207,249

Unrestricted net position of governmental activities account for \$14.9 million or 76.9% of the County's total governmental activities net position and are used to meet the County's ongoing obligations. The remaining governmental activities 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	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 244,453	\$ 224,538	\$ 69,420	\$ 50,812	\$ 313,873	\$ 275,350
Operating grants and contributions	2,410,697	2,199,793	-	-	2,410,697	2,199,793
Capital grants and contributions	59,671	672,973	-	-	59,671	672,973
General revenues:						
General property taxes	21,177,468	20,724,814	-	-	21,177,468	20,724,814
Other local taxes	755,736	742,671	-	-	755,736	742,671
Grants and other contributions not restricted	766,691	778,690	-	-	766,691	778,690
Other general revenues	182,297	130,514			182,297	130,514
Transfers	(265,653)	(207,251)	265,653	207,251	-	-
Total revenues	\$ 25,331,360	\$ 25,266,742	\$ 335,073	\$ 258,063	\$ 25,666,433	\$ 25,524,805
Expenses:						
General government administration	\$ 1,584,521	\$ 1,647,559	\$ -	\$ -	\$ 1,584,521	\$ 1,647,559
Judicial administration	766,927	746,655	-	-	766,927	746,655
Public safety	3,193,870	3,316,803	-	-	3,193,870	3,316,803
Public works	1,153,265	1,061,654	498,727	405,141	1,651,992	1,466,795
Health and welfare	2,457,024	2,451,304	-	-	2,457,024	2,451,304
Education	11,525,579	11,967,342	-	-	11,525,579	11,967,342
Parks, recreation, and cultural	899,221	562,994	-	-	899,221	562,994
Community development	491,679	479,927	-	-	491,679	479,927
Interest and other fiscal charges	674,932	709,606	-	-	674,932	709,606
Total expenses	\$ 22,747,018	\$ 22,943,844	\$ 498,727	\$ 405,141	\$ 23,245,745	\$ 23,348,985
Change in net position	\$ 2,584,342	\$ 2,322,898	\$ (163,654)	\$ (147,078)	\$ 2,420,688	\$ 2,175,820
Beginning of year	16,762,820	14,439,922	5,444,429	5,591,507	22,207,249	20,031,429
End of year	\$ 19,347,162	\$ 16,762,820	\$ 5,280,775	\$ 5,444,429	\$ 24,627,937	\$ 22,207,249

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 \$2,584,342 from \$16.8 million to \$19.3 million at June 30, 2014. Key factors associated with the increase in net position include:

- Revenue of \$1,402,673 in excess of that budgeted in general property taxes, primarily public service corporation taxes;
- Capital expenditures \$1,692,667 less than the appropriation.

The net position of the County's business-type activities decreased from \$5.4 million in FY2013 to \$5.3 million. This is primarily attributed to the depreciation of infrastructure. The County's General Fund provided \$265,653 in operating support for the Utilities Fund in FY14. 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 \$25.4 million for the fiscal year ended June 30, 2014. General Fund revenue increased slightly by 1.5% in FY14. General property taxes, the largest source of revenue, were \$21.1 million, including public service corporation taxes (\$13.3 million), real estate taxes (\$6.4 million) and personal property taxes (\$1.2 million). Over 83% 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 \$755,736 in FY14. This represented only a minimal increase of \$13,065, or .2% increase over the previous year.

	Revenue Classified by Source - General Fund					
	June 30, 2014		June 30, 2013		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Property Taxes	\$ 21,140,727	83.07%	\$ 21,012,899	83.79%	\$ 127,828	34.41%
Other Local Taxes	755,736	2.97%	742,671	2.96%	13,065	3.52%
Permits, Fees & Regulatory Licenses	48,034	0.19%	42,017	0.17%	6,017	1.62%
Fines & Forfeitures	49,826	0.20%	49,350	0.20%	476	0.13%
Revenue from Use of Money & Property	89,333	0.35%	97,971	0.39%	(8,638)	-2.33%
Charges for Services	132,954	0.52%	122,434	0.49%	10,520	2.83%
Miscellaneous & Recovered Costs	57,351	0.23%	30,817	0.12%	26,534	7.14%
Intergovernmental:						
Commonwealth	2,192,903	8.62%	2,142,938	8.55%	49,965	13.45%
Federal	981,251	3.86%	835,545	3.33%	145,706	39.22%
Total Revenues	\$ 25,448,115	100.00%	\$ 25,076,642	100.00%	\$ 371,473	100.00%

Intergovernmental revenues allocated by the state and federal governments totaled \$3.2 million during FY14, which reflects an increase of \$195,671 or 6.6%. Revenue from the commonwealth for non-categorical aid decreased slightly by 1.5%, or \$12,021, in FY14. 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 \$56,326, or 7.2%, while the other categorical aid consisting of welfare administration and federal & state grants moderately increased by \$5,660, or 1.0%.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds Expenditure Analysis

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

	Expenditures by Function - General Fund					
	June 30, 2014		June 30, 2013		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Government Administration	\$ 1,388,887	6.21%	\$ 1,357,725	6.01%	\$ 31,162	2.30%
Judicial Administration	434,476	1.94%	415,237	1.84%	19,239	4.63%
Public Safety	2,901,306	12.98%	3,012,288	13.33%	(110,982)	-3.68%
Public Works	1,067,715	4.78%	983,123	4.35%	84,592	8.60%
Health & Welfare	2,423,793	10.84%	2,422,570	10.72%	1,223	0.05%
Education	11,355,588	50.80%	11,766,080	52.08%	(410,492)	-3.49%
Parks, Recreation & Cultural	669,741	3.00%	538,068	2.38%	131,673	24.47%
Community Development	461,533	2.06%	448,596	1.99%	12,937	2.88%
Debt Service: Principal Retirement	959,102	4.29%	922,469	4.08%	36,633	3.97%
Debt Service: Interest Retirement	693,440	3.10%	727,346	3.22%	(33,906)	-4.66%
Total Expenditures	\$ 22,355,581	100.00%	\$ 22,593,502	100.00%	\$ (237,921)	-1.05%

The County's total General Fund expenditures of \$22.4 million for the fiscal year ended June 30, 2014 covered a wide range of services, with 50.8% or \$11.4 million for education (payments to the School System, a component unit), 13.0% or \$2.9 million for public safety, 10.8% or \$2.4 million for health and welfare services, 7.4% or \$1.7 million for debt service and 6.2% or \$1.4 million related to general government administration. The remaining 11.8% include expenditures for public works, parks & recreation, community development and judicial administration. Expenditures for the fiscal year ended June 30, 2014 (excluding education) increased by 1.6% or \$172,571 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 \$14.9 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 financial policy has established a committed fund balance of 25% of General Fund appropriated expenditures. At June 30, 2014 the committed fund balance was \$5,690,518, or 34.7%, and the unassigned fund balance was \$10,703,602, or 65.3% 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, 2014 was \$1,542,138.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

The FY14 capital expenditures totaled \$1,472,333, including these projects:

- o The marina project -- \$626,397, or 42.5;
- o Surry branch library expansion -- \$387,285, or 26.3%;
- o Fleet vehicles -- \$116,444, or 8.5%;
- o Solid waste convenience site -- \$114,857, or 7.8%;
- o E911 dispatch center upgrade -- \$74,152, or 5.0%;
- o Broadband technology initiative -- \$59,324, or 4.0%;
- o Stabilization of various County-owned buildings -- \$24,211, or 1.6%;
- o Miscellaneous other projects -- \$69,663, or 4.7%.

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. FY14 had General Fund operating expenditures of \$1,443,932 below the revised budget. The County's budget was amended during the year to reflect grants, carryover of unspent appropriations from FY13 and other unanticipated revenues. The difference between the original adopted budget and the amended budget was \$272,007.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2014 totaled \$20.2 million (net of accumulated depreciation). This represents a net increase of \$198,602, due to the acquisition of the marina property and depreciation of existing assets. 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 \$16.4 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 \$1,019,976, 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, 2014 was 6.8%, a decrease of 0.5% from the same period last year. Generally, the County's unemployment rate remains slightly above the state's average.
- The FY14 operating budget for all funds is \$45.2 million, an increase of 2.2% from the FY13 budget.
- Tax rates for future periods are dependent on the effects of fluctuations in the assessed valuations of real property. For 2014, the real property tax rate remains 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, 2014

	Primary Government				
	Governmental	Business-type	Total	Component Units	
	Activities	Activities		School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 16,747,279	\$ -	\$ 16,747,279	\$ 1,393,162	\$ 100,796
Receivables (net of allowance for uncollectibles):					
Taxes receivable	745,920	-	745,920	-	-
Accounts receivable	12,030	4,386	16,416	58,025	-
Due from other governmental units	288,849	-	288,849	331,401	-
Capital assets (net of accumulated depreciation):					
Land and land improvements	846,937	3,636	850,573	158,330	-
Buildings and system	17,696,816	5,945,028	23,641,844	7,394,562	-
Equipment	1,420,697	88,600	1,509,297	1,764,480	-
Infrastructure	264,072	-	264,072	-	-
Total assets	\$ 38,022,600	\$ 6,041,650	\$ 44,064,250	\$ 11,099,960	\$ 100,796
LIABILITIES					
Accounts payable	\$ 331,735	\$ 33,160	\$ 364,895	\$ 391,467	-
Accrued liabilities	-	-	-	1,341,525	-
Accrued interest payable	278,910	2,263	281,173	-	-
Due to other governmental units	87,143	-	87,143	-	-
Unearned revenue	-	-	-	39,302	-
Long-term liabilities:					
Due within one year	977,854	62,841	1,040,695	8,631	-
Due in more than one year	16,977,909	662,611	17,640,520	163,334	-
Total liabilities	\$ 18,653,551	\$ 760,875	\$ 19,414,426	\$ 1,944,259	\$ -
DEFERRED INFLOW OF RESOURCES					
Deferred revenue - property taxes	\$ 21,887	\$ -	\$ 21,887	\$ -	\$ -
Total deferred inflow of resources	\$ 21,887	\$ -	\$ 21,887	\$ -	\$ -
NET POSITION					
Net investment in capital assets	\$ 4,482,211	\$ 5,311,812	\$ 9,794,023	\$ 9,317,372	\$ -
Unrestricted	14,864,951	(31,037)	14,833,914	(161,671)	100,796
Total net position	\$ 19,347,162	\$ 5,280,775	\$ 24,627,937	\$ 9,155,701	\$ 100,796

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, 2014

					Net (Expense) Revenue and Changes in Net Position				
Program Revenues					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for	Operating	Capital	Governmental	Business-type	Total	School Board	IDA
		Services	Grants and Contributions	Grants and Contributions					
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 1,584,521	\$ 1,117	\$ 161,958	\$ -	\$ (1,421,446)		\$ (1,421,446)		
Judicial administration	766,927	90,461	257,907	-	(418,559)		(418,559)		
Public safety	3,193,870	48,333	700,772	-	(2,444,765)		(2,444,765)		
Public works	1,153,265	51,934	6,227	-	(1,095,104)		(1,095,104)		
Health and welfare	2,457,024	-	1,155,148	-	(1,301,876)		(1,301,876)		
Education	11,525,579	-	-	-	(11,525,579)		(11,525,579)		
Parks, recreation, and cultural	899,221	38,969	128,685	-	(731,567)		(731,567)		
Community development	491,679	13,639	-	59,671	(418,369)		(418,369)		
Interest on long-term debt	674,932	-	-	-	(674,932)		(674,932)		
Total governmental activities	\$ 22,747,018	\$ 244,453	\$ 2,410,697	\$ 59,671	\$ (20,032,197)		\$ (20,032,197)		
Business-type activities:									
Water and sewer	\$ 498,727	\$ 69,420	\$ -	\$ -	\$ (429,307)	\$ (429,307)			
Total business-type activities	\$ 498,727	\$ 69,420	\$ -	\$ -	\$ (429,307)	\$ (429,307)			
Total primary government	\$ 23,245,745	\$ 313,873	\$ 2,410,697	\$ 59,671			\$ (20,461,504)		
COMPONENT UNITS:									
School Board	\$ 16,481,784	\$ 200,990	\$ 3,844,408	\$ -			\$ (12,436,386)	\$ -	
Industrial Development Authority	2,089	-	-	-			-	(2,089)	
Total component unit	\$ 16,483,873	\$ 200,990	\$ 3,844,408	\$ -			\$ (12,436,386)	\$ (2,089)	
General revenues:									
General property taxes					\$ 21,177,468	\$ -	\$ 21,177,468	\$ -	\$ -
Other local taxes:									
Local sales and use taxes					498,295	-	498,295	-	-
Motor vehicle licenses					132,388	-	132,388	-	-
Other local taxes					125,053	-	125,053	-	-
Unrestricted revenues from use of money and property					90,225	-	90,225	404	51
Miscellaneous					92,072	-	92,072	104,189	-
Payments from Surry County					-	-	-	11,521,708	-
Grants and contributions not restricted to specific programs					766,691	-	766,691	-	-
Transfers					(265,653)	265,653	-	-	-
Total general revenues and transfers					\$ 22,616,539	\$ 265,653	\$ 22,882,192	\$ 11,626,301	\$ 51
Change in net position					\$ 2,584,342	\$ (163,654)	\$ 2,420,688	\$ (810,085)	\$ (2,038)
Net position- beginning					16,762,820	5,444,429	22,207,249	9,965,786	102,834
Net position - ending					\$ 19,347,162	\$ 5,280,775	\$ 24,627,937	\$ 9,155,701	\$ 100,796

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, 2014

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 16,285,476	\$ 157,854	\$ 303,949	\$ 16,747,279
Receivables (net of allowance for uncollectibles):				
Taxes receivable	745,920	-	-	745,920
Accounts receivable	7,961	-	4,069	12,030
Due from other governmental units	288,849	-	-	288,849
Total assets	<u>\$ 17,328,206</u>	<u>\$ 157,854</u>	<u>\$ 308,018</u>	<u>\$ 17,794,078</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 184,900	\$ 146,835	\$ -	\$ 331,735
Due to other governmental units	87,143	-	-	87,143
Total liabilities	<u>\$ 272,043</u>	<u>\$ 146,835</u>	<u>\$ -</u>	<u>\$ 418,878</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 687,034	\$ -	\$ -	\$ 687,034
Total deferred inflows of resources	<u>\$ 687,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 687,034</u>
Fund balances:				
Committed	\$ 5,690,518	\$ 11,019	\$ 288,848	\$ 5,990,385
Assigned	-	-	19,170	19,170
Unassigned	10,678,611	-	-	10,678,611
Total fund balances	<u>\$ 16,369,129</u>	<u>\$ 11,019</u>	<u>\$ 308,018</u>	<u>\$ 16,688,166</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,328,206</u>	<u>\$ 157,854</u>	<u>\$ 308,018</u>	<u>\$ 17,794,078</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, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 16,688,166
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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	\$ 32,333,955	
Accumulated depreciation	<u>(12,105,433)</u>	20,228,522

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	665,147
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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	\$ (2,517,261)	
Revenue bond	(1,029,050)	
Bank loans	(12,200,000)	
Compensated absences	(234,172)	
Landfill postclosure care	(1,975,280)	
Accrued interest payable	<u>(278,910)</u>	(18,234,673)

Net position of governmental activities	<u><u>\$ 19,347,162</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Surry, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 21,140,727	\$ -	\$ -	\$ 21,140,727
Other local taxes	755,736	-	-	755,736
Permits, privilege fees, and regulatory licenses	48,034	-	-	48,034
Fines and forfeitures	49,826	-	-	49,826
Revenue from the use of money and property	89,333	128	764	90,225
Charges for services	132,954	-	13,639	146,593
Miscellaneous	57,122	-	34,950	92,072
Recovered costs	229	-	-	229
Intergovernmental:				
Commonwealth	2,192,903	-	3,234	2,196,137
Federal	981,251	59,671	-	1,040,922
Total revenues	<u>\$ 25,448,115</u>	<u>\$ 59,799</u>	<u>\$ 52,587</u>	<u>\$ 25,560,501</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,388,887	\$ -	\$ -	\$ 1,388,887
Judicial administration	434,476	-	-	434,476
Public safety	2,901,306	-	26,036	2,927,342
Public works	1,067,715	-	-	1,067,715
Health and welfare	2,423,793	-	-	2,423,793
Education	11,380,579	-	-	11,380,579
Parks, recreation, and cultural	669,741	-	-	669,741
Community development	461,533	-	262	461,795
Capital projects	-	1,472,333	-	1,472,333
Debt service:				
Principal retirement	959,102	-	-	959,102
Interest and other fiscal charges	693,440	-	-	693,440
Total expenditures	<u>\$ 22,380,572</u>	<u>\$ 1,472,333</u>	<u>\$ 26,298</u>	<u>\$ 23,879,203</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,067,543</u>	<u>\$ (1,412,534)</u>	<u>\$ 26,289</u>	<u>\$ 1,681,298</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 62,906	\$ 62,906
Transfers out	(328,559)	-	-	(328,559)
Total other financing sources (uses)	<u>\$ (328,559)</u>	<u>\$ -</u>	<u>\$ 62,906</u>	<u>\$ (265,653)</u>
Net change in fund balances	\$ 2,738,984	\$ (1,412,534)	\$ 89,195	\$ 1,415,645
Fund balances - beginning	13,630,145	1,423,553	218,823	15,272,521
Fund balances - ending	<u>\$ 16,369,129</u>	<u>\$ 11,019</u>	<u>\$ 308,018</u>	<u>\$ 16,688,166</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, 2014

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

Net change in fund balances - total governmental funds	\$	1,415,645
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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 capital outlays exceeded the depreciation expense in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$	1,231,492	
Depreciation expense		(887,890)	
Activity related to joint tenancy assets of Component Unit and Primary Government		(145,000)	198,602

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

The change in unavailable property taxes is reported as a revenue in the statement of activities:		36,741
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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	\$	145,000	
Principal retired on revenue bond		209,102	
Principal retired on bank loans		605,000	
Bond premium amortization		3,484	
Decrease (increase) in landfill postclosure care		(27,272)	935,314

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	\$	(16,984)	
Decrease (increase) in accrued interest payable		15,024	(1,960)

Change in net position of governmental activities	\$	2,584,342
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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, 2014

	Enterprise Fund Water and Sewer
ASSETS	
Current assets:	
Accounts receivable, net of allowance for uncollectibles	\$ 4,386
Total current assets	<u>\$ 4,386</u>
Noncurrent assets:	
Capital assets:	
Land	\$ 3,636
Utility plant in service	7,898,176
Machinery and equipment	177,200
Accumulated depreciation	(2,041,748)
Total net capital assets	<u>\$ 6,037,264</u>
Total noncurrent assets	<u>\$ 6,037,264</u>
Total assets	<u>\$ 6,041,650</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 33,160
Accrued interest payable	2,263
Bonds payable - current portion	62,841
Total current liabilities	<u>\$ 98,264</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 662,611
Total noncurrent liabilities	<u>\$ 662,611</u>
Total liabilities	<u>\$ 760,875</u>
NET POSITION	
Net investment in capital assets	\$ 5,311,812
Unrestricted	<u>(31,037)</u>
Total net position	<u><u>\$ 5,280,775</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 Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Enterprise Fund Water and <u>Sewer</u>
OPERATING REVENUES	
Charges for services:	
Water and sewer revenues	\$ 69,420
Total operating revenues	<u>\$ 69,420</u>
OPERATING EXPENSES	
Other supplies and expenses	\$ 261,211
Depreciation	209,175
Total operating expenses	<u>\$ 470,386</u>
Operating income (loss)	<u>\$ (400,966)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest expense	\$ (28,341)
Total nonoperating revenues (expenses)	<u>\$ (28,341)</u>
Income before transfers	<u>\$ (429,307)</u>
Transfers in	<u>\$ 265,653</u>
Change in net position	<u>\$ (163,654)</u>
Total net position- beginning	5,444,429
Total net position - ending	<u><u>\$ 5,280,775</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, 2014

	Enterprise Fund Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 68,443
Payments to suppliers	(244,881)
Net cash provided by (used for) operating activities	<u>\$ (176,438)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 265,653
Net cash provided by (used for) noncapital financing activities	<u>\$ 265,653</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (60,874)
Interest expense	(28,341)
Net cash provided by (used for) capital and related financing activities	<u>\$ (89,215)</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)	\$ (400,966)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	209,175
(Increase) decrease in accounts receivable	(977)
Increase (decrease) in accounts payable	16,330
Total adjustments	<u>\$ 224,528</u>
Net cash provided by (used for) operating activities	<u><u>\$ (176,438)</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, 2014

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 50,461
Total assets	<u>\$ 50,461</u>
LIABILITIES	
Amounts held for social services clients	\$ 38,272
Amounts held for others	12,189
Total liabilities	<u>\$ 50,461</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, 2014

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 accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. 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 units. 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 units. 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, 2014

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, 2014

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, 2014.

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, 2014.

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, 2014. 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 \$57,686 to the District 19 Community Services Board for the fiscal year ended June 30, 2014.

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, 2014

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, except for Agency funds as they have no measurement focus. 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, 2014

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 unavailable 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, 2014

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 nonmajor 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 nonoperating 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 nonoperating 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, 2014

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 \$119,599 at June 30, 2014 and is comprised of property taxes of \$74,592 and water and sewer charges of \$45,007.

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, 2014

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, 2014

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:

	General Fund		County Capital Projects Fund		Other Governmental Funds		Total
Fund Balances:							
Committed:							
Ongoing expenditure obligations	\$ 5,690,518	\$ -	\$ -	\$ -	\$ -	\$ -	5,690,518
Capital Improvements	-	11,019	-	-	-	-	11,019
DEA Task Force	-	-	-	70,187	-	-	70,187
Economic Development	-	-	-	218,661	-	-	218,661
Total Committed Fund Balance	\$ 5,690,518	\$ 11,019	\$ -	\$ 288,848	\$ -	\$ -	5,990,385
Assigned:							
Indoor plumbing	\$ -	\$ -	\$ -	19,170	\$ -	\$ -	19,170
Total Assigned Fund Balance	\$ -	\$ -	\$ -	\$ 19,170	\$ -	\$ -	19,170
Unassigned	\$ 10,678,611	\$ -	\$ -	\$ -	\$ -	\$ -	10,678,611
Total Fund Balances	\$ 16,369,129	\$ 11,019	\$ -	\$ 308,018	\$ -	\$ -	16,688,166

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

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. 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.

O. Long-term Obligations

In the government-wide financial statements, 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.

P. Deferred Outflows/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, 2014.

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. Under the accrual basis of accounting, amounts prepaid are reported as deferred inflows of resources. 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, 2014

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, 2014.

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.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 3—Deposits and Investments: (Continued)

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, 2014 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>\$ 16,352,267</u>
Total	<u><u>\$ 16,352,267</u></u>

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.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 4—Due to/from Other Governments:

At June 30, 2014, the County has receivables due from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Surry	\$ -	\$ 87,143
Commonwealth of Virginia:		
Local sales tax	85,852	-
Rolling stock tax	12	-
State Sales Tax	-	170,616
Constitutional officer reimbursements	65,520	-
Recordation tax	3,288	-
Mobile home titling tax	630	-
Communications tax	8,710	-
Comprehensive services act	39,659	-
Wireless funds	3,513	-
Welfare	2,995	-
Fire programs	2,000	-
Federal Government:		
Edward Byrne JAG grant	853	-
ISTEA grant	6,999	-
Disaster recovery	31,607	-
School fund grants	-	73,642
Welfare	37,211	-
Total due from other governments	<u>\$ 288,849</u>	<u>\$ 331,401</u>

At June 30, 2014, amounts due to other local governments are as follows:

Other Local Governments:		
Surry County School Board	\$ <u>87,143</u>	\$ <u>-</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<i>Primary Government:</i>				
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 846,937	\$ -	\$ -	\$ 846,937
Total capital assets not subject to depreciation	\$ 846,937	\$ -	\$ -	\$ 846,937
Capital assets subject to depreciation:				
Buildings and improvements	\$ 18,939,920	\$ 935,275	\$ -	\$ 19,875,195
Equipment	4,784,736	264,549	-	5,049,285
Infrastructure	245,469	31,668	-	277,137
Jointly owned assets	6,218,142	-	(67,259)	6,285,401
Total capital assets subject to depreciation	\$ 30,188,267	\$ 1,231,492	\$ (67,259)	\$ 31,487,018
Accumulated depreciation:				
Buildings and improvements	\$ 4,141,687	\$ 501,692	\$ -	\$ 4,643,379
Equipment	3,249,318	379,270	-	3,628,588
Infrastructure	6,137	6,928	-	13,065
Jointly owned assets	3,608,142	171,377	(40,882)	3,820,401
Total accumulated depreciation	\$ 11,005,284	\$ 1,059,267	\$ (40,882)	\$ 12,105,433
Total capital assets subject to depreciation, net	\$ 19,182,983	\$ 172,225	\$ (26,377)	\$ 19,381,585
Governmental activities capital assets, net	\$ 20,029,920	\$ 172,225	\$ (26,377)	\$ 20,228,522

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<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	\$ 4,902,668	\$ 117,833	\$ -	\$ 5,020,501
Building improvement	184,686	-	-	184,686
Jointly owned assets	18,546,149	-	67,259	18,478,890
Total capital assets subject to depreciation	\$ 23,633,503	\$ 117,833	\$ 67,259	\$ 23,684,077
Accumulated depreciation:				
Equipment	\$ 2,984,136	\$ 271,885	\$ -	\$ 3,256,021
Building improvement	32,533	4,617	-	37,150
Jointly owned assets	10,761,597	511,149	40,882	11,231,864
Total accumulated depreciation	\$ 13,778,266	\$ 787,651	\$ 40,882	\$ 14,525,035
Total capital assets subject to depreciation, net	\$ 9,855,237	\$ (669,818)	\$ 26,377	\$ 9,159,042
Component unit school board capital assets, net	\$ 10,013,567	\$ (669,818)	\$ 26,377	\$ 9,317,372
Governmental activities:				
General government administration			\$ 65,073	
Judicial administration			330,796	
Public safety			351,441	
Public works			42,634	
Health and welfare			27,785	
Education			171,377	
Parks, recreation and cultural			41,529	
Community development			28,632	
Total Governmental activities			\$ 1,059,267	
Business-type activities			\$ 209,175	
Component Unit School Board			\$ 787,651	

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

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, 2014, is that school financed assets in the amount of \$2,465,000 are reported in the Primary Government for financial reporting purposes.

A summary of proprietary fund property, plant, and equipment at June 30, 2014 follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<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	\$ 1,755,693	\$ 197,455	\$ -	\$ 1,953,148
Equipment	76,880	11,720	-	88,600
Total accumulated depreciation	\$ 1,832,573	\$ 209,175	\$ -	\$ 2,041,748
Total capital assets subject to depreciation, net	\$ 6,242,803	\$ (209,175)	\$ -	\$ 6,033,628
Business-type activities capital assets, net	\$ 6,246,439	\$ (209,175)	\$ -	\$ 6,037,264

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2014 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 328,559
Other governmental funds	62,906	-
Water and Sewer Fund	<u>265,653</u>	<u>-</u>
Total	<u>\$ 328,559</u>	<u>\$ 328,559</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, 2014

Note 7—Long Term Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2014:

Primary Government:

	Balance at July 1, 2013	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2014	Amounts Due Within One Year
Governmental Activities:					
Incurred by County:					
Compensated absences					
(payable by General Fund)	\$ 217,188	\$ 38,703	\$ 21,719	\$ 234,172	\$ 23,417
Bank loans	12,805,000	-	605,000	12,200,000	625,000
Revenue bond	1,238,152	-	209,102	1,029,050	215,953
Landfill postclosure care	1,948,008	27,272	-	1,975,280	-
Total incurred by County	\$ 16,208,348	\$ 65,975	\$ 835,821	\$ 15,438,502	\$ 864,370
Incurred by School Board:					
General obligation bonds	\$ 2,610,000	\$ -	\$ 145,000	\$ 2,465,000	\$ 110,000
Bond premium	55,745	-	3,484	52,261	3,484
Total incurred by School Board	\$ 2,665,745	\$ -	\$ 148,484	\$ 2,517,261	\$ 113,484
Total Governmental Activities	\$ 18,874,093	\$ 65,975	\$ 984,305	\$ 17,955,763	\$ 977,854
Business-type Activities:					
Revenue bonds	\$ 786,326	\$ -	\$ 60,874	\$ 725,452	\$ 62,841
Total Business-type Activities	\$ 786,326	\$ -	\$ 60,874	\$ 725,452	\$ 62,841
Total Primary Government Obligations	\$ 19,660,419	\$ 65,975	\$ 1,045,179	\$ 18,681,215	\$ 1,040,695

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

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 Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 62,841	\$ 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>\$ 725,452</u>	<u>\$ 267,824</u>	<u>\$ 12,200,000</u>	<u>\$ 4,107,203</u>	<u>\$ 1,029,050</u>	<u>\$ 91,966</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

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
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>\$ 2,465,000</u>	<u>\$ 1,089,677</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

<u>Governmental Activities</u>	Total Amount
<u>Incurred 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%	\$ 7,320,000
\$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%	4,880,000
Total Bank Loans	\$ 12,200,000
<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%.	\$ 1,029,050
Landfill postclosure care (Note 14)	\$ 1,975,280
Compensated absences (payable by General Fund)	\$ 234,172
Total incurred by County	\$ 15,438,502
	Total Amount
<u>Incurred by School Board:</u>	
<u>General Obligation Bonds:</u>	
\$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%.	\$ 2,465,000
Total General Obligation Bonds	\$ 2,465,000
Bond issuance premium	\$ 52,261
Total incurred by School Board	\$ 2,517,261

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

	Total Amount
<u>Business-type Activities</u>	
<u>Enterprise Fund:</u>	
<u>Revenue Bonds:</u>	
\$937,575 Revenue Bond issued through the Virginia Resources Authority, payable in semi-annual installments of \$31,888 (principal and interest), interest payable semi-annually at 3.00%	\$ 347,815
\$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%	377,637
	<u>725,452</u>
Total Revenue Bonds	<u>\$ 725,452</u>
Total Long-Term Obligations, Business-type Activities	<u>\$ 725,452</u>
Total Long-Term Obligations, Primary Government	<u><u>\$ 18,681,215</u></u>

Component Unit - School Board:

The following is a summary of long-term obligation transactions for the year ended June 30, 2014:

	Balance at July 1, 2013	Increases	Decreases	Balance at June 30, 2014	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences (payable by School Fund)	\$ 79,618	\$ 14,656	\$ 7,962	\$ 86,312	\$ 8,631
Net OPEB Obligation (payable by School Fund)	77,807	49,146	41,300	85,653	-
	<u>157,425</u>	<u>63,802</u>	<u>49,262</u>	<u>171,965</u>	<u>8,631</u>
Total Component Unit-School Board	<u><u>\$ 157,425</u></u>	<u><u>\$ 63,802</u></u>	<u><u>\$ 49,262</u></u>	<u><u>\$ 171,965</u></u>	<u><u>\$ 8,631</u></u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 8—Unearned and Deferred/Unavailable Revenue:

Unearned and deferred/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. Unearned and deferred/unavailable revenue totaling \$726,336 is comprised of the following:

Unavailable Property Tax Revenue - Property tax revenue representing uncollected tax billings not available for funding of current expenditures totaled \$665,147 at June 30, 2014.

Deferred Prepaid Property Taxes - Property taxes due subsequent to June 30, 2014 but paid in advance by the taxpayers totaled \$21,887 at June 30, 2014.

Other Unearned Revenue - Other unearned revenue items totaled \$39,302 at June 30, 2014, which consisted of school grant funds.

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, 2014, 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, 2014

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—Pension Plan:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer 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. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to 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.

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2014.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2014.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

Note 12—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 12—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

- 13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

- 14. Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

- 15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2014.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Note 12—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

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Note 12—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2

1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2014.
2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2014.
3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** - Same as VRS Plan 1—Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1— Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1—Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1—Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2014. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2014.
10. **Normal Retirement Age** - Normal Social Security retirement age.

Note 12—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

- 13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

- 14. Eligibility** - Same as VRS Plan 1—Refer to Section 14.

- 15. Exceptions to COLA Effective Dates** - Same as VRS Plan 1—Refer to Section 15.

- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Same as VRS Plan 1—Refer to Section 17.

HYBRID RETIREMENT PLAN

- 1. Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)

- The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 12—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

1. Plan Overview (Continued)

- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

2. Eligible Members - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

3. *Non-Eligible Members - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. Retirement Contributions - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Note 12—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Note 12—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

7. Calculating the Benefit

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. Average Final Compensation - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 12—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1 and VRS Plan 2—Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report 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/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 12—Pension Plan: (Continued)

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 and School Board are 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's contribution rates for the fiscal year ended 2014 were 10.58% and 11.39% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$927,170, \$930,547, and \$490,114 to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012 respectively and these contributions represented 11.66%, 11.66%, and 6.33%, respectively, of current covered payroll.

C. Annual Pension Cost

For the fiscal year 2014, the County's annual pension cost of \$379,693 was equal to the County's required and actual contributions.

Three Year Trend Information - County			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 379,693	100%	\$ -
June 30, 2013	380,282	100%	-
June 30, 2012	249,356	100%	-

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 12—Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

For the fiscal year 2014, the School Board's annual pension cost of \$113,661 was equal to the School Board's required and actual contributions.

Three Year Trend Information - School Board Non-Professional			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 113,661	100%	\$ -
June 30, 2013	110,658	100%	-
June 30, 2012	62,721	100%	-

The fiscal year 2014 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.

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the County plan was 81.06% funded. The actuarial accrued liability for benefits was \$15,586,877, and the actuarial value of assets was \$12,634,953, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,951,924. The covered payroll (annual payroll of active employees covered by the plan) was \$3,653,098, and ratio of the UAAL to the covered payroll was 80.81%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 75.64% funded. The actuarial accrued liability for benefits was \$5,741,852, and the actuarial value of assets was \$4,343,384, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,398,468. The covered payroll (annual payroll of active employees covered by the plan) was \$987,731, and the ratio of the UAAL to the covered payroll was 141.58%.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 12—Pension Plan: (Continued)

D. Funded Status and Funding Progress (Continued)

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

Note 14—Landfill Closure and Postclosure Care Cost:

The \$1,975,280 reported as landfill postclosure liability at June 30, 2014, represents the estimated liability for postclosure monitoring. This amount is based on what it would cost to perform all postclosure care in 2014 over a remaining period of 24 years. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The landfill was closed and capped in 1998.

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, 2014

Note 15—Other Postemployment Benefits - Health Insurance:

A. 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.

B. 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.

C. 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:

		School Board
Annual required contribution	\$	49,300
Interest on net OPEB obligation		2,723
Adjustment to annual required contribution		(2,877)
Annual OPEB cost (expense)	\$	49,146
Contributions made		(41,300)
Increase in net OPEB obligation		7,846
Net OPEB obligation-beginning of year		77,807
Net OPEB obligation-end of year	\$	85,653

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

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

C. 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 2014 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Schools:			
6/30/2014	\$ 49,146	84.04%	\$ 85,653
6/30/2013	47,864	82.11%	77,807
6/30/2012	30,587	28.12%	69,243

D. 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, 2014

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

E. 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 January 1, 2013 was thirty years.

Trend Rates-The actuary used the medical trend rates consistent with information from the Getzen Trend Model. The trend rate for 2013 was 6.30% and the annual inflation rate was 3.50%.

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

A. Plan Description

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

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

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

A. Plan Description (Continued)

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2014 and 2013 was \$88,264, and \$88,586 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.

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, 2014

	<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	\$ 19,738,054	\$ 19,738,054	\$ 21,140,727	\$ 1,402,673
Other local taxes	911,117	911,117	755,736	(155,381)
Permits, privilege fees, and regulatory licenses	42,500	42,500	48,034	5,534
Fines and forfeitures	25,000	25,000	49,826	24,826
Revenue from the use of money and property	89,126	89,126	89,333	207
Charges for services	113,000	113,000	132,954	19,954
Miscellaneous	3,630	3,630	57,122	53,492
Recovered costs	500	500	229	(271)
Intergovernmental:				
Commonwealth	2,182,827	2,300,824	2,192,903	(107,921)
Federal	774,622	911,538	981,251	69,713
Total revenues	<u>\$ 23,880,376</u>	<u>\$ 24,135,289</u>	<u>\$ 25,448,115</u>	<u>\$ 1,312,826</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,843,614	\$ 1,746,637	\$ 1,388,887	\$ 357,750
Judicial administration	432,971	446,158	434,476	11,682
Public safety	3,230,160	3,241,549	2,901,306	340,243
Public works	1,155,053	1,155,053	1,067,715	87,338
Health and welfare	2,530,181	2,720,760	2,423,793	296,967
Education	11,662,110	11,662,110	11,380,579	281,531
Parks, recreation, and cultural	530,069	670,331	669,741	590
Community development	499,300	512,867	461,533	51,334
Debt service:				
Principal retirement	954,103	954,103	959,102	(4,999)
Interest and other fiscal charges	689,945	689,945	693,440	(3,495)
Total expenditures	<u>\$ 23,527,506</u>	<u>\$ 23,799,513</u>	<u>\$ 22,380,572</u>	<u>\$ 1,418,941</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 352,870</u>	<u>\$ 335,776</u>	<u>\$ 3,067,543</u>	<u>\$ 2,731,767</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (352,870)	\$ (335,776)	\$ (328,559)	\$ 7,217
Total other financing sources (uses)	<u>\$ (352,870)</u>	<u>\$ (335,776)</u>	<u>\$ (328,559)</u>	<u>\$ 7,217</u>
Net change in fund balances	\$ -	\$ -	\$ 2,738,984	\$ 2,738,984
Fund balances - beginning	-	-	13,630,145	13,630,145
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,369,129</u>	<u>\$ 16,369,129</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)
6/30/2013	\$ 12,634,953	\$ 15,586,877	\$ 2,951,924	81.06%	\$ 3,653,098	80.81%
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%

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)
6/30/2013	\$ 4,343,384	\$ 5,741,852	\$ 1,398,468	75.64%	\$ 987,731	141.58%
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%

County of Surry, Virginia
Schedule of OPEB Funding Progress - Retiree Healthcare Plan
For the Year Ended June 30, 2014

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 128	\$ 128
Intergovernmental:				
Commonwealth	700,000	700,000	-	(700,000)
Federal	400,000	400,000	59,671	(340,329)
Total revenues	\$ 1,100,000	\$ 1,100,000	\$ 59,799	\$ (1,040,201)
EXPENDITURES				
Capital projects	\$ 2,665,000	\$ 3,165,000	\$ 1,472,333	\$ 1,692,667
Total expenditures	\$ 2,665,000	\$ 3,165,000	\$ 1,472,333	\$ 1,692,667
Excess (deficiency) of revenues over (under) expenditures	\$ (1,565,000)	\$ (2,065,000)	\$ (1,412,534)	\$ 652,466
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	\$ 1,105,000	\$ 1,105,000	\$ -	\$ (1,105,000)
Total other financing sources (uses)	\$ 1,105,000	\$ 1,105,000	\$ -	\$ (1,105,000)
Net change in fund balances	\$ (460,000)	\$ (960,000)	\$ (1,412,534)	\$ (452,534)
Fund balances - beginning	460,000	960,000	1,423,553	463,553
Fund balances - ending	\$ -	\$ -	\$ 11,019	\$ 11,019

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 15	\$ 15	\$ 764	\$ 749
Charges for services	12,400	12,400	13,639	1,239
Miscellaneous	1,000	1,000	34,950	33,950
Intergovernmental:				
Commonwealth	-	-	3,234	3,234
Total revenues	\$ 13,415	\$ 13,415	\$ 52,587	\$ 39,172
EXPENDITURES				
Current:				
Public safety	\$ -	\$ -	\$ 26,036	\$ (26,036)
Community development	93,415	93,415	262	93,153
Total expenditures	\$ 93,415	\$ 93,415	\$ 26,298	\$ 67,117
Excess (deficiency) of revenues over (under) expenditures	\$ (80,000)	\$ (80,000)	\$ 26,289	\$ 106,289
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 80,000	\$ 80,000	\$ 62,906	\$ (17,094)
Total other financing sources (uses)	\$ 80,000	\$ 80,000	\$ 62,906	\$ (17,094)
Net change in fund balances	\$ -	\$ -	\$ 89,195	\$ 89,195
Fund balances - beginning	-	-	218,823	218,823
Fund balances - ending	\$ -	\$ -	\$ 308,018	\$ 308,018

County of Surry, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Agency Funds			
	<u>Special Welfare</u>	<u>Crater AAA</u>	<u>Emergency Food and Shelter</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 38,272	\$ 12,051	\$ 138	\$ 50,461
Total assets	<u>\$ 38,272</u>	<u>\$ 12,051</u>	<u>\$ 138</u>	<u>\$ 50,461</u>
LIABILITIES				
Amounts held for others	\$ -	\$ 12,051	\$ 138	\$ 12,189
Amounts held for social services clients	38,272	-	-	38,272
Total liabilities	<u>\$ 38,272</u>	<u>\$ 12,051</u>	<u>\$ 138</u>	<u>\$ 50,461</u>

County of Surry, Virginia

Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 39,231	\$ 2,504	\$ 3,463	\$ 38,272
Liabilities:				
Amounts held for social services clients	\$ 39,231	\$ 2,504	\$ 3,463	\$ 38,272
Crater AAA Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 35,685	\$ 23,634	\$ 12,051
Liabilities:				
Amounts held for others	\$ -	\$ 35,685	\$ 23,634	\$ 12,051
Emergency Food and Shelter Fund:				
Assets:				
Cash and cash equivalents	\$ 137	\$ 1	\$ -	\$ 138
Liabilities:				
Amounts held for others	\$ 137	\$ 1	\$ -	\$ 138
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 39,368	\$ 38,190	\$ 27,097	\$ 50,461
Total assets	\$ 39,368	\$ 38,190	\$ 27,097	\$ 50,461
Liabilities:				
Amounts held for others	\$ 137	\$ 35,686	\$ 23,634	\$ 12,189
Amounts held for social services clients	39,231	2,504	3,463	38,272
Total liabilities	\$ 39,368	\$ 38,190	\$ 27,097	\$ 50,461

*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, 2014

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,355,634	\$ 37,528	\$ 1,393,162
Receivables (net of allowance for uncollectibles):			
Accounts receivable	58,025	-	58,025
Due from other governmental units	313,940	17,461	331,401
Total assets	<u>\$ 1,727,599</u>	<u>\$ 54,989</u>	<u>\$ 1,782,588</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 385,869	\$ 5,598	\$ 391,467
Accrued liabilities	1,302,428	39,097	1,341,525
Unearned revenue	39,302	-	39,302
Total liabilities	<u>\$ 1,727,599</u>	<u>\$ 44,695</u>	<u>\$ 1,772,294</u>
Fund balances:			
Committed:			
School Cafeteria Fund	\$ -	\$ 10,294	\$ 10,294
Total fund balances	<u>\$ -</u>	<u>\$ 10,294</u>	<u>\$ 10,294</u>
Total liabilities and fund balances	<u>\$ 1,727,599</u>	<u>\$ 54,989</u>	<u>\$ 1,782,588</u>

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

Total fund balances per above	\$ 10,294
-------------------------------	-----------

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

Capital assets cost	\$ 23,842,407	
Accumulated depreciation	<u>(14,525,035)</u>	9,317,372

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	\$ (86,312)	
Net OPEB obligation	<u>(85,653)</u>	(171,965)

Net position of governmental activities	<u>\$ 9,155,701</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, 2014

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 404	\$ -	\$ 404
Charges for services	-	200,990	200,990
Miscellaneous	104,189	-	104,189
Intergovernmental:			
Local government	11,314,189	62,519	11,376,708
Commonwealth	2,891,496	8,208	2,899,704
Federal	595,722	348,982	944,704
Total revenues	<u>\$ 14,906,000</u>	<u>\$ 620,699</u>	<u>\$ 15,526,699</u>
EXPENDITURES			
Current:			
Education	\$ 15,011,695	\$ 614,354	\$ 15,626,049
Total expenditures	<u>\$ 15,011,695</u>	<u>\$ 614,354</u>	<u>\$ 15,626,049</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (105,695)</u>	<u>\$ 6,345</u>	<u>\$ (99,350)</u>
Net change in fund balances	\$ (105,695)	\$ 6,345	\$ (99,350)
Fund balances - beginning	105,695	3,949	109,644
Fund balances - ending	<u>\$ -</u>	<u>\$ 10,294</u>	<u>\$ 10,294</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 \$ (99,350)

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	\$ 117,833	
Depreciation expense	(959,028)	
Activity related to joint tenancy assets of Component Unit and Primary Government	<u>145,000</u>	(696,195)

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	\$ (7,846)	
(Increase) decrease in compensated absences	<u>(6,694)</u>	(14,540)
Change in net position of governmental activities		<u>\$ (810,085)</u>

County of Surry, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2014

	School Operating Fund			School Cafeteria Fund		
	Budgeted Amounts		Variance with Final Budget Positive (Negative)	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	Actual	Original	Final	Actual
REVENUES						
Revenue from the use of money and property	\$ -	\$ -	\$ 404	\$ -	\$ 404	\$ -
Charges for services	-	-	-	275,000	275,000	200,990
Miscellaneous	100,000	123,380	104,189	-	(19,191)	-
Intergovernmental:						
Local government	11,610,720	11,595,720	11,314,189	47,519	(281,531)	62,519
Commonwealth	2,820,807	2,860,807	2,891,496	11,530	30,689	8,208
Federal	538,711	538,711	595,722	275,000	57,011	348,982
Total revenues	\$ 15,070,238	\$ 15,118,618	\$ 14,906,000	\$ 609,049	\$ 652,377	\$ 620,699
						\$ (31,678)
EXPENDITURES						
Current:						
Education	\$ 15,070,238	\$ 15,224,313	\$ 15,011,695	\$ 212,618	\$ 212,618	\$ 38,023
Total expenditures	\$ 15,070,238	\$ 15,224,313	\$ 15,011,695	\$ 609,049	\$ 652,377	\$ 38,023
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (105,695)	\$ (105,695)	\$ -	\$ -	\$ 6,345
Net change in fund balances	\$ -	\$ (105,695)	\$ (105,695)	\$ -	\$ -	\$ 6,345
Fund balances - beginning	-	105,695	105,695	-	-	3,949
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,294

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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, 2014

ASSETS

Current assets:

Cash and cash equivalents	\$	<u>100,796</u>
Total current assets	\$	<u>100,796</u>
Total assets	\$	<u>100,796</u>

NET POSITION

Unrestricted	\$	<u>100,796</u>
Total net position	\$	<u><u>100,796</u></u>

County of Surry, Virginia

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2014

OPERATING EXPENSES

Other charges	\$ 2,089
Total operating expenses	\$ <u>2,089</u>
Operating income (loss)	\$ <u>(2,089)</u>

NONOPERATING REVENUES (EXPENSES)

Interest income	\$ 51
Total nonoperating revenues (expenses)	\$ <u>51</u>
Change in net position	\$ (2,038)
Total net position - beginning	<u>102,834</u>
Total net position - ending	\$ <u><u>100,796</u></u>

County of Surry, Virginia

Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Payments for operating activities	\$ (2,089)
Net cash provided by (used for) operating activities	\$ <u>(2,089)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$ 51
Net cash provided by (used for) investing activities	\$ <u>51</u>

Net increase (decrease) in cash and cash equivalents	\$ (2,038)
--	------------

Cash and cash equivalents - beginning	<u>102,834</u>
Cash and cash equivalents - ending	<u><u>\$ 100,796</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, 2014

Schedule 1
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,867,056	\$ 5,867,056	\$ 6,403,724	\$ 536,668
Real and personal public service corporation taxes	12,510,066	12,510,066	13,333,421	823,355
Personal property taxes	1,178,932	1,178,932	1,233,597	54,665
Penalties	62,000	62,000	62,137	137
Interest	120,000	120,000	107,848	(12,152)
Total general property taxes	\$ 19,738,054	\$ 19,738,054	\$ 21,140,727	\$ 1,402,673
Other local taxes:				
Local sales and use taxes	\$ 627,117	\$ 627,117	\$ 498,295	\$ (128,822)
Consumption tax	18,000	18,000	20,099	2,099
Business license taxes	82,000	82,000	68,307	(13,693)
Motor vehicle licenses	134,000	134,000	132,388	(1,612)
Taxes on recordation and wills	50,000	50,000	36,647	(13,353)
Total other local taxes	\$ 911,117	\$ 911,117	\$ 755,736	\$ (155,381)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 5,000	\$ 5,000	\$ 4,455	\$ (545)
Building permits	24,600	24,600	31,220	6,620
Permits and other licenses	12,900	12,900	12,359	(541)
Total permits, privilege fees, and regulatory licenses	\$ 42,500	\$ 42,500	\$ 48,034	\$ 5,534
Fines and forfeitures:				
Court fines and forfeitures	\$ 25,000	\$ 25,000	\$ 49,826	\$ 24,826
Revenue from use of money and property:				
Revenue from use of money	\$ 20,000	\$ 20,000	\$ 19,083	\$ (917)
Revenue from use of property	69,126	69,126	70,250	1,124
Total revenue from use of money and property	\$ 89,126	\$ 89,126	\$ 89,333	\$ 207
Charges for services:				
Sheriff fees	\$ 300	\$ 300	\$ 299	\$ (1)
Charges for Commonwealth's Attorney	-	-	200	200
Charges for Treasurer	600	600	1,117	517
Courthouse maintenance fees	3,200	3,200	3,118	(82)
Charges for other court services	29,900	29,900	37,317	7,417
Charges for sanitation and waste removal	51,500	51,500	51,934	434
Charges for parks and recreation	27,500	27,500	38,969	11,469
Total charges for services	\$ 113,000	\$ 113,000	\$ 132,954	\$ 19,954
Miscellaneous revenue:				
Miscellaneous	\$ 3,630	\$ 3,630	\$ 57,122	\$ 53,492

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

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	\$ 229	\$ (271)
Total revenue from local sources	\$ 20,922,927	\$ 20,922,927	\$ 22,273,961	\$ 1,351,034
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ -	\$ -	\$ 12	\$ 12
Mobile home titling tax	11,000	11,000	10,305	(695)
Taxes on deeds	12,000	12,000	10,920	(1,080)
Communications tax	53,000	53,000	51,691	(1,309)
State recordation tax	20,894	20,894	15,521	(5,373)
Personal property tax relief funds	677,907	677,907	677,907	-
Total noncategorical aid	\$ 774,801	\$ 774,801	\$ 766,356	\$ (8,445)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 71,719	\$ 71,719	\$ 71,965	\$ 246
Sheriff	455,512	455,512	448,380	(7,132)
Commissioner of revenue	65,329	65,329	65,668	339
Treasurer	68,552	68,552	68,303	(249)
Registrar/electoral board	28,000	28,000	27,835	(165)
Clerk of the circuit court	143,960	143,960	159,788	15,828
Total shared expenses	\$ 833,072	\$ 833,072	\$ 841,939	\$ 8,867
Other categorical aid:				
Public assistance and welfare administration	\$ 389,001	\$ 389,001	\$ 263,326	\$ (125,675)
Fire programs fund	16,500	16,500	20,000	3,500
Comprehensive services act	26,716	144,713	125,232	(19,481)
Wireless funds	97,953	97,953	96,548	(1,405)
Emergency medical services	8,000	8,000	7,919	(81)
Victim-witness grant	6,584	6,584	26,154	19,570
Animal friendly plates	200	200	152	(48)
Disaster recovery	-	-	2,260	2,260
Radio emergency preparedness grant	25,000	25,000	25,000	-

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
Page 3 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
School resource officer	\$ -	\$ -	\$ 11,790	\$ 11,790
Litter control	5,000	5,000	6,227	1,227
Total other categorical aid	\$ 574,954	\$ 692,951	\$ 584,608	\$ (108,343)
Total categorical aid	\$ 1,408,026	\$ 1,526,023	\$ 1,426,547	\$ (99,476)
Total revenue from the Commonwealth	\$ 2,182,827	\$ 2,300,824	\$ 2,192,903	\$ (107,921)
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ -	\$ -	\$ 335	\$ 335
Categorical aid:				
Public assistance and welfare administration	\$ 702,587	\$ 702,587	\$ 766,063	\$ 63,476
ISTEA grant	-	121,660	121,660	-
Ground transportation safety	-	-	527	527
Disaster recovery	-	-	7,477	7,477
Edward Byrne JAG grant	-	-	2,978	2,978
Workforce development	68,535	80,000	73,811	(6,189)
Bulletproof vest grant	-	-	4,609	4,609
Summer feeding program	3,500	7,291	3,791	(3,500)
Total categorical aid	\$ 774,622	\$ 911,538	\$ 980,916	\$ 69,378
Total revenue from the federal government	\$ 774,622	\$ 911,538	\$ 981,251	\$ 69,713
Total General Fund	\$ 23,880,376	\$ 24,135,289	\$ 25,448,115	\$ 1,312,826
Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 15	\$ 15	\$ 64	\$ 49
Revenue from the use of property	-	-	700	700
Total revenue from use of money and property	\$ 15	\$ 15	\$ 764	\$ 749
Charges for services:				
Administrative fees	\$ 12,400	\$ 12,400	\$ 13,639	\$ 1,239

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

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)				
Special Revenue Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 1,000	\$ 1,000	\$ 34,950	\$ 33,950
Total revenue from local sources	\$ 13,415	\$ 13,415	\$ 49,353	\$ 35,938
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Tourism grant	\$ -	\$ -	\$ 3,234	\$ 3,234
Total categorical aid	\$ -	\$ -	\$ 3,234	\$ 3,234
Total revenue from the Commonwealth	\$ -	\$ -	\$ 3,234	\$ 3,234
Total Special Revenue Fund	\$ 13,415	\$ 13,415	\$ 52,587	\$ 39,172
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 128	\$ 128
Total revenue from local sources	\$ -	\$ -	\$ 128	\$ 128
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
CDBG broadband funds	\$ 700,000	\$ 700,000	\$ -	\$ (700,000)
Total revenue from the Commonwealth	\$ 700,000	\$ 700,000	\$ -	\$ (700,000)
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ 400,000	\$ 400,000	\$ 59,671	\$ (340,329)
Total revenue from the federal government	\$ 400,000	\$ 400,000	\$ 59,671	\$ (340,329)
Total County Capital Projects Fund	\$ 1,100,000	\$ 1,100,000	\$ 59,799	\$ (1,040,201)
Total Primary Government	\$ 24,993,791	\$ 25,248,704	\$ 25,560,501	\$ 311,797

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
Page 5 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 404	\$ 404
Total revenue from use of money and property	\$ -	\$ -	\$ 404	\$ 404
Miscellaneous revenue:				
Miscellaneous	\$ 100,000	\$ 123,380	\$ 104,189	\$ (19,191)
Total revenue from local sources	\$ 100,000	\$ 123,380	\$ 104,593	\$ (18,787)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Surry	\$ 11,610,720	\$ 11,595,720	\$ 11,314,189	\$ (281,531)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,034,713	\$ 1,034,713	\$ 994,666	\$ (40,047)
Basic school aid	912,284	912,284	974,428	62,144
Compensation supplement	-	-	25,556	25,556
Remedial summer education	13,496	13,496	9,480	(4,016)
GED funding	7,859	7,859	7,859	-
Gifted and talented	9,088	9,088	9,519	431
Adult education	2,280	2,280	-	(2,280)
Special education	143,277	143,277	150,068	6,791
Textbook payment	17,350	17,350	18,172	822
Remedial education	35,191	35,191	36,859	1,668
Vocational education	86,021	86,021	89,661	3,640
Early reading intervention	2,945	2,945	4,417	1,472
School fringes	174,794	174,794	207,425	32,631
Technology	128,000	128,000	128,000	-
Epipen	-	-	2,644	2,644
Mentor teacher program	736	736	-	(736)
At risk payments	45,259	45,259	47,327	2,068
Primary class size	37,255	37,255	21,870	(15,385)
SOL algebra readiness	4,522	4,522	6,029	1,507
At risk four-year olds	117,000	117,000	117,000	-
School security grant	-	-	40,000	40,000
Other state funds	48,737	88,737	516	(88,221)
Total categorical aid	\$ 2,820,807	\$ 2,860,807	\$ 2,891,496	\$ 30,689
Total revenue from the Commonwealth	\$ 2,820,807	\$ 2,860,807	\$ 2,891,496	\$ 30,689

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

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: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 179,500	\$ 179,500	\$ 164,238	\$ (15,262)
Title VI-B, special education flow-through	222,290	222,290	275,260	52,970
Vocational education	17,835	17,835	12,955	(4,880)
Title VI-B, special education pre-school	4,086	4,086	5,367	1,281
JROTC	62,000	62,000	76,255	14,255
Title II, Part A	53,000	53,000	61,647	8,647
Total categorical aid	\$ 538,711	\$ 538,711	\$ 595,722	\$ 57,011
Total revenue from the federal government	\$ 538,711	\$ 538,711	\$ 595,722	\$ 57,011
Total School Operating Fund	\$ 15,070,238	\$ 15,118,618	\$ 14,906,000	\$ (212,618)
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 275,000	\$ 275,000	\$ 200,990	\$ (74,010)
Total charges for services	\$ 275,000	\$ 275,000	\$ 200,990	\$ (74,010)
Total revenue from local sources	\$ 275,000	\$ 275,000	\$ 200,990	\$ (74,010)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Surry, Virginia	\$ 47,519	\$ 62,519	\$ 62,519	\$ -
Total revenues from local governments	\$ 47,519	\$ 62,519	\$ 62,519	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 11,530	\$ 11,530	\$ 8,208	\$ (3,322)
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 275,000	\$ 275,000	\$ 313,428	\$ 38,428
Summer feeding	-	-	7,226	7,226
Commodities	-	28,328	28,328	-
Total categorical aid	\$ 275,000	\$ 303,328	\$ 348,982	\$ 45,654
Total revenue from the federal government	\$ 275,000	\$ 303,328	\$ 348,982	\$ 45,654
Total School Cafeteria Fund	\$ 609,049	\$ 652,377	\$ 620,699	\$ (31,678)
Total Discretely Presented Component Unit - School Board	\$ 15,679,287	\$ 15,770,995	\$ 15,526,699	\$ (244,296)

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

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	\$ 438,783	\$ 328,923	\$ 78,597	\$ 250,326
General and financial administration:				
County administrator	\$ 388,795	\$ 396,241	\$ 316,715	\$ 79,526
Legal services	78,000	81,527	81,527	-
Commissioner of revenue	189,657	189,657	187,055	2,602
Treasurer	270,749	272,659	267,138	5,521
Finance department	173,076	171,198	168,862	2,336
Information technology	154,032	154,032	149,254	4,778
Other general and financial administration	47,040	48,918	47,312	1,606
Total general and financial administration	\$ 1,301,349	\$ 1,314,232	\$ 1,217,863	\$ 96,369
Board of elections:				
Electoral board and officials	\$ 103,482	\$ 103,482	\$ 92,427	\$ 11,055
Total general government administration	\$ 1,843,614	\$ 1,746,637	\$ 1,388,887	\$ 357,750
Judicial administration:				
Courts:				
Circuit court	\$ 11,606	\$ 16,710	\$ 16,710	\$ -
General district court	11,780	12,823	12,823	-
Special magistrates	725	725	596	129
Southside legal aid	7,261	7,261	7,261	-
Victim Witness	19,384	25,243	13,690	11,553
Clerk of the circuit court	249,883	249,998	249,998	-
Total courts	\$ 300,639	\$ 312,760	\$ 301,078	\$ 11,682
Commonwealth's attorney:				
Commonwealth's attorney	\$ 132,332	\$ 133,398	\$ 133,398	\$ -
Total judicial administration	\$ 432,971	\$ 446,158	\$ 434,476	\$ 11,682
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,504,314	\$ 1,562,412	\$ 1,488,194	\$ 74,218
Virginia juvenile crime control act	22,647	22,647	21,113	1,534
Riverside Criminal justice	12,741	12,741	12,741	-
Total law enforcement and traffic control	\$ 1,539,702	\$ 1,597,800	\$ 1,522,048	\$ 75,752
Fire and rescue services:				
Fire department/rescue services	\$ 611,161	\$ 611,161	\$ 603,522	\$ 7,639
Correction and detention:				
Confinement and care of prisoners	\$ 325,973	\$ 325,973	\$ 270,401	\$ 55,572

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
Page 2 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 132,333	\$ 132,333	\$ 112,340	\$ 19,993
Other protection:				
Animal control	\$ 138,420	\$ 155,684	\$ 155,684	\$ -
Emergency services	437,271	373,298	207,665	165,633
E-911 communications	45,300	45,300	29,646	15,654
Total other protection	<u>\$ 620,991</u>	<u>\$ 574,282</u>	<u>\$ 392,995</u>	<u>\$ 181,287</u>
Total public safety	<u>\$ 3,230,160</u>	<u>\$ 3,241,549</u>	<u>\$ 2,901,306</u>	<u>\$ 340,243</u>
Public works:				
Sanitation and waste removal:				
Sanitation	\$ 544,194	\$ 544,194	\$ 513,221	\$ 30,973
Litter control	6,269	6,269	5,954	315
Total sanitation and waste removal	<u>\$ 550,463</u>	<u>\$ 550,463</u>	<u>\$ 519,175</u>	<u>\$ 31,288</u>
Maintenance of general buildings and grounds:				
General properties	\$ 604,590	\$ 604,590	\$ 548,540	\$ 56,050
Total public works	<u>\$ 1,155,053</u>	<u>\$ 1,155,053</u>	<u>\$ 1,067,715</u>	<u>\$ 87,338</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 216,539	\$ 216,539	\$ 216,539	\$ -
Mental health and mental retardation:				
Community services board	\$ 58,573	\$ 58,573	\$ 57,686	\$ 887
Welfare:				
Public assistance and welfare administration	\$ 1,840,494	\$ 1,868,298	\$ 1,612,887	\$ 255,411
Area agency on aging	3,799	3,799	-	3,799
Comprehensive services act	106,716	248,671	235,331	13,340
SSG improvement association	29,604	29,604	29,604	-
Workforce development	68,535	80,000	73,116	6,884
Office on youth	180,414	180,414	178,778	1,636
Geneive shelter	3,600	3,600	-	3,600
Surry free clinic	7,000	7,000	7,000	-
Other welfare contributions	14,907	24,262	12,852	11,410
Total welfare	<u>\$ 2,255,069</u>	<u>\$ 2,445,648</u>	<u>\$ 2,149,568</u>	<u>\$ 296,080</u>
Total health and welfare	<u>\$ 2,530,181</u>	<u>\$ 2,720,760</u>	<u>\$ 2,423,793</u>	<u>\$ 296,967</u>

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
Page 3 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 3,871	\$ 3,871	\$ 3,871	\$ -
Contribution to County School Board	11,658,239	11,658,239	11,376,708	281,531
Total education	\$ 11,662,110	\$ 11,662,110	\$ 11,380,579	\$ 281,531
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation center	\$ 400,457	\$ 418,261	\$ 417,672	\$ 589
Williamsburg area transit	35,000	35,000	35,000	-
Historic landmarks	-	121,660	121,660	-
Total parks and recreation	\$ 435,457	\$ 574,921	\$ 574,332	\$ 589
Library:				
Contribution to regional library	\$ 94,612	\$ 95,410	\$ 95,409	\$ 1
Total parks, recreation, and cultural	\$ 530,069	\$ 670,331	\$ 669,741	\$ 590
Community development:				
Planning and community development:				
Planning and zoning	\$ 336,520	\$ 331,980	\$ 294,204	\$ 37,776
Zoning board	3,000	3,987	3,987	-
Highway transportation safety commission	1,000	1,000	900	100
Planning district commission	10,750	10,750	4,635	6,115
Economic development	50,179	67,273	67,273	-
Habitat for humanity	5,000	5,000	5,000	-
Other planning and community development	6,750	6,776	3,276	3,500
Total planning and community development	\$ 413,199	\$ 426,766	\$ 379,275	\$ 47,491
Environmental management:				
Contribution to soil and water conservation district	\$ 9,500	\$ 9,500	\$ 9,500	\$ -
Cooperative extension program:				
Extension office	\$ 76,601	\$ 76,601	\$ 72,758	\$ 3,843
Total community development	\$ 499,300	\$ 512,867	\$ 461,533	\$ 51,334
Debt service:				
Principal retirement	\$ 954,103	\$ 954,103	\$ 959,102	\$ (4,999)
Interest and other fiscal charges	689,945	689,945	693,440	(3,495)
Total debt service	\$ 1,644,048	\$ 1,644,048	\$ 1,652,542	\$ (8,494)
Total General Fund	\$ 23,527,506	\$ 23,799,513	\$ 22,380,572	\$ 1,418,941

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

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>
Special Revenue Fund:				
Public Safety:				
Other Protection:				
DEA task force	\$ -	\$ -	\$ 26,036	\$ (26,036)
Total public safety	\$ -	\$ -	\$ 26,036	\$ (26,036)
Community development				
Indoor plumbing program	\$ 13,415	\$ 13,415	\$ 262	\$ 13,153
Economic development	80,000	80,000	-	80,000
Total community development	\$ 93,415	\$ 93,415	\$ 262	\$ 93,153
Total Special Revenue Fund	\$ 93,415	\$ 93,415	\$ 26,298	\$ 67,117
County Capital Projects Fund:				
Capital projects:				
Waste management collection centers	\$ 150,000	\$ 150,000	\$ 114,857	\$ 35,143
Broadband technology initiative	500,000	500,000	59,324	440,676
Health department parking lot	-	-	15,659	(15,659)
Library expansion	200,000	200,000	387,285	(187,285)
Facility stabilization	75,000	75,000	24,211	50,789
Water and sewer master plan	-	-	9,500	(9,500)
E911 dispatch center upgrade	-	-	74,152	(74,152)
Marina project	-	500,000	626,397	(126,397)
Water upgrades	750,000	750,000	-	750,000
County capital projects	990,000	990,000	160,948	829,052
Total capital projects	\$ 2,665,000	\$ 3,165,000	\$ 1,472,333	\$ 1,692,667
Total County Capital Projects Fund	\$ 2,665,000	\$ 3,165,000	\$ 1,472,333	\$ 1,692,667
Total Primary Government	\$ 26,285,921	\$ 27,057,928	\$ 23,879,203	\$ 3,178,725

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

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	\$ 875,176	\$ 875,176	\$ 831,881	\$ 43,295
Instruction costs	10,623,072	10,509,327	10,345,539	163,788
Districtwide technology	710,973	774,353	769,504	4,849
Pupil transportation	1,068,643	1,224,338	1,223,652	686
Operation and maintenance of school plant	1,792,374	1,841,119	1,841,119	-
Total operating costs	<u>\$ 15,070,238</u>	<u>\$ 15,224,313</u>	<u>\$ 15,011,695</u>	<u>\$ 212,618</u>
Total education	<u>\$ 15,070,238</u>	<u>\$ 15,224,313</u>	<u>\$ 15,011,695</u>	<u>\$ 212,618</u>
Total School Operating Fund	<u>\$ 15,070,238</u>	<u>\$ 15,224,313</u>	<u>\$ 15,011,695</u>	<u>\$ 212,618</u>
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
School food services	\$ 609,049	\$ 624,049	\$ 586,026	\$ 38,023
Commodities	-	28,328	28,328	-
Total School Cafeteria Fund	<u>\$ 609,049</u>	<u>\$ 652,377</u>	<u>\$ 614,354</u>	<u>\$ 38,023</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 15,679,287</u>	<u>\$ 15,876,690</u>	<u>\$ 15,626,049</u>	<u>\$ 250,641</u>

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STATISTICAL SECTION

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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.

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

	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 6,242,619	\$ 6,421,199	\$ 6,659,548	\$ 5,262,920
Restricted	496,748	-	-	-
Unrestricted	7,523,836	8,454,431	7,804,588	7,395,194
Total governmental activities net position	<u>\$ 14,263,203</u>	<u>\$ 14,875,630</u>	<u>\$ 14,464,136</u>	<u>\$ 12,658,114</u>
Business-type activities				
Net investment in capital assets	\$ 3,170,726	\$ 3,198,566	\$ 5,959,957	\$ 6,069,662
Unrestricted	(1,025,643)	(8,899)	(8,702)	(2,014)
Total business-type activities net position	<u>\$ 2,145,083</u>	<u>\$ 3,189,667</u>	<u>\$ 5,951,255</u>	<u>\$ 6,067,648</u>
Primary Government				
Net investment in capital assets	\$ 9,413,345	\$ 9,619,765	\$ 12,619,505	\$ 11,332,582
Restricted	496,748	-	-	-
Unrestricted	6,498,193	8,445,532	7,795,886	7,393,180
Total Primary government net position	<u>\$ 16,408,286</u>	<u>\$ 18,065,297</u>	<u>\$ 20,415,391</u>	<u>\$ 18,725,762</u>

Table 1

2009	2010	2011	2012	2013	2014
\$ 1,240,925	\$ 2,320,769	\$ 2,422,090	\$ 2,631,382	\$ 3,321,023	\$ 4,482,211
-	-	-	-	-	-
10,625,829	9,117,385	9,928,451	11,782,612	13,441,797	14,864,951
\$ 11,866,754	\$ 11,438,154	\$ 12,350,541	\$ 14,413,994	\$ 16,762,820	\$ 19,347,162
\$ 5,967,613	\$ 5,867,567	\$ 5,762,362	\$ 5,610,317	\$ 5,460,113	\$ 5,311,812
25,604	(41,263)	(20,563)	(18,810)	(15,684)	(31,037)
\$ 5,993,217	\$ 5,826,304	\$ 5,741,799	\$ 5,591,507	\$ 5,444,429	\$ 5,280,775
\$ 7,208,538	\$ 8,188,336	\$ 8,184,452	\$ 8,241,699	\$ 8,781,136	\$ 9,794,023
-	-	-	-	-	-
10,651,433	9,076,122	9,907,888	11,763,802	13,426,113	14,833,914
\$ 17,859,971	\$ 17,264,458	\$ 18,092,340	\$ 20,005,501	\$ 22,207,249	\$ 24,627,937

COUNTY OF SURRY, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2005	2006	2007	2008
Expenses				
Governmental activities				
General government administration	\$ 1,584,888	\$ 1,278,906	\$ 1,298,600	\$ 1,375,071
Judicial administration	275,953	337,970	357,205	806,049
Public safety	1,866,039	1,948,872	2,001,162	2,469,893
Public works	1,059,305	1,889,656	1,135,848	2,101,649
Health and welfare	2,177,704	2,185,792	3,378,174	2,263,034
Community development	634,133	387,025	496,724	494,492
Parks, Recreation and cultural	452,777	481,350	589,996	507,811
Education	9,095,340	11,065,790	10,405,848	12,736,313
Interest and other financial charges	167,521	133,447	475,740	690,748
Total governmental activities	<u>\$ 17,313,660</u>	<u>\$ 19,708,808</u>	<u>\$ 20,139,297</u>	<u>\$ 23,445,060</u>
Business-type activities				
Water and Sewer	\$ 181,339	\$ 202,840	\$ 248,942	\$ 383,052
Total business-type activities	<u>\$ 181,339</u>	<u>\$ 202,840</u>	<u>\$ 248,942</u>	<u>\$ 383,052</u>
Total primary government expenses	<u><u>\$ 17,494,999</u></u>	<u><u>\$ 19,911,648</u></u>	<u><u>\$ 20,388,239</u></u>	<u><u>\$ 23,828,112</u></u>
Program Revenues				
Governmental activities				
Charges for services:				
General government administration	\$ -	\$ -	\$ -	\$ -
Judicial administration	33,771	37,681	44,224	42,476
Public safety	1,914	40,284	2,907	61,746
Public works	44,678	14,126	81,878	31,777
Parks, recreation and cultural	17,348	19,033	21,933	22,318
Community development	-	-	-	-
Operating grants and contributions	2,254,687	2,826,121	2,177,196	2,281,233
Capital Grants and contributions	-	29,000	28,215	424,813
Total governmental activities	<u>\$ 2,352,398</u>	<u>\$ 2,966,245</u>	<u>\$ 2,356,353</u>	<u>\$ 2,864,363</u>
Business-type activities				
Charges for services:				
Water and Sewer	\$ -	\$ -	\$ -	\$ 37,185
Operating grants and contributions	119,992	951,697	-	-
Capital grants and contributions	-	-	2,887,434	269,529
Total business-type activities	<u>\$ 119,992</u>	<u>\$ 951,697</u>	<u>\$ 2,887,434</u>	<u>\$ 306,714</u>
Total primary government revenues	<u><u>\$ 2,472,390</u></u>	<u><u>\$ 3,917,942</u></u>	<u><u>\$ 5,243,787</u></u>	<u><u>\$ 3,171,077</u></u>

Table 2
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2009	2010	2011	2012	2013	2014
\$ 1,864,806	\$ 1,556,300	\$ 1,381,514	\$ 1,375,325	\$ 1,647,559	\$ 1,584,521
358,576	744,437	742,347	734,692	746,655	766,927
2,907,399	2,761,300	2,732,338	3,022,043	3,316,803	3,193,870
1,237,489	1,025,861	995,742	1,059,277	1,061,654	1,153,265
2,368,475	2,189,821	2,440,233	2,269,681	2,451,304	2,457,024
923,784	747,514	484,311	570,296	479,927	491,679
567,971	554,813	571,977	515,549	562,994	899,221
11,734,160	11,932,831	11,787,315	11,570,030	11,967,342	11,525,579
836,260	833,989	798,490	748,812	709,606	674,932
\$ 22,798,920	\$ 22,346,866	\$ 21,934,267	\$ 21,865,705	\$ 22,943,844	\$ 22,747,018
\$ 383,367	\$ 404,703	\$ 422,687	\$ 451,572	\$ 405,141	\$ 498,727
\$ 383,367	\$ 404,703	\$ 422,687	\$ 451,572	\$ 405,141	\$ 498,727
\$ 23,182,287	\$ 22,751,569	\$ 22,356,954	\$ 22,317,277	\$ 23,348,985	\$ 23,245,745
\$ -	\$ -	\$ 8,025	\$ 12,414	\$ 1,784	\$ 1,117
56,959	50,736	40,941	41,784	91,304	90,461
48,335	41,406	36,976	50,841	42,316	48,333
21,849	29,794	49,054	49,139	49,609	51,934
20,621	30,439	38,400	29,469	28,788	38,969
-	-	-	-	10,737	13,639
2,545,547	2,315,618	2,204,458	2,231,420	2,199,793	2,410,697
76,580	612,584	186,400	70,447	672,973	59,671
\$ 2,769,891	\$ 3,080,577	\$ 2,564,254	\$ 2,485,514	\$ 3,097,304	\$ 2,714,821
\$ 41,575	\$ 45,582	\$ 60,662	\$ 60,427	\$ 50,812	\$ 69,420
-	-	-	-	-	-
-	57,208	-	-	-	-
\$ 41,575	\$ 102,790	\$ 60,662	\$ 60,427	\$ 50,812	\$ 69,420
\$ 2,811,466	\$ 3,183,367	\$ 2,624,916	\$ 2,545,941	\$ 3,148,116	\$ 2,784,241

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

	2005	2006	2007	2008
Net (Expense)/Revenue				
Governmental activities	\$ (14,961,262)	\$ (16,742,563)	\$ (17,782,944)	\$ (20,580,697)
Business-type activities	(61,347)	748,857	2,638,492	(76,338)
Total primary government net expense	<u>\$ (15,022,609)</u>	<u>\$ (15,993,706)</u>	<u>\$ (15,144,452)</u>	<u>\$ (20,657,035)</u>

General Revenues and Other Changes in Net Position

Governmental Activities:

Taxes

Property taxes	\$ 14,793,585	\$ 15,516,251	\$ 15,120,129	\$ 17,644,857
Other local taxes	679,224	597,105	587,852	664,638
Investment earnings	299,040	512,313	955,234	872,613
Miscellaneous	21,732	109,057	66,404	581
Non-categorical aid from the Commonwealth	653,792	914,354	762,952	730,465
Transfers	(139,489)	(155,308)	(121,121)	(192,731)
Total governmental activities	<u>\$ 16,307,884</u>	<u>\$ 17,493,772</u>	<u>\$ 17,371,450</u>	<u>\$ 19,720,423</u>

Business-type activities

Miscellaneous	\$ 225	\$ 1,637	\$ 1,975	\$ -
Transfers	139,489	155,308	121,121	192,731
Total business-type activities	<u>\$ 139,714</u>	<u>\$ 156,945</u>	<u>\$ 123,096</u>	<u>\$ 192,731</u>
Total primary government	<u><u>\$ 16,447,598</u></u>	<u><u>\$ 17,650,717</u></u>	<u><u>\$ 17,494,546</u></u>	<u><u>\$ 19,913,154</u></u>

Changes in Net Position

Governmental activities	\$ 1,346,622	\$ 751,209	\$ (411,494)	\$ (860,274)
Business-type activities	78,367	905,802	2,761,588	116,393
Total primary government	<u><u>\$ 1,424,989</u></u>	<u><u>\$ 1,657,011</u></u>	<u><u>\$ 2,350,094</u></u>	<u><u>\$ (743,881)</u></u>

Table 2
Page 2 of 2

2009	2010	2011	2012	2013	2014
\$ (20,029,029)	\$ (19,266,289)	\$ (19,370,013)	\$ (19,380,191)	\$ (19,846,540)	\$ (20,032,197)
(341,792)	(301,913)	(362,025)	(391,145)	(354,329)	(429,307)
\$ (20,370,821)	\$ (19,568,202)	\$ (19,732,038)	\$ (19,771,336)	\$ (20,200,869)	\$ (20,461,504)

\$ 17,728,739	\$ 17,428,339	\$ 18,997,082	\$ 19,924,721	\$ 20,724,814	\$ 21,177,468
754,536	643,424	692,822	878,104	742,671	755,736
299,565	139,858	88,504	91,269	98,183	90,225
24,255	52,754	45,913	19,075	32,331	92,072
697,935	708,314	735,599	771,328	778,690	766,691
(267,361)	(135,000)	(277,520)	(240,853)	(207,251)	(265,653)
\$ 19,237,669	\$ 18,837,689	\$ 20,282,400	\$ 21,443,644	\$ 22,169,438	\$ 22,616,539

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
267,361	135,000	277,520	240,853	207,251	265,653
\$ 267,361	\$ 135,000	\$ 277,520	\$ 240,853	\$ 207,251	\$ 265,653
\$ 19,505,030	\$ 18,972,689	\$ 20,559,920	\$ 21,684,497	\$ 22,376,689	\$ 22,882,192

\$ (791,360)	\$ (428,600)	\$ 912,387	\$ 2,063,453	\$ 2,322,898	\$ 2,584,342
(74,431)	(166,913)	(84,505)	(150,292)	(147,078)	(163,654)
\$ (865,791)	\$ (595,513)	\$ 827,882	\$ 1,913,161	\$ 2,175,820	\$ 2,420,688

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

	2005	2006	2007	2008
General fund				
Reserved	\$ 496,748	\$ -	\$ 12,101,167	\$ -
Unreserved	7,830,138	8,921,596	9,285,703	10,170,215
Committed	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 8,326,886</u>	<u>\$ 8,921,596</u>	<u>\$ 21,386,870</u>	<u>\$ 10,170,215</u>
 All other governmental funds				
Unreserved, reported in:				
Special revenue funds	\$ 460,554	\$ 607,670	\$ 643,935	\$ 618,145
Capital projects funds	-	-	-	3,424,693
Committed	-	-	-	-
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ 460,554</u>	<u>\$ 607,670</u>	<u>\$ 643,935</u>	<u>\$ 4,042,838</u>

Note:

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

Table 3

2009	2010	2011	2012	2013	2014
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,744,681	8,353,210	-	-	-	-
-	-	6,835,193	5,788,537	5,536,834	5,690,518
-	-	2,428,955	5,591,064	8,093,311	10,678,611
<u>\$ 9,744,681</u>	<u>\$ 8,353,210</u>	<u>\$ 9,264,148</u>	<u>\$ 11,379,601</u>	<u>\$ 13,630,145</u>	<u>\$ 16,369,129</u>
\$ 617,270	\$ 628,500	\$ -	\$ -	\$ -	\$ -
4,140,348	1,879,841	-	-	-	-
-	-	2,231,830	1,979,195	1,638,403	299,867
-	-	-	-	3,973	19,170
<u>\$ 4,757,618</u>	<u>\$ 2,508,341</u>	<u>\$ 2,190,895</u>	<u>\$ 1,951,481</u>	<u>\$ 1,642,376</u>	<u>\$ 319,037</u>

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

	2005	2006	2007	2008
Revenues				
General property taxes	\$ 14,544,879	\$ 15,832,563	\$ 15,139,181	\$ 17,442,571
Other local taxes	679,224	597,105	587,852	664,638
Permits, privilege fees and licenses	33,924	39,985	69,502	61,447
Fines and Forfeitures	24,690	26,313	27,554	15,245
Revenue from use of money & property	299,040	512,313	955,234	872,613
Charges for services	39,097	44,826	53,886	81,625
Miscellaneous	21,732	109,057	66,404	581
Recovered costs	37,761	35,170	84,103	54,784
Commonwealth of Virginia	1,793,615	2,246,101	1,982,229	2,179,694
Federal Government	1,114,864	1,523,374	986,134	1,256,817
Total revenues	\$ 18,588,826	\$ 20,966,807	\$ 19,952,079	\$ 22,630,015
Expenditures				
General government administration	\$ 1,281,332	\$ 1,170,523	\$ 1,060,320	\$ 1,279,711
Judicial administration	275,953	339,890	356,302	346,306
Public Safety	1,878,610	1,909,200	1,978,914	2,309,462
Public works	868,843	850,183	927,802	990,575
Health and welfare	2,156,434	2,167,120	2,435,713	2,293,730
Education	8,859,094	10,148,083	10,118,916	12,214,510
Community development	392,656	370,733	506,418	464,046
Parks, recreation and cultural	438,274	467,439	549,193	506,431
Capital projects	1,590,035	1,787,410	3,482,479	8,483,375
Debt service				
Principal	729,284	721,773	688,908	671,901
Interest and other fiscal charges	172,529	137,319	224,454	694,989
Total Expenditures	\$ 18,643,044	\$ 20,069,673	\$ 22,329,419	\$ 30,255,036
Revenues over (under) expenditures	\$ (54,218)	\$ 897,134	\$ (2,377,340)	\$ (7,625,021)
Other financing sources (uses)				
Transfers in	\$ 49,103	\$ -	\$ 50,051	\$ 729,141
Transfers out	(188,592)	(155,308)	(171,172)	(921,872)
Issuance of bonds	-	-	15,000,000	-
Bond issuance premium	-	-	-	-
Proceeds of capital leases	1,387,200	-	-	-
Total other financing sources (uses)	\$ 1,247,711	\$ (155,308)	\$ 14,878,879	\$ (192,731)
Net change in fund balances	\$ 1,193,493	\$ 741,826	\$ 12,501,539	\$ (7,817,752)
Debt service as a percentage of noncapital expenditures	5.31%	4.41%	4.80%	6.01%

Table 4

2009		2010		2011		2012		2013		2014	
\$	17,637,845	\$	17,376,874	\$	18,768,963	\$	19,964,237	\$	21,012,899	\$	21,140,727
	754,536		643,424		692,822		878,104		742,671		755,736
	48,036		41,406		36,976		50,542		42,017		48,034
	24,902		11,922		12,182		18,091		49,350		49,826
	299,565		139,858		88,504		91,269		98,183		90,225
	74,826		99,047		124,238		115,014		133,171		146,593
	24,255		52,754		45,913		19,075		32,331		92,072
	17,710		10,705		3,599		209		886		229
	2,376,715		2,325,332		2,167,407		2,126,006		2,732,108		2,196,137
	943,347		1,311,184		959,050		947,189		919,348		1,040,922
\$	22,201,737	\$	22,012,506	\$	22,899,654	\$	24,209,736	\$	25,762,964	\$	25,560,501
\$	1,554,499	\$	1,441,060	\$	1,315,093	\$	1,303,131	\$	1,357,725	\$	1,388,887
	396,862		402,477		398,667		402,742		415,237		434,476
	2,536,356		2,447,061		2,431,375		2,730,279		3,015,476		2,927,342
	1,022,167		906,278		953,519		1,009,790		983,123		1,067,715
	2,361,067		2,191,083		2,219,441		2,337,613		2,422,570		2,423,793
	10,921,288		11,575,408		11,413,268		11,338,153		11,766,080		11,380,579
	438,558		507,589		436,425		404,459		538,068		461,795
	540,575		534,123		532,124		490,216		455,404		669,741
	5,527,490		3,441,248		445,392		367,937		1,010,776		1,472,333
	734,832		1,202,177		1,069,826		936,045		922,469		959,102
	731,117		869,750		813,512		772,479		727,346		693,440
\$	26,764,811	\$	25,518,254	\$	22,028,642	\$	22,092,844	\$	23,614,274	\$	23,879,203
\$	(4,563,074)	\$	(3,505,748)	\$	871,012	\$	2,116,892	\$	2,148,690	\$	1,681,298
\$	1,364,051	\$	625,000	\$	48,091	\$	594,456	\$	25,345	\$	62,906
	(1,631,412)		(760,000)		(325,611)		(835,309)		(232,596)		(328,559)
	5,050,000		-		-		-		-		-
	69,681		-		-		-		-		-
	-		-		-		-		-		-
\$	4,852,320	\$	(135,000)	\$	(277,520)	\$	(240,853)	\$	(207,251)	\$	(265,653)
\$	289,246	\$	(3,640,748)	\$	593,492	\$	1,876,039	\$	1,941,439	\$	1,415,645
	6.41%		9.67%		8.70%		7.89%		7.22%		7.30%

COUNTY OF SURRY, VIRGINIA
Principal Real Property Taxpayers
Current and Nine Years Ago

Table 5

Taxpayer	2014			2005		
	Rank	Assessed Valuation (1)	Percentage of Total Assessed Valuation	Rank	Assessed Valuation (2)	Percentage of Total Assessed Valuation
Dominion Virginia Power	1	\$ 1,797,964,311	66.76%	1	\$ 1,381,046,462	70.77%
Swann's Point Farm LLC et al	2	19,115,600	0.71%	11	2,974,300	0.15%
Wanro LLC et al	3	11,122,800	0.41%	2	7,990,500	0.41%
Murphy Brown LLC	4	8,813,100	0.33%	3	7,772,600	0.40%
Timbervest Partners (III) of Virginia LLC	5	8,365,200	0.31%			
Grayland/Gray Lumber Company	6	4,129,700	0.15%	5	6,439,700	0.33%
Beechland/Alliance Farms et al	7	9,259,300	0.34%	9	3,554,500	0.18%
Windsor Mill	8	4,764,500	0.18%			
Brandon & Brandon LLC et al	9	4,139,600	0.15%			
Four Mile Tree LLC	10	4,032,500	0.15%			
John Hancock Mutual Life Insurance Co.	11	3,861,200	0.14%	13	2,872,800	0.15%
Commonwealth Forest Investment	12	3,276,800	0.12%			
Spring Grove Land Association	13	3,209,800	0.12%			
Verizon South				4	6,582,380	0.34%
Prince George Electric Cooperative				6	5,945,935	0.30%
Alpha Forest Association				7	4,317,600	0.22%
Sussex-Surry LLC				8	3,676,100	0.19%
Schorsch, Nicholas				10	3,154,500	0.16%
Andrews Acres				12	\$ 2,911,000	0.15%
		<u>\$ 1,882,054,411</u>	<u>69.88%</u>		<u>\$ 1,439,238,377</u>	<u>73.75%</u>
Total Assessed Valuation of RE		<u>\$ 2,693,086,055</u>	<u>100.00%</u>		<u>\$ 1,951,508,156</u>	<u>100.00%</u>

Notes:

(1) 2014 Real Estate Assessments.

(2) 2005 Real Estate Assessments.

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

Table 6

Fiscal Year	Taxes Levied for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Adjustments to Levy in Subsequent Years	Total Adjusted Levy	Collections In Subsequent Years	Total Collections to Date	
		Amount (2)	Percentage of Levy				Amount (2)	Percentage of Levy
2014	\$ 21,112,323	\$ 20,890,125	98.95%	\$ -	\$ 21,112,323	\$ -	\$ 20,890,125	98.95%
2013	20,979,443	20,761,624	98.96%	-	20,979,443	46,408	20,808,032	99.18%
2012	20,588,020	19,790,059	96.12%	(3,640)	20,584,380	751,008	20,541,067	99.79%
2011	18,793,552	18,272,180	97.23%	(1,037)	18,792,515	377,877	18,650,057	99.24%
2010	17,397,366	16,858,370	96.90%	(36,001)	17,361,365	392,429	17,250,799	99.36%
2009	17,597,560	17,480,039	99.33%	(27,377)	17,570,183	18,200	17,498,239	99.59%
2008	17,440,097	17,301,159	99.20%	(3,776)	17,436,321	8,238	17,309,397	99.27%
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	150,565	15,031,121	99.21%

Notes:

- (1) Commissioner of the Revenue
- (2) Exclusive of penalties and interest.

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

Table 7

Fiscal Year	Residential/ Agricultural Property (3)	Commercial Property (3)	Total Taxable Assessed Value	Total Direct Tax Rate (2)	Estimated Actual Value (1)	Taxable Assessed Value as a % of Taxable Value
2005	\$ 441,326,900	\$ 20,276,700	\$ 461,603,600	\$ 0.80	\$ 390,978,249	118.06% (2)
2006	520,959,300	25,282,200	546,241,500	0.77	521,114,391	104.82% (2)
2007	537,725,500	25,377,300	563,102,800	0.84	421,763,997	133.51% (2)
2008	788,903,500	31,427,500	820,331,000	0.70	819,510,669	100.10% (2)
2009	814,604,700	31,625,800	846,230,500	0.70	836,075,734	101.21% (2)
2010	830,543,600	32,458,800	863,002,400	0.70	852,646,371	101.21% (2)
2011	839,293,100	32,734,300	872,027,400	0.73	872,027,400	100.00% (2)
2012	842,381,900	33,602,400	875,984,300	0.73	875,984,300	100.00% (2)
2003	844,458,700	33,911,900	878,370,600	0.73	878,370,600	100.00% (2)
2014	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 Virginia Department of Taxation.
(2) Tax rate per \$100 of assessed value.
(3) Real estate assessment information provided by the Commissioner of Revenue.

COUNTY OF SURRY, VIRGINIA

Table 8

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
2014	\$ 49,970,173	\$ 2,192,651	\$ 7,535	\$ 1,824,746,203	\$ 1,876,916,562
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

Notes:

(1) Assessed value information provided by the Commissioner of Revenue.

(2) Public Service Corporation property assessments performed by the State Corporation Commission.

(3) Includes Real Estate.

COUNTY OF SURRY, VIRGINIA
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Governmental Activities						
Fiscal Year		General Obligation Bonds	Capital Lease Obligations		Revenue Bond Payable	Bank Loans Payable
2014	\$	2,517,261	\$	-	\$ 1,029,050	\$ 12,200,000
2013		2,665,745		-	1,238,152	12,805,000
2012		2,804,229		-	1,440,621	13,390,000
2011		2,987,713		-	1,636,666	13,950,000
2010		3,336,197		-	1,826,492	14,485,000
2009		3,719,681		123,373	2,010,296	15,000,000
2008		1,055,000		413,501	-	15,000,000
2007		1,445,000		695,402	-	15,000,000
2006		1,860,000		969,309	-	-
2005		2,305,000		1,246,081	-	-

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

(1) Population data & estimates for 2005 through 2012, and personal income and per capital personal income data for 2005 through 2012 was obtained from the Bureau of Economic Analysis.

** Information not available yet.

Table 9

Business-Type Activities		Summary Totals		
	Revenue Bonds Payable	Total Primary Government	Percentage of Personal Income (1)	Per Capita Personal Income (1)
\$	725,452	\$ 16,471,763	**	N/A
	786,326	17,495,223	**	N/A
	845,297	18,480,147	7.67%	\$ 37,357
	902,427	19,476,806	8.42%	35,591
	1,006,397	20,654,086	8.81%	33,411
	1,058,317	21,911,667	9.48%	33,230
	1,159,722	17,628,223	7.52%	32,649
	1,203,352	18,343,754	8.49%	30,832
	724,703	3,554,012	1.82%	28,552
	765,810	4,316,891	2.39%	26,991

COUNTY OF SURRY, VIRGINIA

Table 10

Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Bank Loans Payable	General Obligation Bonds	Total General Bonded Debt	General Bonded Debt Per Capita	Percent of General Bonded Debt to Assessed Real Property Value
2014	\$ 13,390,000	\$ 2,745,000	\$ 16,135,000	\$ **	N/A
2013	12,805,000	2,610,000	15,415,000	**	N/A
2012	13,390,000	2,745,000	16,135,000	401	1.84%
2011	13,950,000	2,925,000	16,875,000	422	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%

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 11.

** Information not available yet.

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 %
2014	**	**	**	934	6.7%
2013	**	**	**	902	7.3%
2012	6,844	\$ 37,201	\$ 254,607,000	928	8.0%
2011	6,931	34,860	241,616,000	977	7.0%
2010	7,061	32,705	230,927,000	1,017	7.6%
2009	7,037	32,661	229,838,000	1,041	4.5%
2008	7,061	33,187	234,331,000	1,044	3.2%
2007	7,042	30,665	215,994,000	1,080	3.2%
2006	6,991	27,885	194,945,000	1,113	2.5%
2005	6,865	27,885	180,829,000	1,123	3.1%

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	Fiscal Year 2014			Fiscal Year 2005	
	% of Total				
	Employees	Rank	Employment	Employees	Rank
Dominion Virginia Power	500-999	1	20.17%	500-999	1
Surry County School Board	250-499	2	10.08%	250-499	2
Surry County	50-99	3	2.42%	50-99	3
Virginia Department of Transportation	50-99	4	2.02%		
Brock Services LLC	50-99	5	2.02%		
S. W. Edwards and Sons	20-49	6	1.32%	20-49	4
Windsor Mill	20-49	7	1.21%		
Surry County Department of Social Services	20-49	8	0.81%	20-49	6
Fluor Daniel Services Corporation	20-49	9	0.81%	50-99	5
Seward Lumber Company, Inc.	20-49	10	0.81%	20-49	9
Dominion Resources	20-49	11	0.94%	10-19	11
Virginia Department of Conservation	10-19	12	0.40%	10-19	12
Nicholas & Shelly Schorsch	10-19	13	0.40%		
Coggin Electric Specialists	10-19	14	0.40%	20-49	7
Blaney Services	10-19	15	0.40%	10-19	15
Surry Provisions				20-49	8
Cal Waii Moulding Company				10-19	10
Wayne Garnet Logging				10-19	13
Anna's Pizza of Surry				10-19	14

Source: Virginia Employment Commission

COUNTY OF SURRY, VIRGINIA

Table 13

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

	Full-Time Equivalent Employees as of June 30								
	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government:									
County Administration	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0
Commissioner of the Revenue	3.7	3.6	4.3	3.2	3.7	3.7	3.0	2.0	2.0
Treasurer	5.2	4.5	4.9	5.0	4.5	4.2	3.0	3.0	3.0
Finance	2.0	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	1.0
Registrar	1.4	1.8	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Total General Government	16.3	15.9	17.8	16.8	16.8	16.5	14.6	10.6	10.6
Judicial Administration:									
Clerk of the Circuit Court	3.3	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	2.0
Victim's Witness	0.5	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	1.5
Total Judicial Administration	7.3	7.6	7	7	7	7	7	6	6
Public Safety:									
Sheriff's Office	22.1	25.2	22.5	19	19	21	20	18	18
Fire and Emergency Services	2.1	2.1	2.0	2.0	2.0	2.0	1.0	1.0	1.0
Animal Control	2.0	2.0	1.0	1.0	1.0	2.0	2.0	1.0	1.0
Total Public Safety	26.2	29.3	24.5	21.0	21.0	23.0	21.0	19.0	19.0
Public Works:									
Sanitation	4.4	14.7	13.0	14.0	15.4	17.4	6.8	6.8	8.4
Maintenance	5.6	5.0	5.0	5.0	5.0	6.0	6.0	6.0	6.0
Total Public Works	10.0	19.7	18.0	19.0	20.4	23.4	12.8	12.8	14.4
Office on Youth:									
Office on Youth	5.6	5.1	7.0	6.3	5.0	6.8	3.0	3.0	3.0
Total Office on Youth	5.6	5.1							
Health and Welfare:									
Social Services	23.0	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	23.0
Parks, Recreation and Cultural									
Parks and Recreation	5.0	6.0	7.0	9.0	6.3	7.4	6.0	6.0	6.0
Total Parks, Recreation and Cultural	5.0		7.0	9.0	6.3	7.4	6.0	6.0	6.0
Community Development									
Planning/Environmental/Permitting	4.0	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	2.0
Extension	4.0	5.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0
Total Community Development	10.0	12.0	11.0	12.0	12.0	12.0	12.0	12.0	12.0
Total	103.4	112.6	108.3	107.8	106.5	112.3	96.4	89.4	91.0

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

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

Table 14

		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public Safety (1)	Number of calls answered	267	332	312	268	408	375	283	238	175	219
Community Development (2)	Residential building permits	172	87	75	75	68	74	61	72	49	45
	Commercial building permits	8	4	3	1	6	6	9	2	1	1
Parks & Recreation (3)	Program participants	18,500	18,123	17,822	18,652	18,399	18,572	19,618	21,702	20,468	19,258
Sewer (4)	Service connections	139	141	140	140	128	127	-	-	-	-
	Average daily consumption in gallons	15,120	13,047	13,747	12,724	flat fee	flat fee	-	-	-	-

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 2008.

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

Table 15

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Sheriff's Office (1)										
Number of stations	1	1	1	1	1	1	1	1	1	1
Physical arrests	166	223	164	217	197	260	262	268	269	272
Patrol units	14	20	16	16	16	18	21	23	21	19
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	139	141	140	140	128	127	105	104	99	-
Average daily consumption in gallons	15,120	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	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	35	39	36	36	35	34	34	33	33	34

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 2008.

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COMPLIANCE SECTION

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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 aggregate 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, 2014, and the related notes to the financial statements, which collectively comprise County of Surry, Virginia's basic financial statements, and have issued our report thereon dated November 7, 2014.

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 7, 2014

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, 2014. 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, 2014.

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.



Richmond, Virginia
November 7, 2014

County of Surry, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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	\$ 10,019
Temporary Assistance for Needy Families	93.558	0400109/90109	141,865
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/90113	1,136
Low-Income Home Energy Assistance	93.568	0600409/90114	14,509
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/90116	22,501
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/90251	964
Foster Care - Title IV-E	93.658	1100109/90105	59,144
Adoption Assistance	93.659	1120109/90228	9,812
Social Services Block Grant	93.667	1000109/90313	143,620
Chafee Foster Care Independence Program	93.674	9150109/90254	1,011
Children's Health Insurance Program	93.767	0540109/90102	5,352
Medical Assistance Program	93.778	1200109/90101	163,116
Total Department of Health and Human Services			<u>\$ 573,049</u>
Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	77501/77602-155	<u>\$ 7,477</u>
Department of Justice:			
Direct payments:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 4,609
Pass Through Payments:			
<i>Department of Criminal Justice Service:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	unavailable	<u>\$ 2,978</u>
Total Department of Justice			<u>\$ 7,587</u>
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and Community Highway Safety	20.600	60507-50252/51222	\$ 7,525
<i>Department of Transportation:</i>			
Highway and Planning Construction (ISTEA)	20.205	60302	<u>114,662</u>
Total Department of Transportation			<u>\$ 122,187</u>
Department of the Defense:			
Direct Payments:			
Junior ROTC	12.xxx	N/A	<u>\$ 76,255</u>
Department of Agriculture:			
Pass Through Payments:			
<i>Department of Agriculture:</i>			
Food Distribution - Summer Feeding Program (Child Nutrition Cluster)	10.559	N/A	\$ 1,235
<i>Department of Health:</i>			
Summer Food Service Program for Children (Child Nutrition Cluster)	10.559	N/A	<u>11,017</u> 12,252

County of Surry, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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	unavailable	\$ 27,093
<i>Department of Education:</i>			
National School Lunch Program (Child Nutrition Cluster)	10.555	17901- 40623	222,855 \$ 249,948
School Breakfast Program (Child Nutrition Cluster)	10.553	17901- 40591	90,573
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/ 90103	193,014
Total Department of Agriculture			\$ 545,787
Department of Labor:			
Pass Through Payments:			
<i>Crater Workforce Investment Board:</i>			
WIA Youth Activities	17.259	unavailable	\$ 73,811
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	\$ 59,671
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	17901- 42901	\$ 164,238
<i>Special Education Cluster:</i>			
Special Education - Grants to States	84.027	17901- 43071	275,260
Special Education - Preschool Grants	84.173	17901- 62521	5,367
Career and Technical Education - Basic Grants to States	84.048	17901- 61095	12,955
Improving Teacher Quality State Grants	84.367	17901- 61480	61,647
Total Department of Education			\$ 519,467
Total Expenditures of Federal Awards			\$ 1,985,291

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, 2014

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, 2014. 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	\$ 981,251
County Capital Projects Fund	59,671
Total primary government	<u>\$ 1,040,922</u>

Component Unit School Board:

School Operating Fund	\$ 595,722
School Cafeteria Fund	348,982
Total component unit school board	<u>\$ 944,704</u>

Total federal expenditures per basic financial statements	<u>\$ 1,985,626</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 1,985,291
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Add: Payment in Lieu of Taxes	<u>335</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards, as adjusted	<u><u>\$ 1,985,626</u></u>
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County of Surry, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I-Summary of Auditors' Results**Financial 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 ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiency(ies) identified? _____ yes ✓ none reported

Type of auditors' report issued on compliance
for major programs: unmodified

Any audit findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133? _____ yes ✓ no

Identification of major programs:

CFDA Number(s)
10.553/10.555/10.559
10.561

Name of Federal Program or Cluster
Child Nutrition Cluster
State Administrative Matching Grants for the
Supplemental Nutrition Assistance Program

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

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

County of Surry, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014 (Continued)

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Surry, Virginia
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2014

There were no prior year audit findings.