

SURRY COUNTY, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Prepared by the Department of Finance

FOR THE FISCAL PERIOD ENDED
JUNE 30, 2017

Opportunity ~ Growth ~ Community



INTRODUCTORY SECTION

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COUNTY OF SURRY, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

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COUNTY OF SURRY, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
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COUNTY OF SURRY, VIRGINIA

Board of Supervisors

Judy S. Lyttle, Chairperson

John M. Seward
Giron R. Wooden, Sr.

Kenneth R. Holmes
Michael H. Drewry

Social Services Board

Linda B. Ellis, Chairperson

Juanita Parker
Honorable Kenneth R. Holmes
Earlene Sprouse

Allen T. Parson
Marie B. Pierce

County School Board

Elsie M. Dennis, Chairperson

Laura P. Ruffin
Audrey D. Byrd

Harold L. Jones
Dr. Marion H. Wilkins

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
Derek A. Davis
Deborah J. Nee
Faye P. Warren
Carlos Turner
Dr. Michael E. Thornton
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
Achievement
for Excellence
in Financial
Reporting**

Presented to

**County of Surry
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

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

Carol Swindell

Interim Director of Finance

Telephone: (757) 294-5271

Fax: (757) 294-5204

Email: cswindell@surrycountyva.gov

November 28, 2017

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, 2017. 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, 2017 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, 2017 are free of material misstatement. Robinson, Farmer Cox Associates (RFCA) is contracted to perform this service and have issued an unqualified opinion on the County's financial statements for the fiscal year. The independent auditor's report is located at the front of the Financial Section of this report.

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

Profile of the Government and its Services

Formed in 1652, the County of Surry is strategically located in southeastern Virginia, 10 miles south of Williamsburg, 50 miles southeast of Richmond and 40 miles northwest of Norfolk. The County covers 306 square miles and has a 2016 estimated population of 6,544. 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 January 2015 the County accepted ownership of the Town of Dendron's water system. Therefore, the County now provides sewer and water services to approximately 137 residential and commercial customers in the Town of

Dendron and 3 commercial customers in the Town of Surry. The operation of the utilities systems is an enterprise fund, which means that it should be self-supporting, and is accounted for separately from the County's general operating fund.

Local Economy

The County's unemployment rate has significantly decreased to 4.8% in June 2017 from the high of 9.3% in 2010. The rate is usually consistent with the U.S. rate and slightly higher than the Virginia rate. Unemployment is split evenly between women and men. The largest sector of those unemployed is in the areas of administrative and support.

The majority of those employed in the County, almost 69%, work for small businesses with 100 or more employees. Approximately 92% of employees work for businesses with 10 or more employees. These larger employers include a nuclear power plant, state & local government, construction and manufacturing. The majority of recent new hires have been in utilities, construction and manufacturing.

Fifty-one percent of the County's workforce is between the ages of 45 and 64. Thirty-eight percent of the workforce is between the ages of 25 and 44. Growth occupations appear to be in the areas of healthcare and social assistance, professional, scientific and technical services, educational services and construction. Declining occupations appear to be in the areas of utilities and manufacturing.

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

Sewer System: In 2017 the County transferred ownership of its sewer system to the Hampton Roads Sanitation District (HRSD). HRSD's service area includes 18 cities and counties of southeast Virginia to include the County and the Towns of Dendron and Surry. The move to HRSD enables access to safe, sanitary and efficient wastewater facilities, secures the necessary resources and expertise to protect the County's wastewater systems, and is expected to save the County money over the long run by taking advantage of HRSD's economy of scale.

Water System: The County acquired the Town of Dendron's water system, last upgraded in the 1980's, because the Town could not afford to maintain and make improvements to the system. The system consists of 2 wells, a storage/pumping facility and a distribution system. The original well has an estimated safe yield of over 320 GPD and pumps to a 40,000-gallon ground storage tank. A second well has an estimated pump capacity of over 225 GPD and discharges straight into the storage tank. There are currently approximately 155 customers. Project costs of \$2,064,290 were included in the long-term debt issued in 2014 through the Virginia Resources Authority. This is a multi-year project.

Rescue Squad Building: The Surry Volunteer Rescue Squad & Emergency Operations Center building is planned for construction in the County's Industrial Park, and will include facilities to support both County and Dominion Energy emergencies. The total project cost of \$3.2 million will be funded in FY 18 and FY 19. The projected FY 18 cost of \$1,485,000 was included in the long-term debt issued in 2014 through the Virginia Resources Authority. The remainder will be funded through long term debt and potential contributions from Dominion Virginia Power.

Marina/Park: The Gray's Point Park/Marina spans approximately 18 acres and is the county's first public access to deep water. The construction of a boat ramp, fixed dock and parking area was completed in FY15. The Surry Seafood Company, the marina restaurant, opened in the spring of 2016. The final phase of construction for the marina itself, including the piers & floating docks and the bath house building is scheduled to be completed in FY18. The estimated remaining project cost is \$2,418,155, which includes \$143,845 for a recreational trail, which is funded with an 80/20 matching grant from the Virginia Department of Conservation and Recreation.

Economic Development Update

The County has taken positive steps toward the promotion of economic development and further plans to maximize the economic potential of its proximity to metropolitan areas, major military research centers, airports, rail and the Port of Virginia. County leadership has proactively undertaken the following steps to better position Surry for continued economic growth:

- **Broadband** - A proposed agreement is underway for SCS Broadband to provide high speed internet access to most of the County. The network design permits the ISP partner to offer subscription services to businesses and residents ranging from 10 to 100 Mbps and with the current generation of fiber network equipment, LTE speeds up to 1 Gbps. Upload speeds will be open to availability by location, with a minimum of 1Mbps and a maximum of 20Mbps. Services are to be supported by an existing fiber backhaul of approximately four miles of 144 count fiber optic cable connected to an exchange network which traverses an area commencing at the Surry Industrial Park through the Town of Surry. The projected implementation date is by the end of 2017.
- **HSRD** – Action taken by the County to transition to HSRD for wastewater treatment facilities management and services, essential to business and industry attraction, encourages economic development opportunities.

- Other Initiatives – Other projects and initiatives underway to help promote economic development growth and business opportunities include: planned update to the County's Comprehensive Plan, upgrades to the County's website to include enhancements to Economic Development and Tourism sites, creation of concise marketing material to market the County as the ideal location for work, leisure and business opportunity, development of an Economic Develop Office to collaboratively market, promote and grow business and employment opportunities, reactivation of the Surry County Economic Development Authority as a vehicle for business attraction and expansion that contributes to the economic well-being of the community, expansion of the Surry County Farmer's market to provide healthy food access and economic prosperity and expansion of Parks & Recreation facilities to improve the quality of life for the community.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The County believes that the current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report could not be accomplished without the dedicated services of the Finance Department 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



Carol O. Swindell
Interim Director of Finance

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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, 2017, 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, 2017, 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 related to pension and OPEB funding progress on pages 4-11, 80, and 81-86 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 Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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.

Other Information (Continued)

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 October 6, 2017, 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 dark ink, appearing to read "D. F. Cox", followed by a long horizontal line extending to the right.

Richmond, Virginia
October 6, 2017

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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, 2017. 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's financial activities are 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 economic development fund. 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*.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental funds account for essentially the same functions or services reported as governmental activities in the government-wide financial statements, with the exception of the method of accounting. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the focus of governmental funds is more narrow than that of the government-wide financial statements, reconciliation between the two methods is provided at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenses 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 unit that includes the School Fund and the Cafeteria Fund. The School Board does not issue separate financial statements. The Economic Development Authority Fund 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 assets and deferred outflows of resources at June 30, 2017 exceeded liabilities and deferred inflows of resources by \$22.5 million, while business assets exceeded liabilities by \$5.4 million. The following table provides comparative information on the County's net position as of June 30, 2016 and June 30, 2017.

County of Surry, Virginia's Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 21,859,831	\$ 21,066,103	\$ 21,327	\$ 3,667	\$ 21,881,158	\$ 21,069,770
Capital assets	21,694,117	21,945,766	5,409,740	5,618,915	27,103,857	27,564,681
Total assets	\$ 43,553,948	\$ 43,011,869	\$ 5,431,067	\$ 5,622,582	\$ 48,985,015	\$ 48,634,451
Pension contributions subsequent to measurement date	\$ 275,239	\$ 365,523	\$ -	\$ -	\$ 275,239	\$ 365,523
Items related to measurement of net pension liability	422,049	-	-	-	422,049	-
Total deferred outflows of revenue	\$ 697,288	\$ 365,523	\$ -	\$ -	\$ 697,288	\$ 365,523
Current liabilities	\$ 764,377	\$ 737,266	\$ 22,791	\$ 39,804	\$ 787,168	\$ 777,070
Long-term liabilities:						
Due within one year	1,148,359	1,105,875	-	66,969	1,148,359	1,172,844
Due in more than one year	19,488,541	20,115,097	-	530,773	19,488,541	20,645,870
Total liabilities	\$ 21,401,277	\$ 21,958,238	\$ 22,791	\$ 637,546	\$ 21,424,068	\$ 22,595,784
Deferred revenue-property taxes	\$ 26,238	\$ 30,641	\$ -	\$ -	\$ 26,238	\$ 30,641
Items related to measurement of net pension liability	312,267	830,913	-	-	312,267	830,913
Total deferred inflow of resources	\$ 338,505	\$ 861,554	\$ -	\$ -	\$ 338,505	\$ 861,554
Net investment in capital assets	\$ 6,655,370	\$ 5,764,238	\$ 5,409,740	\$ 5,021,173	\$ 12,065,110	\$ 10,785,411
Unrestricted	15,856,084	14,814,501	(1,464)	(36,137)	15,854,620	14,778,364
Total net position	\$ 22,511,454	\$ 20,557,600	\$ 5,408,276	\$ 4,985,036	\$ 27,919,730	\$ 25,542,636

Unrestricted net position of governmental activities account for \$15.9 million or 70.4% of the County's total governmental net position and are used to meet the County's ongoing obligations. The remaining governmental assets are investment in capital assets (e.g. land, buildings, systems, machinery & equipment and infrastructure), less accumulated depreciation and any debt used to acquire those assets outstanding at year-end. The County uses these capital assets to provide services to citizens, so they are not available for future spending.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Surry, Virginia's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	Totals
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 207,653	\$ 200,664	\$ 150,495	\$ 134,154	\$ 358,148	\$ 334,818
Operating grants and contributions	2,586,006	2,348,510	-	-	2,586,006	2,348,510
Capital grants and contributions	-	322,950	-	-	-	322,950
General revenues:						
General property taxes	21,725,342	20,744,418	-	-	21,725,342	20,744,418
Other local taxes	610,920	706,543	-	-	610,920	706,543
Grants and other contributions not restricted	769,054	766,813	-	-	769,054	766,813
Other general revenues	296,720	208,767			296,720	208,767
Total revenues	\$ 26,195,695	\$ 25,298,665	\$ 150,495	\$ 134,154	\$ 26,346,190	\$ 25,432,819
Expenses:						
General government administration	\$ 1,917,740	\$ 2,136,832	\$ -	\$ -	\$ 1,917,740	\$ 2,136,832
Judicial administration	888,575	774,776	-	-	888,575	774,776
Public safety	3,290,894	2,925,901	-	-	3,290,894	2,925,901
Public works	1,557,463	1,415,701	521,937	457,130	2,079,400	1,872,831
Health and welfare	2,320,721	2,304,964	-	-	2,320,721	2,304,964
Education	12,055,007	12,463,776	-	-	12,055,007	12,463,776
Parks, recreation, and cultural	(139,681)	1,178,361	-	-	(139,681)	1,178,361
Community development	1,018,108	533,189	-	-	1,018,108	533,189
Interest and other fiscal charges	538,332	562,721	-	-	538,332	562,721
Total expenses	\$ 23,447,159	\$ 24,296,221	\$ 521,937	\$ 457,130	\$ 23,969,096	\$ 24,753,351
Change in net position, before transfers	\$ 2,748,536	\$ 1,002,444	\$ (371,442)	\$ (322,976)	\$ 2,377,094	\$ 679,468
Transfers	(794,682)	(168,559)	794,682	168,559	-	-
Change in net position	\$ 1,953,854	\$ 833,885	\$ 423,240	\$ (154,417)	\$ 2,377,094	\$ 679,468
Net position, beginning of year	20,557,600	19,723,715	4,985,036	5,139,453	25,542,636	24,863,168
Net position, end of year	\$ 22,511,454	\$ 20,557,600	\$ 5,408,276	\$ 4,985,036	\$ 27,919,730	\$ 25,542,636

The *Statement of Activities* illustrates the general revenue sources that support the various governmental operations. Governmental activities increased the County's net position by \$1.95 million, from \$20.6 million at June 30, 2016 to \$22.5 million at June 30, 2017. Key factors associated with the increase in net position include:

- Revenue of \$761,800 more than that budgeted, primarily in real property and public service corporation taxes;

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Functional expenses, primarily in education, public safety, health & welfare and administration, \$1.6M less than appropriated.

In FY17 the net position of the County's business-type activities increased from \$5.0 million in FY2016 to \$5.4 million. This is primarily attributed to an increased transfer from the County's General Fund, totaling \$794,682, which was used to pay off all outstanding Utilities Fund debt. The table on the preceding page shows the revenues and expenses 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 \$26.0 million for the fiscal year ended June 30, 2017. General Fund revenue increased 3.3%, or \$82,623, in FY17. General property taxes, the largest source of revenue, were \$21.7 million, including public service corporation taxes (\$13.8 million), real estate taxes (\$6.4 million) and personal property taxes (\$1.4 million). Almost 84% of the County's revenue from governmental activities is derived from property taxes, as shown below in the table of Revenue Classified by Source.

Other local taxes is comprised primarily of local sales tax, business and vehicle licenses, utility consumption taxes and recordation tax. The second largest local revenue source, other local taxes totaled \$610,920 in FY17. This amount represented a decrease of \$95,623, or 13.5% from the previous year.

	Revenue Classified by Source - General Fund					
	June 30, 2017		June 30, 2016		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Property Taxes	\$21,692,941	83.50%	\$20,939,138	83.23%	753,803	3.60%
Other Local Taxes	610,920	2.35%	706,543	2.81%	(95,623)	-13.53%
Permits, Fees & Regulatory Licenses	39,843	0.15%	37,354	0.15%	2,489	6.66%
Fines & Forfeitures	43,375	0.17%	20,043	0.08%	23,332	116.41%
Revenue from Use of Money & Property	206,995	0.80%	142,514	0.57%	64,481	45.25%
Charges for Services	124,435	0.48%	143,267	0.57%	(18,832)	-13.14%
Miscellaneous & Recovered Costs	55,087	0.21%	77,851	0.31%	(22,764)	-29.24%
Intergovernmental:		0.00%				
Commonwealth	2,260,290	8.70%	2,148,971	8.54%	111,319	5.18%
Federal	944,770	3.64%	941,352	3.74%	3,418	0.36%
Total Revenues	\$25,978,656	100.00%	\$25,157,033	100.00%	821,623	3.27%

Intergovernmental revenues allocated by the state and federal governments totaled \$3.2 million during FY17, which reflects an increase of \$114,737 or 3.7%. Revenue from the commonwealth for non-categorical aid increased slightly by 0.3%, or \$2,259 in FY17. 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 \$81,276, or 9.3%, while the other categorical aid consisting of welfare administration and federal & state grants increased by \$27,784, or 5.4%.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds Expenditure Analysis

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

	Expenses by Function - General Fund					
	June 30, 2017		June 30, 2016		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Government Administration	\$1,433,635	6.05%	\$1,655,003	6.90%	(\$221,368)	-13.38%
Judicial Administration	570,201	2.41%	476,120	1.98%	\$94,081	19.76%
Public Safety	3,054,207	12.88%	2,962,708	12.36%	\$91,499	3.09%
Public Works	1,510,054	6.37%	1,290,413	5.38%	\$219,641	17.02%
Health & Welfare	2,279,521	9.62%	2,340,943	9.75%	(\$61,422)	-2.62%
Education	11,871,307	50.08%	12,145,887	50.61%	(\$274,580)	-2.26%
Parks, Recreation & Cultural	563,922	2.38%	694,471	2.89%	(\$130,549)	-18.80%
Community Development	523,447	2.21%	521,067	2.17%	\$2,380	0.46%
Capital Projects	0	0.00%	18,750	0.08%	(\$18,750)	-100.00%
Debt Service: Principal Retirement	1,085,000	4.58%	1,045,000	4.35%	\$40,000	3.83%
Debt Service: Interest Retirement	813,234	3.43%	847,335	3.53%	(\$34,101)	-4.02%
Total Expenses	\$23,704,528	100.00%	\$23,997,697	100.00%	(\$293,169)	-1.22%

The County's total General Fund expenses of \$23.7 million for the fiscal year ended June 30, 2017 covered a wide range of services, with 50.08% or \$11.87 million for education (payments to the School System, a component unit), 12.88% or \$3.05 million for public safety, 9.62% or \$2.28 million for health and welfare services, 8.01% or \$1.90 million to retire existing debt service, 6.05% or \$1.43 million related to general government administration, and 6.37% or \$1.51 million for public works. The remaining 6.99% include expenses for parks & recreation, community development, and judicial administration.

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 \$12.8 million in unrestricted funds noted in Exhibit 1 of the CAFR 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 expenses. At June 30, 2017, the committed fund balance was \$6,509,370, and the unassigned fund balance was \$12,813,118 of the total fund balance.

The Capital Projects Fund consists of the non-operating expenses and reflects the capital needs of the County. Capital expenses are not recurring operating expenses, but one-time significant expenses for the construction of buildings & infrastructure or the purchase of large equipment & vehicles.

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

FY17 capital expenses totaled \$954,910, including these projects:

- The marina project -- \$455,415, or 47.7%;
- New telephone system -- \$134,826, or 14.1%;
- Emergency communications projects -- \$118,750, or 12.4%;
- Clerk of Circuit Court Records Book Cleaning -- \$81,695, or 8.6%;
- School vehicle -- \$58,700, or 6.1%;
- Water system upgrades -- \$33,341, or 3.5%;
- Broadband project -- \$22,062, or 2.3%;
- Recreation/multi-modal study -- \$14,755, or 1.5%;
- Visitors Center -- \$14,099, or 1.5%;
- New community center -- \$12,750, or 1.3%;
- Miscellaneous other projects -- \$8,517, or 0.9%.

General Fund Budgetary Highlights

Surry County has consistently taken a conservative approach to financial management, staying well within budgetary limits for expenses during the fiscal year. FY17 had General Fund operating expenses of \$1,583,522 below the revised budget. The County's budget was amended during the year to reflect grants, carryover of unspent appropriations from FY16 and other unanticipated revenues. The difference between the original adopted budget and the amended budget was \$399,444, or 1.6%.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2017 totaled \$21.7 million (net of accumulated depreciation). This represents a net decrease of \$251,649, due primarily to additional depreciation. The investment in capital assets includes land and land improvements, buildings, infrastructure and machinery & equipment. Additional information on the County's capital assets can be found in Note 5 of this report.

Long-Term Debt - At the end of the current fiscal year, the County had total debt outstanding of \$17.6 million, excluding bond premiums, compensated absences, and landfill post-closure liability. Of this amount, \$2.1 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 \$2.1 million of the total outstanding general obligation bonds of the governmental activities.

During the current fiscal year, the County's total debt decreased by \$1,218,214, 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, 2017 was 4.8%, a decrease of 0.9% from the same period last year. Generally, the County's unemployment rate remains slightly above the state's average.
- The FY17 operating budget for all funds is \$46.6 million (including transfers to other funds), an increase of 4.7% over the FY16 budget. The FY17 Capital budget is \$7.9 million, an increase of 29.5% from the FY16 capital

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

budget.

- Tax rates for future periods are dependent on the effects of fluctuations in the assessed valuations of public service corporations and real property.
- For 2017, the real property tax rate was \$0.71 per \$100 of assessed value.

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, 2017

	Primary Government				
	Governmental	Business-type		Component Units	
	Activities	Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	\$ 17,498,747	\$ -	\$ 17,498,747	\$ 1,632,869	\$ 100,887
Receivables (net of allowance for uncollectibles):					
Taxes receivable	410,588	-	410,588	-	-
Accounts receivable	15,770	21,327	37,097	2,763	-
Due from other governmental units	1,048,468	-	1,048,468	321,476	-
Restricted assets:					
Bond construction escrow	2,886,258	-	2,886,258	-	-
Capital assets (net of accumulated depreciation):					
Land and land improvements	1,811,163	3,636	1,814,799	158,330	-
Buildings and system	17,266,386	5,352,665	22,619,051	6,152,363	-
Equipment	1,199,976	53,439	1,253,415	1,712,731	-
Infrastructure	678,652	-	678,652	-	-
Construction in progress	737,940	-	737,940	-	-
Total assets	\$ 43,553,948	\$ 5,431,067	\$ 48,985,015	\$ 9,980,532	\$ 100,887
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions subsequent to measurement date	\$ 275,239	\$ -	\$ 275,239	\$ 1,260,721	\$ -
Items related to measurement of net pension liability	422,049	-	422,049	935,536	-
Total deferred outflows of resources	\$ 697,288	\$ -	\$ 697,288	\$ 2,196,257	\$ -
LIABILITIES					
Accounts payable	\$ 542,393	\$ 22,791	\$ 565,184	\$ 75,914	\$ -
Accrued liabilities	-	-	-	1,332,015	-
Accrued interest payable	221,984	-	221,984	-	-
Due to other governmental units	-	-	-	591,789	-
Long-term liabilities:					
Due within one year	1,148,359	-	1,148,359	5,667	-
Due in more than one year	19,488,541	-	19,488,541	15,305,226	-
Total liabilities	\$ 21,401,277	\$ 22,791	\$ 21,424,068	\$ 17,310,611	\$ -
DEFERRED INFLOW OF RESOURCES					
Deferred revenue - property taxes	\$ 26,238	\$ -	\$ 26,238	\$ -	\$ -
Items related to measurement of net pension liability	312,267	-	312,267	1,635,262	-
Total deferred inflow of resources	\$ 338,505	\$ -	\$ 338,505	\$ 1,635,262	\$ -
NET POSITION					
Net investment in capital assets	\$ 6,655,370	\$ 5,409,740	\$ 12,065,110	\$ 8,023,424	\$ -
Unrestricted	15,856,084	(1,464)	15,854,620	(14,792,508)	100,887
Total net position	\$ 22,511,454	\$ 5,408,276	\$ 27,919,730	\$ (6,769,084)	\$ 100,887

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, 2017

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Governmental activities:					
General government administration	\$ 1,917,740	\$ 16,429	\$ 192,750	\$ -	
Judicial administration	888,575	66,032	351,444	-	
Public safety	3,290,894	58,176	670,219	-	
Public works	1,557,463	35,100	6,110	-	
Health and welfare	2,320,721	-	1,207,653	-	
Education	12,055,007	-	-	-	
Parks, recreation, and cultural	(139,681)	31,916	157,830	-	
Community development	1,018,108	-	-	-	
Interest on long-term debt	538,332	-	-	-	
Total governmental activities	\$ 23,447,159	\$ 207,653	\$ 2,586,006	\$ -	
Business-type activities:					
Water and sewer	\$ 521,937	\$ 150,495	\$ -	\$ -	
Total business-type activities	\$ 521,937	\$ 150,495	\$ -	\$ -	
Total primary government	\$ 23,969,096	\$ 358,148	\$ 2,586,006	\$ -	
COMPONENT UNITS:					
School Board	\$ 16,004,790	\$ 155,914	\$ 3,979,246	\$ -	
Economic Development Authority	60	-	-	-	
Total component unit	\$ 16,004,850	\$ 155,914	\$ 3,979,246	\$ -	

General revenues:

- General property taxes
- Other local taxes:
 - Local sales and use taxes
 - Motor vehicle licenses
 - Other local taxes
- Unrestricted revenues from use of money and property
- Miscellaneous
- Payments from Surry County
- Grants and contributions not restricted to specific programs

Transfers

- Total general revenues and transfers

Change in net position

Net position- beginning

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	EDA
\$ (1,708,561)		\$ (1,708,561)		
(471,099)		(471,099)		
(2,562,499)		(2,562,499)		
(1,516,253)		(1,516,253)		
(1,113,068)		(1,113,068)		
(12,055,007)		(12,055,007)		
329,427		329,427		
(1,018,108)		(1,018,108)		
(538,332)		(538,332)		
<u>\$ (20,653,500)</u>		<u>\$ (20,653,500)</u>		
	\$ (371,442)	\$ (371,442)		
	<u>\$ (371,442)</u>	<u>\$ (371,442)</u>		
		<u>\$ (21,024,942)</u>		
			\$ (11,869,630)	\$ -
			-	(60)
			<u>\$ (11,869,630)</u>	<u>\$ (60)</u>
\$ 21,725,342	\$ -	\$ 21,725,342	\$ -	\$ -
330,474	-	330,474	-	-
133,752	-	133,752	-	-
146,694	-	146,694	-	-
226,484	-	226,484	407	50
70,236	-	70,236	111,970	-
-	-	-	11,805,138	-
769,054	-	769,054	-	-
(794,682)	794,682	-	-	-
<u>\$ 22,607,354</u>	<u>\$ 794,682</u>	<u>\$ 23,402,036</u>	<u>\$ 11,917,515</u>	<u>\$ 50</u>
\$ 1,953,854	\$ 423,240	\$ 2,377,094	\$ 47,885	\$ (10)
20,557,600	4,985,036	25,542,636	(6,816,969)	100,897
<u>\$ 22,511,454</u>	<u>\$ 5,408,276</u>	<u>\$ 27,919,730</u>	<u>\$ (6,769,084)</u>	<u>\$ 100,887</u>

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FUND FINANCIAL STATEMENTS

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County of Surry, Virginia
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 17,700,231	\$ -	\$ 395,083	\$ 18,095,314
Receivables (net of allowance for uncollectibles):				
Taxes receivable	410,588	-	-	410,588
Accounts receivable	15,770	-	-	15,770
Due from other funds	1,001,000	-	-	1,001,000
Due from other governmental units	898,468	150,000	-	1,048,468
Restricted assets:				
Bond construction funds	-	2,886,258	-	2,886,258
Total assets	<u>\$ 20,026,057</u>	<u>\$ 3,036,258</u>	<u>\$ 395,083</u>	<u>\$ 23,457,398</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 327,719	\$ 214,674	\$ -	\$ 542,393
Reconciled overdraft payable	293	596,274	-	596,567
Due to other funds	-	1,000,000	1,000	1,001,000
Total liabilities	<u>\$ 328,012</u>	<u>\$ 1,810,948</u>	<u>\$ 1,000</u>	<u>\$ 2,139,960</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 375,557	\$ -	\$ -	\$ 375,557
Total deferred inflows of resources	<u>\$ 375,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,557</u>
Fund balances:				
Committed	\$ 6,509,370	\$ 1,225,310	\$ 351,472	\$ 8,086,152
Assigned	-	-	42,611	42,611
Unassigned	12,813,118	-	-	12,813,118
Total fund balances	<u>\$ 19,322,488</u>	<u>\$ 1,225,310</u>	<u>\$ 394,083</u>	<u>\$ 20,941,881</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,026,057</u>	<u>\$ 3,036,258</u>	<u>\$ 395,083</u>	<u>\$ 23,457,398</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, 2017

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	20,941,881
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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	\$ 37,245,262		
Accumulated depreciation	<u>(15,551,145)</u>		21,694,117

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - property taxes	\$ 349,319		
Items related to measurement of net pension liability	<u>(312,267)</u>		37,052

Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds.		275,239
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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	\$ (2,115,000)		
Revenue bond	(13,905,000)		
Bond issuance premiums	(1,905,005)		
Net pension liability	(1,576,931)		
Items related to measurement of net pension liability	422,049		
Compensated absences	(233,585)		
Landfill postclosure care	(901,379)		
Accrued interest payable	<u>(221,984)</u>		(20,436,835)

Net position of governmental activities	\$	<u><u>22,511,454</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, 2017

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 21,692,941	\$ -	\$ -	\$ 21,692,941
Other local taxes	610,920	-	-	610,920
Permits, privilege fees, and regulatory licenses	39,843	-	-	39,843
Fines and forfeitures	43,375	-	-	43,375
Revenue from the use of money and property	206,995	19,428	61	226,484
Charges for services	124,435	-	-	124,435
Miscellaneous	34,938	27,424	7,874	70,236
Recovered costs	20,149	-	-	20,149
Intergovernmental:				
Commonwealth	2,260,290	150,000	-	2,410,290
Federal	944,770	-	-	944,770
Total revenues	<u>\$ 25,978,656</u>	<u>\$ 196,852</u>	<u>\$ 7,935</u>	<u>\$ 26,183,443</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,433,635	\$ -	\$ -	\$ 1,433,635
Judicial administration	570,201	-	-	570,201
Public safety	3,054,207	-	-	3,054,207
Public works	1,510,054	-	-	1,510,054
Health and welfare	2,279,521	-	-	2,279,521
Education	11,871,307	-	-	11,871,307
Parks, recreation, and cultural	563,922	-	-	563,922
Community development	523,447	-	864	524,311
Capital projects	-	954,910	-	954,910
Debt service:				
Principal retirement	1,085,000	-	-	1,085,000
Interest and other fiscal charges	813,234	-	-	813,234
Total expenditures	<u>\$ 23,704,528</u>	<u>\$ 954,910</u>	<u>\$ 864</u>	<u>\$ 24,660,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,274,128</u>	<u>\$ (758,058)</u>	<u>\$ 7,071</u>	<u>\$ 1,523,141</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 80,000	\$ 80,000
Transfers out	(874,682)	-	-	(874,682)
Total other financing sources (uses)	<u>\$ (874,682)</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ (794,682)</u>
Net change in fund balances	\$ 1,399,446	\$ (758,058)	\$ 87,071	\$ 728,459
Fund balances - beginning	17,923,042	1,983,368	307,012	20,213,422
Fund balances - ending	<u>\$ 19,322,488</u>	<u>\$ 1,225,310</u>	<u>\$ 394,083</u>	<u>\$ 20,941,881</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, 2017

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

Net change in fund balances - total governmental funds	\$	728,459
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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 depreciation expenses exceeded the capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$ 849,518	
Depreciation expense	(1,163,392)	
Activity related to joint tenancy assets of Component Unit and Primary Government	62,225	(251,649)

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

Property taxes	\$ 32,401	
Decrease (increase) in deferred inflows related to measurement of net pension liability	518,646	551,047

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	\$ 125,000	
Principal retired on revenue bond	960,000	
Bond premium amortization	264,742	
Decrease (increase) in landfill postclosure care	(11,567)	1,338,175

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	\$ (24,833)	
Decrease (increase) in net pension liability	(729,270)	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	(90,284)	
Increase (decrease) in deferred outflows related to net pension liability	422,049	
Decrease (increase) in accrued interest payable	10,160	(412,178)

Change in net position of governmental activities	\$	1,953,854
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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, 2017

	Enterprise Fund Water and <u>Sewer</u>
ASSETS	
Current assets:	
Accounts receivable, net of allowance for uncollectibles	\$ 21,327
Total current assets	<u>\$ 21,327</u>
Noncurrent assets:	
Capital assets:	
Land and land improvements	\$ 3,636
Utility plant in service	7,898,176
Equipment	177,200
Accumulated depreciation	(2,669,272)
Total net capital assets	<u>\$ 5,409,740</u>
Total noncurrent assets	<u>\$ 5,409,740</u>
Total assets	<u>\$ 5,431,067</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 22,791
Total current liabilities	<u>\$ 22,791</u>
Total liabilities	<u>\$ 22,791</u>
NET POSITION	
Investment in capital assets	\$ 5,409,740
Unrestricted	<u>(1,464)</u>
Total net position	<u><u>\$ 5,408,276</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, 2017

	Enterprise Fund Water and <u>Sewer</u>
OPERATING REVENUES	
Charges for services:	
Water and sewer revenues	\$ 150,495
Total operating revenues	<u>\$ 150,495</u>
OPERATING EXPENSES	
Other supplies and expenses	\$ 297,704
Depreciation	209,175
Total operating expenses	<u>\$ 506,879</u>
Operating income (loss)	<u>\$ (356,384)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest expense	\$ (15,058)
Total nonoperating revenues (expenses)	<u>\$ (15,058)</u>
Income before transfers	<u>\$ (371,442)</u>
Transfers in	<u>\$ 794,682</u>
Change in net position	\$ 423,240
Total net position- beginning	4,985,036
Total net position - ending	<u><u>\$ 5,408,276</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, 2017

	Enterprise Fund Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 132,835
Payments to suppliers	(312,454)
Net cash provided by (used for) operating activities	<u>\$ (179,619)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 794,682
Net cash provided by (used for) noncapital financing activities	<u>\$ 794,682</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (597,742)
Interest expense	(17,321)
Net cash provided by (used for) capital and related financing activities	<u>\$ (615,063)</u>
Net increase (decrease) in cash and cash equivalents	\$ -
Cash and cash equivalents - beginning	-
Cash and cash equivalents - ending	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (356,384)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	209,175
(Increase) decrease in accounts receivable	(17,660)
Increase (decrease) in accounts payable	(14,750)
Total adjustments	<u>\$ 176,765</u>
Net cash provided by (used for) operating activities	<u>\$ (179,619)</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, 2017

	Agency <u>Funds</u>
ASSETS	
Cash and cash equivalents	\$ 138,271
Total assets	<u>\$ 138,271</u>
LIABILITIES	
Amounts held for social services clients	\$ 37,709
Amounts held for others	100,562
Total liabilities	<u>\$ 138,271</u>

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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements As of June 30, 2017

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 (governmental 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.

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.

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, 2017.

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, 2017.

The Surry County Economic Development Authority (EDA) 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 EDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2017. 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 \$59,236 to the District 19 Community Services Board for the fiscal year ended June 30, 2017.

Riverside Regional Jail

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

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

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

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

The 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.

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.

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. Agency funds do not have a measurement focus. 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 of water and sewer systems.

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

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

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, 2017

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 \$193,304 at June 30, 2017 and is comprised of property taxes of \$162,491 and water and sewer charges of \$30,813.

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 acquisition 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.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

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

H. Capital Assets (Continued)

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.

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

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net 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. 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.

K. 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;

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

K. Fund Equity (Continued)

- 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;
- 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.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

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

K. Fund Equity (Continued)

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	\$ 6,509,370	\$ -	\$ -	\$ 6,509,370
Capital Improvements	-	1,225,310	-	1,225,310
DEA Task Force	-	-	52,811	52,811
Economic Development	-	-	298,661	298,661
Total Committed Fund Balance	\$ 6,509,370	\$ 1,225,310	\$ 351,472	\$ 8,086,152
Assigned:				
Indoor plumbing	\$ -	\$ -	\$ 42,611	\$ 42,611
Total Assigned Fund Balance	\$ -	\$ -	\$ 42,611	\$ 42,611
Unassigned	\$ 12,813,118	\$ -	\$ -	\$ 12,813,118
Total Fund Balances	\$ 19,322,488	\$ 1,225,310	\$ 394,083	\$ 20,941,881

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

L. 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.

M. 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.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's Retirement Plan and the additions to/deductions from the County's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualify for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability (asset). These include differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on pension plan investments. It is also comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability

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

P. Deferred Outflows/Inflows of Resources (Continued)

(asset) measurement date, which will be recognized as an increase to or a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

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 County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

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, 2017.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

Note 3—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2017 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.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 17,376,084
Virginia State Non-Arbitrage Pool	<u>2,890,299</u>
Total	<u>\$ 20,266,383</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

Note 3—Deposits and Investments: (Continued)

Interest Rate Risk

According to the County's investment policy, no more than 50% of the portfolio may be invested in securities maturing in greater than 1 year.

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 17,376,084	\$ 17,376,084
Virginia State Non-Arbitrage Pool	2,890,299	2,890,299
Total	<u>\$ 20,266,383</u>	<u>\$ 20,266,383</u>

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). Bond proceeds subject to arbitrage rebate are invested in the SNAP by County. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. In November 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. Government securities (including securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

The value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) is the same as the value of pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

Note 4—Due to/from Other Governments:

At June 30, 2017, the County has receivables due from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Surry County School Board	\$ 591,789	\$ -
Commonwealth of Virginia:		
Local sales tax	58,584	-
State Sales Tax	-	172,547
Constitutional officer reimbursements	75,662	-
Recordation tax	2,862	-
Four for life	7,855	-
Mobile home titling tax	2,483	-
Communications tax	7,974	-
Comprehensive services act	5,828	-
Wireless funds	18,539	-
Welfare	26,502	-
Victim-witness grant	14,120	-
Fire programs	20,000	-
E-911 wireless grant	150,000	-
Federal Government:		
JROTC	-	7,051
School fund grants	-	141,878
Welfare	66,270	-
Total due from other governments	<u>\$ 1,048,468</u>	<u>\$ 321,476</u>

At June 30, 2017, amounts due to other local governments are as follows:

Other Local Governments:	
County of Surry	\$ <u>-</u> \$ <u>591,789</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<i>Primary Government:</i>				
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,811,163	\$ -	\$ -	\$ 1,811,163
Construction in progress	-	737,940	-	737,940
Total capital assets not subject to depreciation	\$ 1,811,163	\$ 737,940	\$ -	\$ 2,549,103
Capital assets subject to depreciation:				
Buildings and improvements	\$ 21,373,286	\$ -	\$ -	\$ 21,373,286
Equipment	5,906,201	89,517	-	5,995,718
Infrastructure	712,774	22,061	-	734,835
Jointly owned assets	6,398,367	-	(193,953)	6,592,320
Total capital assets subject to depreciation	\$ 34,390,628	\$ 111,578	\$ (193,953)	\$ 34,696,159
Accumulated depreciation:				
Buildings and improvements	\$ 5,689,194	\$ 532,706	\$ -	\$ 6,221,900
Equipment	4,370,652	425,090	-	4,795,742
Infrastructure	37,812	18,371	-	56,183
Jointly owned assets	4,158,367	187,225	(131,728)	4,477,320
Total accumulated depreciation	\$ 14,256,025	\$ 1,163,392	\$ (131,728)	\$ 15,551,145
Total capital assets subject to depreciation, net	\$ 20,134,603	\$ (1,051,814)	\$ (62,225)	\$ 19,145,014
Governmental activities capital assets, net	\$ 21,945,766	\$ (313,874)	\$ (62,225)	\$ 21,694,117

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

Note 5—Capital Assets: (Continued)

A summary of proprietary fund property, plant, and equipment at June 30, 2017 follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<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	\$ 2,348,056	\$ 197,455	\$ -	\$ 2,545,511
Equipment	112,041	11,720	-	123,761
Total accumulated depreciation	\$ 2,460,097	\$ 209,175	\$ -	\$ 2,669,272
Total capital assets subject to depreciation, net	\$ 5,615,279	\$ (209,175)	\$ -	\$ 5,406,104
Business-type activities capital assets, net	\$ 5,618,915	\$ (209,175)	\$ -	\$ 5,409,740

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<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	\$ 5,142,749	\$ 615,114	\$ -	\$ 5,757,863
Building improvement	184,686	-	-	184,686
Jointly owned assets	18,953,784	-	193,953	18,759,831
Total capital assets subject to depreciation	\$ 24,281,219	\$ 615,114	\$ 193,953	\$ 24,702,380
Accumulated depreciation:				
Equipment	\$ 3,757,058	\$ 288,074	\$ -	\$ 4,045,132
Building improvement	46,384	4,617	-	51,001
Jointly owned assets	12,318,265	554,616	131,728	12,741,153
Total accumulated depreciation	\$ 16,121,707	\$ 847,307	\$ 131,728	\$ 16,837,286
Total capital assets subject to depreciation, net	\$ 8,159,512	\$ (232,193)	\$ 62,225	\$ 7,865,094
Component unit school board capital assets, net	\$ 8,317,842	\$ (232,193)	\$ 62,225	\$ 8,023,424

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 125,514
Judicial administration	330,796
Public safety	382,038
Public works	35,173
Health and welfare	26,154
Education	187,225
Parks, recreation and cultural	47,860
Community development	<u>28,632</u>
Total Governmental activities	<u>\$ 1,163,392</u>
Business-type activities	<u>\$ 209,175</u>
Component Unit School Board	<u>\$ 847,307</u>

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, 2017, is that school financed assets in the amount of \$2,240,000 are reported in the Primary Government for financial reporting purposes.

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

Note 6—Interfund Transfers and Obligations:

Interfund transfers for the year ended June 30, 2017 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 874,682
Other governmental funds	80,000	-
Water and Sewer Fund	<u>794,682</u>	<u>-</u>
Total	<u>\$ 874,682</u>	<u>\$ 874,682</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.

Details of the Primary Government's interfund receivables and payables as of June 30, 2017 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Primary Government:		
General Fund	\$ 1,001,000	\$ -
Other governmental funds	-	1,000
County Capital Projects Fund	<u>-</u>	<u>1,000,000</u>
Total	<u>\$ 1,001,000</u>	<u>\$ 1,001,000</u>

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

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

Note 7—Long Term Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2017:

Primary Government:

	Balance at July 1, 2016	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2017	Amounts Due Within One Year
Governmental Activities:					
Incurred by County:					
Compensated absences					
(payload by General Fund)	\$ 208,752	\$ 45,708	\$ 20,875	\$ 233,585	\$ 23,359
Lease revenue bond	14,865,000	-	960,000	13,905,000	995,000
Bond premium	2,124,454	-	261,258	1,863,196	-
Net pension liability	847,661	1,567,405	838,135	1,576,931	-
Landfill postclosure care	889,812	11,567	-	901,379	-
Total incurred by County	\$ 18,935,679	\$ 1,624,680	\$ 2,080,268	\$ 18,480,091	\$ 1,018,359
Incurred by School Board:					
General obligation bonds	\$ 2,240,000	\$ -	\$ 125,000	\$ 2,115,000	\$ 130,000
Bond premium	45,293	-	3,484	41,809	-
Total incurred by School Board	\$ 2,285,293	\$ -	\$ 128,484	\$ 2,156,809	\$ 130,000
Total Governmental Activities	\$ 21,220,972	\$ 1,624,680	\$ 2,208,752	\$ 20,636,900	\$ 1,148,359
Business-type Activities:					
Revenue bonds	\$ 597,742	\$ -	\$ 597,742	\$ -	\$ -
Total Business-type Activities	\$ 597,742	\$ -	\$ 597,742	\$ -	\$ -
Total Primary Government Obligations	\$ 21,818,714	\$ 1,624,680	\$ 2,806,494	\$ 20,636,900	\$ 1,148,359

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

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,	Governmental Activities			
	County Obligations		School Obligations	
	Lease Revenue Bond		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 995,000	\$ 659,235	\$ 130,000	\$ 107,525
2019	920,000	610,163	135,000	100,768
2020	845,000	564,935	145,000	93,446
2021	890,000	523,575	150,000	85,555
2022	930,000	480,037	160,000	77,262
2023	975,000	431,222	170,000	68,435
2024	1,030,000	379,844	180,000	59,072
2025	1,075,000	325,903	185,000	49,309
2026	1,140,000	269,144	200,000	39,010
2027	1,195,000	211,085	210,000	28,305
2028	1,250,000	152,057	220,000	17,340
2029	740,000	104,038	230,000	5,865
2030	285,000	81,322	-	-
2031	295,000	69,310	-	-
2032	310,000	54,682	-	-
2033	325,000	39,335	-	-
2034	345,000	23,166	-	-
2035	360,000	7,425	-	-
Total	<u>\$ 13,905,000</u>	<u>\$ 4,986,478</u>	<u>\$ 2,115,000</u>	<u>\$ 731,892</u>

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

<u>Governmental Activities</u>	<u>Total Amount</u>
<u>Incurred by County:</u>	
<u>Lease Revenue Bond:</u>	
\$15,795,000 lease revenue bond issued November 18, 2014, payable in various annual installments through April 1, 2035, interest payable semi-annually at 3.028%-5.125%.	<u>\$ 13,905,000</u>
Bond issuance premium	<u>\$ 1,863,196</u>
Landfill postclosure care (Note 14)	<u>\$ 901,379</u>
Net pension liability	<u>\$ 1,576,931</u>
Compensated absences (payable by General Fund)	<u>\$ 233,585</u>
Total incurred by County	<u>\$ 18,480,091</u>
<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%.	<u>\$ 2,115,000</u>
Bond issuance premium	<u>\$ 41,809</u>
Total incurred by School Board	<u>\$ 2,156,809</u>
Total Long-Term Obligations, Governmental Activities	<u><u>\$ 20,636,900</u></u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

Note 7—Long-Term Obligations: (Continued)

Component Unit - School Board:

The following is a summary of long-term obligation transactions for the year ended June 30, 2017:

	Balance at July 1, 2016	Increases	Decreases	Balance at June 30, 2017	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences (payable by School Fund)	\$ 103,552	\$ 5,625	\$ 52,506	\$ 56,671	\$ 5,667
Net pension liability	14,293,315	3,842,014	3,019,250	15,116,079	-
Net OPEB Obligation (payable by School Fund)	110,683	66,460	39,000	138,143	-
Total Component Unit-School Board	<u>\$ 14,507,550</u>	<u>\$ 3,914,099</u>	<u>\$ 3,110,756</u>	<u>\$ 15,310,893</u>	<u>\$ 5,667</u>

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 \$375,557 is comprised of the following:

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 349,319
Prepaid property taxes due in December but paid in advance by taxpayers	26,238	26,238
Total	<u>\$ 26,238</u>	<u>\$ 375,557</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of the Uniform Guidance 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, 2017, 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 EDA 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.

The County and School Board also participate 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.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 12—Pension Plan:

Plan Description

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 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 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, 2013.</p>	<p>About the Hybrid Retirement Plan 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 Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • 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.

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) <ul style="list-style-type: none"> • 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.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in 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, 2013.</p> <p>Hybrid Opt-In Election Eligible 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or 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. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) 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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of 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.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</p>	<p>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.</p>

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> 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.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

Note 12—Pension Plan: (Continued)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> 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. Plan 1 or 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.</p> <p><u>Defined Contributions Component:</u> 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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions.

Note 12—Pension Plan: (Continued)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u></p> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p>
<p>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.</p> <p>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.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> 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.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier VRS: 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 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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%.</p> <p><u>Eligibility:</u> 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.</p> <p>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.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. 	<p>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%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <ul style="list-style-type: none"> • 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. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <p>Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <p>Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage</p> <p>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.</p>	<p>Disability Coverage</p> <p>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.</p>	<p>Disability Coverage</p> <p>Employees of political subdivisions and School divisions (including Plan 1 and 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.</p>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage (Cont.) VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage (Cont.) VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage (Cont.) Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>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.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2017

Note 12—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	41	78
Inactive members:		
Vested inactive members	4	3
Non-vested inactive members	13	8
Inactive members active elsewhere in VRS	21	15
Total inactive members	38	26
Active members	91	48
Total covered employees	170	152

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of 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.

The County's contractually required contribution rate for the year ended June 30, 2017 was 6.94% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$275,239 and \$365,523 for the years ended June 30, 2017 and June 30, 2016, respectively.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 12—Pension Plan: (Continued)

Contributions (Continued)

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 10.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$100,849 and \$120,577 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 12—Pension Plan: (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 12—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 16,832,692	\$ 15,985,031	\$ 847,661
Changes for the year:			
Service cost	\$ 417,603	\$ -	\$ 417,603
Interest	1,139,509	-	1,139,509
Differences between expected and actual experience	(23,768)	-	(23,768)
Contributions - employer	-	361,721	(361,721)
Contributions - employee	-	189,642	(189,642)
Net investment income	-	263,004	(263,004)
Benefit payments, including refunds			
Refunds of employee contributions	(1,107,975)	(1,107,975)	-
Administrative expenses	-	(10,178)	10,178
Other changes	-	(115)	115
Net changes	\$ 425,369	\$ (303,901)	\$ 729,270
Balances at June 30, 2016	\$ 17,258,061	\$ 15,681,130	\$ 1,576,931

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 12—Pension Plan: (Continued)

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 6,022,312	\$ 5,115,997	\$ 906,315
Changes for the year:			
Service cost	\$ 101,589	\$ -	\$ 101,589
Interest	407,137	-	407,137
Differences between expected and actual experience	(175,816)	-	(175,816)
Contributions - employer	-	118,759	(118,759)
Contributions - employee	-	46,721	(46,721)
Net investment income	-	82,954	(82,954)
Benefit payments, including refunds			
Refunds of employee contributions	(412,126)	(412,126)	-
Administrative expenses	-	(3,252)	3,252
Other changes	-	(36)	36
Net changes	\$ (79,216)	\$ (166,980)	\$ 87,764
Balances at June 30, 2016	\$ 5,943,096	\$ 4,949,017	\$ 994,079

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the County and Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the County's and Component Unit School Board's (nonprofessional) net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County			
Net Pension Liability (Asset)	\$ 3,774,853	\$ 1,576,931	\$ (264,812)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	1,668,534	994,079	425,589

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 12—Pension Plan: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$150,296 and \$46,396 respectively. At June 30, 2017, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 312,267	\$ -	\$ 110,262
Net difference between projected and actual earnings on pension plan investments	422,049	-	128,536	-
Employer contributions subsequent to the measurement date	275,239	-	100,849	-
Total	\$ 697,288	\$ 312,267	\$ 229,385	\$ 110,262

\$275,239 and \$100,849 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2018	\$ (128,357)	\$ (68,829)
2019	(128,356)	(43,809)
2020	200,617	77,630
2021	165,878	53,282
2022	-	-
Thereafter	-	-

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description can be found in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of 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.

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$1,159,872 and \$1,098,107 for the years ended June 30, 2017 and June 30, 2016, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the school division reported a liability of \$14,122,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 0.10077% as compared to 0.10636% at June 30, 2015.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2017, the school division recognized pension expense of \$914,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience \$	-	\$ 458,000
Net difference between projected and actual earnings on pension plan investments	807,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,067,000
Employer contributions subsequent to the measurement date	<u>1,159,872</u>	<u>-</u>
Total	<u>\$ 1,966,872</u>	<u>\$ 1,525,000</u>

\$1,159,872 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2018	\$ (395,000)
2019	(395,000)
2020	101,000
2021	59,000
2022	(88,000)
Thereafter	-

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	44,182,326
Plan Fiduciary Net Position		<u>30,168,211</u>
Employers' Net Pension Liability (Asset)	\$	<u><u>14,014,115</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		68.28%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset) \$	20,130,000 \$	14,122,000 \$	9,172,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2017

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
Faye P. Warren, Treasurer	300,000
Deborah J. Nee, Commissioner of the Revenue	3,000
Carlos Turner, 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 \$901,379 reported as landfill postclosure liability at June 30, 2017, represents the estimated liability for postclosure monitoring. This amount is based on what it would cost to perform all postclosure care in 2017 over a remaining period of 21 years. Actual costs may be higher due to inflation, changes in technology or changes in regulations. As of June 30, 2017, 100% of the landfill's total capacity has been used to date. 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, 2017

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:

	<u>School Board</u>
Annual required contribution	\$ 60,500
Interest on net OPEB obligation	4,245
Adjustment to annual required contribution	<u>(4,485)</u>
Annual OPEB cost (expense)	\$ 60,260
Contributions made	<u>(43,400)</u>
Increase in net OPEB obligation	16,860
Net OPEB obligation-beginning of year	121,283
Net OPEB obligation-end of year	<u><u>\$ 138,143</u></u>

*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 2017 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>
School Board:			
6/30/2017	\$ 60,260	72.02%	\$ 138,143
6/30/2016	58,402	63.53%	110,683
6/30/2015	49,128	70.84%	99,981

D. Funded Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the School Board's actuarial accrued liability for benefits was \$646,500, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$8,025,900, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.06 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.

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 2020 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 3.50% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016 was thirty years.

Trend Rates-The actuary used the medical trend rates consistent with information from the Getzen Trend Model. The trend rate for 2017 was 7.50% and the annual inflation rate was 2.30%.

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

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

A. Plan Description (Continued)

(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.

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, 2017 and 2016 was \$87,858, and \$82,038 and equaled the required contributions for each year.

Note 17—Upcoming Pronouncements:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Note 17—Upcoming Pronouncements: (Continued)

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, Certain Debt Extinguishment Issues, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

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REQUIRED SUPPLEMENTARY INFORMATION

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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, 2017

	<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	\$ 20,935,882	\$ 20,935,882	\$ 21,692,941	\$ 757,059
Other local taxes	724,500	724,500	610,920	(113,580)
Permits, privilege fees, and regulatory licenses	39,170	39,170	39,843	673
Fines and forfeitures	30,000	33,500	43,375	9,875
Revenue from the use of money and property	94,176	94,176	206,995	112,819
Charges for services	122,929	122,929	124,435	1,506
Miscellaneous	19,449	19,449	34,938	15,489
Recovered costs	1,200	1,200	20,149	18,949
Intergovernmental:				
Commonwealth	2,443,997	2,509,039	2,260,290	(248,749)
Federal	754,829	818,791	944,770	125,979
Total revenues	<u>\$ 25,166,132</u>	<u>\$ 25,298,636</u>	<u>\$ 25,978,656</u>	<u>\$ 680,020</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,682,822	\$ 1,561,691	\$ 1,433,635	\$ 128,056
Judicial administration	551,222	576,822	570,201	6,621
Public safety	3,349,316	3,403,892	3,054,207	349,685
Public works	1,434,820	1,534,951	1,510,054	24,897
Health and welfare	2,712,304	2,733,937	2,279,521	454,416
Education	12,003,944	12,352,579	11,871,307	481,272
Parks, recreation, and cultural	639,735	609,735	563,922	45,813
Community development	573,209	573,209	523,447	49,762
Capital projects	20,000	20,000	-	20,000
Debt service:				
Principal retirement	1,085,000	1,085,000	1,085,000	-
Interest and other fiscal charges	836,234	836,234	813,234	23,000
Total expenditures	<u>\$ 24,888,606</u>	<u>\$ 25,288,050</u>	<u>\$ 23,704,528</u>	<u>\$ 1,583,522</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 277,526</u>	<u>\$ 10,586</u>	<u>\$ 2,274,128</u>	<u>\$ 2,263,542</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (277,526)	\$ (959,221)	\$ (874,682)	\$ 84,539
Net change in fund balances	\$ -	\$ (948,635)	\$ 1,399,446	\$ 2,348,081
Fund balances - beginning	-	948,635	17,923,042	16,974,407
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,322,488</u>	<u>\$ 19,322,488</u>

County of Surry, Virginia
Schedule of OPEB Funding Progress - Retiree Healthcare Plan
For the Year Ended June 30, 2017

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:						
1/1/2011	\$ -	\$ 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%
6/30/2015	-	646,500	646,500	0.00%	8,025,900	8.06%

County of Surry, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 417,603	\$ 411,340	\$ 391,145
Interest	1,139,509	1,132,119	1,071,965
Differences between expected and actual experience	(23,768)	(553,229)	-
Benefit payments, including refunds of employee contributions	(1,107,975)	(661,340)	(546,185)
Net change in total pension liability	\$ 425,369	\$ 328,890	\$ 916,925
Total pension liability - beginning	16,832,692	16,503,802	15,586,877
Total pension liability - ending (a)	<u>\$ 17,258,061</u>	<u>\$ 16,832,692</u>	<u>\$ 16,503,802</u>
Plan fiduciary net position			
Contributions - employer	\$ 361,721	\$ 362,868	\$ 382,061
Contributions - employee	189,642	191,927	181,266
Net investment income	263,004	703,835	2,102,412
Benefit payments, including refunds of employee contributions	(1,107,975)	(661,340)	(546,185)
Administrative expense	(10,178)	(9,603)	(11,194)
Other	(115)	(147)	110
Net change in plan fiduciary net position	\$ (303,901)	\$ 587,540	\$ 2,108,470
Plan fiduciary net position - beginning	15,985,031	15,397,491	13,289,021
Plan fiduciary net position - ending (b)	<u>\$ 15,681,130</u>	<u>\$ 15,985,031</u>	<u>\$ 15,397,491</u>
County's net pension liability - ending (a) - (b)	\$ 1,576,931	\$ 847,661	\$ 1,106,311
Plan fiduciary net position as a percentage of the total pension liability	90.86%	94.96%	93.30%
Covered payroll	\$ 3,876,167	\$ 3,902,373	\$ 3,608,554
County's net pension liability as a percentage of covered payroll	40.68%	21.72%	30.66%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

County of Surry, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2017

	2016		2015		2014
Total pension liability					
Service cost	101,589	\$	104,105	\$	103,206
Interest	407,137		400,493		390,886
Differences between expected and actual experience	(175,816)		(4,521)		-
Benefit payments, including refunds of employee contributions	(412,126)		(398,190)		(315,519)
Net change in total pension liability	(79,216)	\$	101,887	\$	178,573
Total pension liability - beginning	6,022,312		5,920,425		5,741,852
Total pension liability - ending (a)	5,943,096	\$	6,022,312	\$	5,920,425
Plan fiduciary net position					
Contributions - employer	118,759	\$	120,248	\$	114,008
Contributions - employee	46,721		47,557		49,896
Net investment income	82,954		228,563		708,437
Benefit payments, including refunds of employee contributions	(412,126)		(398,190)		(315,519)
Administrative expense	(3,252)		(3,306)		(3,912)
Other	(36)		(49)		37
Net change in plan fiduciary net position	(166,980)	\$	(5,177)	\$	552,947
Plan fiduciary net position - beginning	5,115,997		5,121,174		4,568,227
Plan fiduciary net position - ending (b)	4,949,017	\$	5,115,997	\$	5,121,174
School Division's net pension liability - ending (a) - (b)	994,079	\$	906,315	\$	799,251
Plan fiduciary net position as a percentage of the total pension liability	83.27%		84.95%		86.50%
Covered payroll	960,773	\$	962,804	\$	997,905
School Division's net pension liability as a percentage of covered payroll	103.47%		94.13%		80.09%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

County of Surry, Virginia
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.10077%	0.10636%	0.10898%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 14,122,000	\$ 13,387,000	\$ 13,170,000
Employer's Covered Payroll	\$ 7,734,587	\$ 7,653,944	\$ 7,951,715
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	182.58%	174.90%	165.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

County of Surry, Virginia
Schedule of Employer Contributions
For the Years Ended June 30, 2008 through June 30, 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2017	\$ 280,187	\$ 280,187	\$ -	\$ 4,037,279	6.94%
2016	365,523	365,523	-	3,876,167	9.43%
2015	367,994	367,994	-	3,902,373	9.43%
2014	381,785	381,785	-	3,608,554	10.58%
2013	378,990	378,990	-	3,582,138	10.58%
2012	250,296	250,296	-	3,208,924	7.80%
2011	252,887	252,887	-	3,242,146	7.80%
2010	241,146	241,146	-	3,349,246	7.20%
2009	229,764	229,764	-	3,191,167	7.20%
2008	166,064	166,064	-	2,992,152	5.55%
Component Unit School Board (nonprofessional)					
2017	\$ 100,849	\$ 100,849	\$ -	\$ 960,463	10.50%
2016	120,577	120,577	-	960,773	12.55%
2015	120,832	120,832	-	962,804	12.55%
2014	113,661	113,661	-	997,905	11.39%
2013	111,808	111,808	-	981,630	11.39%
2012	62,721	62,721	-	884,643	7.09%
2011	66,611	66,611	-	939,508	7.09%
2010	69,628	69,628	-	1,007,641	6.91%
2009	71,460	71,460	-	1,034,158	6.91%
2008	41,478	41,478	-	999,468	4.15%
Component Unit School Board (professional)					
2017	\$ 1,159,872	\$ 1,159,872	\$ -	\$ 7,991,501	14.66%
2016	1,098,107	1,098,107	-	7,734,587	14.06%
2015	1,146,640	1,146,640	-	7,653,944	14.50%
2014	927,170	927,170	-	7,951,715	11.66%
2013	930,547	930,547	-	7,980,678	11.66%
2012	490,114	490,114	-	7,742,717	6.33%
2011	313,302	313,302	-	7,972,061	3.93%
2010	706,462	706,462	-	8,018,865	8.81%
2009	701,587	701,587	-	7,963,530	8.81%
2008	779,186	779,186	-	7,564,913	10.30%

Current year contributions are from County records and prior year contributions are from the VRS actuarial valuation performed each year.

County of Surry, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

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County of Surry, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
County Capital Projects Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 120,000	\$ 120,000	\$ 19,428	\$ (100,572)
Miscellaneous	55,000	55,000	27,424	(27,576)
Intergovernmental:				
Commonwealth	122,019	122,019	150,000	27,981
Total revenues	<u>\$ 297,019</u>	<u>\$ 297,019</u>	<u>\$ 196,852</u>	<u>\$ (100,167)</u>
EXPENDITURES				
Capital projects	\$ 7,907,842	\$ 7,907,842	\$ 954,910	\$ 6,952,932
Total expenditures	<u>\$ 7,907,842</u>	<u>\$ 7,907,842</u>	<u>\$ 954,910</u>	<u>\$ 6,952,932</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (7,610,823)</u>	<u>\$ (7,610,823)</u>	<u>\$ (758,058)</u>	<u>\$ 6,852,765</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,908,410	\$ 2,908,410	\$ -	\$ (2,908,410)
Total other financing sources (uses)	<u>\$ 2,908,410</u>	<u>\$ 2,908,410</u>	<u>\$ -</u>	<u>\$ (2,908,410)</u>
Net change in fund balances	\$ (4,702,413)	\$ (4,702,413)	\$ (758,058)	\$ 3,944,355
Fund balances - beginning	4,702,413	4,702,413	1,983,368	(2,719,045)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,225,310</u>	<u>\$ 1,225,310</u>

County of Surry, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 40	\$ 40	\$ 61	\$ 21
Miscellaneous	36,680	36,680	7,874	(28,806)
Total revenues	<u>\$ 36,720</u>	<u>\$ 36,720</u>	<u>\$ 7,935</u>	<u>\$ (28,785)</u>
EXPENDITURES				
Current:				
Public safety	\$ 25,000	\$ 25,000	\$ -	\$ 25,000
Community development	91,720	91,720	864	90,856
Total expenditures	<u>\$ 116,720</u>	<u>\$ 116,720</u>	<u>\$ 864</u>	<u>\$ 115,856</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (80,000)</u>	<u>\$ (80,000)</u>	<u>\$ 7,071</u>	<u>\$ 87,071</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ 87,071	\$ 87,071
Fund balances - beginning	-	-	307,012	307,012
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 394,083</u>	<u>\$ 394,083</u>

County of Surry, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Agency Funds			
	Special <u>Welfare</u>	Crater <u>AAA</u>	Emergency Food and <u>Shelter</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 37,709	\$ 100,422	\$ 140	\$ 138,271
Total assets	<u>\$ 37,709</u>	<u>\$ 100,422</u>	<u>\$ 140</u>	<u>\$ 138,271</u>
LIABILITIES				
Amounts held for others	\$ -	\$ 100,422	\$ 140	\$ 100,562
Amounts held for social services clients	37,709	-	-	37,709
Total liabilities	<u>\$ 37,709</u>	<u>\$ 100,422</u>	<u>\$ 140</u>	<u>\$ 138,271</u>

County of Surry, Virginia

Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2017

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 38,220	\$ 19	\$ 530	\$ 37,709
Liabilities:				
Amounts held for social services clients	\$ 38,220	\$ 19	\$ 530	\$ 37,709
Crater AAA Fund:				
Assets:				
Cash and cash equivalents	\$ 61,277	\$ 39,145	\$ -	\$ 100,422
Liabilities:				
Amounts held for others	\$ 61,277	\$ 39,145	\$ -	\$ 100,422
Emergency Food and Shelter Fund:				
Assets:				
Cash and cash equivalents	\$ 139	\$ 1	\$ -	\$ 140
Liabilities:				
Amounts held for others	\$ 139	\$ 1	\$ -	\$ 140
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 99,636	\$ 39,165	\$ 530	\$ 138,271
Total assets	\$ 99,636	\$ 39,165	\$ 530	\$ 138,271
Liabilities:				
Amounts held for others	\$ 61,416	\$ 39,146	\$ -	\$ 100,562
Amounts held for social services clients	38,220	19	530	37,709
Total liabilities	\$ 99,636	\$ 39,165	\$ 530	\$ 138,271

*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, 2017

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,653,775	\$ -	\$ 1,653,775
Accounts receivable	-	2,763	2,763
Due from other governmental units	302,221	19,255	321,476
Total assets	<u>\$ 1,955,996</u>	<u>\$ 22,018</u>	<u>\$ 1,978,014</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 68,559	\$ 7,355	\$ 75,914
Accrued liabilities	1,295,648	36,367	1,332,015
Reconciled overdraft payable	-	20,906	20,906
Due to other governmental units	591,789	-	591,789
Total liabilities	<u>\$ 1,955,996</u>	<u>\$ 64,628</u>	<u>\$ 2,020,624</u>
Fund balances:			
Committed:			
School Cafeteria Fund	\$ -	\$ (42,610)	\$ (42,610)
Total fund balances	<u>\$ -</u>	<u>\$ (42,610)</u>	<u>\$ (42,610)</u>
Total liabilities and fund balances	<u>\$ 1,955,996</u>	<u>\$ 22,018</u>	<u>\$ 1,978,014</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:			
Total fund balances per above			\$ (42,610)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets cost		\$ 24,860,710	
Accumulated depreciation		<u>(16,837,286)</u>	8,023,424
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Items related to measurement of net pension liability			(1,635,262)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.			
			1,260,721
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		\$ (56,671)	
Items related to measurement of net pension liability		935,536	
Net pension liability		(15,116,079)	
Net OPEB obligation		<u>(138,143)</u>	(14,375,357)
Net position of governmental activities			<u>\$ (6,769,084)</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, 2017

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 407	\$ -	\$ 407
Charges for services	-	155,914	155,914
Miscellaneous	111,970	-	111,970
Intergovernmental:			
Local government	11,779,950	87,413	11,867,363
Commonwealth	2,713,855	6,649	2,720,504
Federal	916,416	342,326	1,258,742
Total revenues	<u>\$ 15,522,598</u>	<u>\$ 592,302</u>	<u>\$ 16,114,900</u>
EXPENDITURES			
Current:			
Education	\$ 15,522,598	\$ 539,820	\$ 16,062,418
Total expenditures	<u>\$ 15,522,598</u>	<u>\$ 539,820</u>	<u>\$ 16,062,418</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 52,482</u>	<u>\$ 52,482</u>
Net change in fund balances	\$ -	\$ 52,482	\$ 52,482
Fund balances - beginning	-	(95,092)	(95,092)
Fund balances - ending	<u>\$ -</u>	<u>\$ (42,610)</u>	<u>\$ (42,610)</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 \$ 52,482

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	\$ 615,114	
Depreciation expense	(674,076)	
Activity related to joint tenancy assets of Component Unit and Primary Government	<u>(235,456)</u>	(294,418)

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

(Increase) decrease in items related to measurement of net pension liability 115,591

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	\$ (27,460)	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	42,037	
(Increase) decrease in net pension liability	(822,764)	
Increase (decrease) in deferred outflows related to pension liability	935,536	
(Increase) decrease in compensated absences	<u>46,881</u>	174,230

Change in net position of governmental activities \$ 47,885

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, 2017

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 407	\$ 407
Charges for services	-	-	-	-
Miscellaneous	100,000	158,974	111,970	(47,004)
Intergovernmental:				
Local government	12,000,000	12,261,222	11,779,950	(481,272)
Commonwealth	2,507,713	2,607,713	2,713,855	106,142
Federal	582,318	753,649	916,416	162,767
Total revenues	\$ 15,190,031	\$ 15,781,558	\$ 15,522,598	\$ (258,960)
EXPENDITURES				
Current:				
Education	\$ 15,190,031	\$ 15,781,558	\$ 15,522,598	\$ 258,960
Total expenditures	\$ 15,190,031	\$ 15,781,558	\$ 15,522,598	\$ 258,960
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

School Cafeteria Fund				
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
Original	Final			
\$ -	\$ -	\$ -	\$ -	-
225,000	225,000	155,914	(69,086)	
-	-	-	-	-
-	87,413	87,413	-	
7,415	7,415	6,649	(766)	
275,000	302,684	342,326	39,642	
\$ 507,415	\$ 622,512	\$ 592,302	\$ (30,210)	
\$ 576,955	\$ 712,145	\$ 539,820	\$ 172,325	
\$ 576,955	\$ 712,145	\$ 539,820	\$ 172,325	
\$ (69,540)	\$ (89,633)	\$ 52,482	\$ 142,115	
\$ (69,540)	\$ (89,633)	\$ 52,482	\$ 142,115	
69,540	89,633	(95,092)	(184,725)	
\$ -	\$ -	\$ (42,610)	\$ (42,610)	

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*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

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County of Surry, Virginia

Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
June 30, 2017

ASSETS

Current assets:

Cash and cash equivalents	\$	<u>100,887</u>
Total current assets	\$	<u>100,887</u>
Total assets	\$	<u>100,887</u>

NET POSITION

Unrestricted	\$	<u>100,887</u>
Total net position	\$	<u><u>100,887</u></u>

County of Surry, Virginia

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2017

NONOPERATING REVENUES (EXPENSES)

Interest income	\$	50
Service charge		(60)
Total nonoperating revenues (expenses)	\$	<u>(10)</u>
Change in net position	\$	(10)
Total net position - beginning		100,897
Total net position - ending	\$	<u><u>100,887</u></u>

County of Surry, Virginia

Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2017

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$	50
Service charge		<u>(60)</u>
Net cash provided by (used for) investing activities	\$	<u>(10)</u>
Net increase (decrease) in cash and cash equivalents	\$	(10)
Cash and cash equivalents - beginning		<u>100,897</u>
Cash and cash equivalents - ending	\$	<u><u>100,887</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, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,700,000	\$ 6,700,000	\$ 6,435,681	\$ (264,319)
Real and personal public service corporation taxes	12,779,882	12,779,882	13,781,043	1,001,161
Personal property taxes	1,321,000	1,321,000	1,359,812	38,812
Penalties	45,000	45,000	46,631	1,631
Interest	90,000	90,000	69,774	(20,226)
Total general property taxes	\$ 20,935,882	\$ 20,935,882	\$ 21,692,941	\$ 757,059
Other local taxes:				
Local sales and use taxes	\$ 450,000	\$ 450,000	\$ 330,474	\$ (119,526)
Consumption tax	20,000	20,000	19,289	(711)
Business license taxes	80,000	80,000	79,982	(18)
Motor vehicle licenses	132,500	132,500	133,752	1,252
Taxes on recordation and wills	42,000	42,000	47,423	5,423
Total other local taxes	\$ 724,500	\$ 724,500	\$ 610,920	\$ (113,580)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 4,000	\$ 4,000	\$ 3,675	\$ (325)
Building permits	20,000	20,000	19,083	(917)
Permits and other licenses	15,170	15,170	17,085	1,915
Total permits, privilege fees, and regulatory licenses	\$ 39,170	\$ 39,170	\$ 39,843	\$ 673
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 33,500	\$ 43,375	\$ 9,875
Revenue from use of money and property:				
Revenue from use of money	\$ 25,050	\$ 25,050	\$ 143,619	\$ 118,569
Revenue from use of property	69,126	69,126	63,376	(5,750)
Total revenue from use of money and property	\$ 94,176	\$ 94,176	\$ 206,995	\$ 112,819
Charges for services:				
Sheriff fees	\$ 10,849	\$ 10,849	\$ 18,333	\$ 7,484
Charges for Commonwealth's Attorney	1,500	1,500	1,158	(342)
Charges for Treasurer	14,000	14,000	16,429	2,429
Courthouse maintenance fees	2,550	2,550	3,734	1,184
Charges for other court services	7,650	7,650	17,765	10,115
Charges for sanitation and waste removal	45,500	45,500	35,100	(10,400)
Charges for farmers market vendor fees	2,000	2,000	1,897	(103)
Charges for parks and recreation	38,880	38,880	30,019	(8,861)
Total charges for services	\$ 122,929	\$ 122,929	\$ 124,435	\$ 1,506
Miscellaneous:				
Miscellaneous	\$ 19,449	\$ 19,449	\$ 34,938	\$ 15,489

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<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:				
Department of Health settlement	\$ -	\$ -	\$ -	\$ -
Other recovered costs	1,200	1,200	20,149	18,949
Total recovered costs	\$ 1,200	\$ 1,200	\$ 20,149	\$ 18,949
Total revenue from local sources	\$ 21,967,306	\$ 21,970,806	\$ 22,773,596	\$ 802,790
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 25	\$ 25	\$ 7	\$ (18)
Mobile home titling tax	10,000	10,000	12,556	2,556
Taxes on deeds	16,000	16,000	14,907	(1,093)
Communications tax	51,000	51,000	48,500	(2,500)
State recordation tax	12,000	12,000	14,832	2,832
Personal property tax relief funds	677,907	677,907	677,907	-
Total noncategorical aid	\$ 766,932	\$ 766,932	\$ 768,709	\$ 1,777
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 170,584	\$ 170,584	\$ 165,757	\$ (4,827)
Sheriff	470,331	470,331	456,426	(13,905)
Commissioner of revenue	66,532	66,532	67,209	677
Treasurer	70,311	70,311	63,486	(6,825)
Registrar/electoral board	27,000	35,377	35,378	1
Clerk of the circuit court	147,137	147,137	165,108	17,971
Total shared expenses	\$ 951,895	\$ 960,272	\$ 953,364	\$ (6,908)
Other categorical aid:				
Public assistance and welfare administration	\$ 470,334	\$ 470,334	\$ 291,212	\$ (179,122)
Fire programs fund	20,000	20,000	40,000	20,000
Comprehensive services act	72,648	89,958	36,757	(53,201)
Wireless funds	111,054	111,054	109,027	(2,027)
Emergency medical services	8,000	8,052	7,855	(197)
Victim-witness grant	6,584	6,584	20,579	13,995
Animal friendly plates	150	150	168	18
Radio emergency preparedness grant	30,000	42,662	-	(42,662)
Records preservation grant	-	26,510	26,509	(1)
Litter control	6,400	6,531	6,110	(421)
Total other categorical aid	\$ 725,170	\$ 781,835	\$ 538,217	\$ (243,618)
Total categorical aid	\$ 1,677,065	\$ 1,742,107	\$ 1,491,581	\$ (250,526)
Total revenue from the Commonwealth	\$ 2,443,997	\$ 2,509,039	\$ 2,260,290	\$ (248,749)

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<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 federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 300	\$ 300	\$ 345	\$ 45
Categorical aid:				
Public assistance and welfare administration	\$ 729,873	\$ 729,873	\$ 879,684	\$ 149,811
Criminal justice grant	20,156	42,256	41,984	(272)
Edward Byrne JAG grant	-	6,729	3,405	(3,324)
Sheriff DMV grant	-	18,987	11,522	(7,465)
Policing in 21st century grant	-	16,146	-	(16,146)
BMP historical database	-	-	2,280	2,280
Summer feeding program	4,500	4,500	5,550	1,050
Total categorical aid	\$ 754,529	\$ 818,491	\$ 944,425	\$ 125,934
Total revenue from the federal government	\$ 754,829	\$ 818,791	\$ 944,770	\$ 125,979
Total General Fund	\$ 25,166,132	\$ 25,298,636	\$ 25,978,656	\$ 680,020
Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 40	\$ 40	\$ 61	\$ 21
Miscellaneous:				
Miscellaneous	\$ 36,680	\$ 36,680	\$ 7,874	\$ (28,806)
Total revenue from local sources	\$ 36,720	\$ 36,720	\$ 7,935	\$ (28,785)
Total Special Revenue Fund	\$ 36,720	\$ 36,720	\$ 7,935	\$ (28,785)
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 19,428	\$ 19,428
Revenue from the use of property	120,000	120,000	-	(120,000)
Total revenue from use of money and property	120,000	120,000	19,428	(100,572)
Miscellaneous:				
Miscellaneous	55,000	55,000	27,424	(27,576)
Total revenue from local sources	\$ 175,000	\$ 175,000	\$ 46,852	\$ (128,148)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
USAI grant	\$ 122,019	\$ 122,019	\$ -	\$ (122,019)
Wireless board grant	-	-	150,000	150,000
Total categorical aid	\$ 122,019	\$ 122,019	\$ 150,000	\$ 27,981
Total revenue from the Commonwealth	\$ 122,019	\$ 122,019	\$ 150,000	\$ 27,981
Total County Capital Projects Fund	\$ 297,019	\$ 297,019	\$ 196,852	\$ (100,167)
Total Primary Government	\$ 25,499,871	\$ 25,632,375	\$ 26,183,443	\$ 551,068

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<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	\$ -	\$ -	\$ 407	\$ 407
Total revenue from use of money and property	\$ -	\$ -	\$ 407	\$ 407
Miscellaneous:				
Miscellaneous	\$ 100,000	\$ 158,974	\$ 111,970	\$ (47,004)
Total revenue from local sources	\$ 100,000	\$ 158,974	\$ 112,377	\$ (46,597)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Surry	\$ 12,000,000	\$ 12,261,222	\$ 11,779,950	\$ (481,272)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 954,260	\$ 954,260	\$ 993,668	\$ 39,408
Basic school aid	770,067	770,067	764,258	(5,809)
Remedial summer education	7,014	7,014	8,116	1,102
GED funding	7,859	7,859	8,418	559
Gifted and talented	7,339	7,339	7,255	(84)
Special education	143,105	143,105	149,029	5,924
Textbook payment	16,784	16,784	16,594	(190)
Remedial education	35,623	35,623	35,219	(404)
Vocational education	68,064	68,064	69,560	1,496
Early reading intervention	3,918	3,918	2,612	(1,306)
School fringes	182,909	182,909	167,479	(15,430)
English as a second language	1,164	1,164	259	(905)
Technology	128,000	228,000	228,000	-
Mentor teacher program	452	452	632	180
Lottery payments	8,014	8,014	7,945	(69)
At risk payments	44,306	44,306	43,863	(443)
Primary class size	41,061	41,061	41,448	387
SOL algebra readiness	4,025	4,025	4,025	-
At risk four-year olds	82,688	82,688	82,688	-
Enrollment loss	-	-	75,000	75,000
Other state funds	1,061	1,061	7,787	6,726
Total categorical aid	\$ 2,507,713	\$ 2,607,713	\$ 2,713,855	\$ 106,142
Total revenue from the Commonwealth	\$ 2,507,713	\$ 2,607,713	\$ 2,713,855	\$ 106,142
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 178,808	\$ 178,808	\$ 230,803	\$ 51,995
Title VI-B, special education flow-through	230,218	230,218	323,310	93,092
Vocational education	17,835	17,835	29,913	12,078
Title VI-B, special education pre-school	4,093	4,093	8,200	4,107
JROTC	75,000	75,000	83,646	8,646
Twenty-first Century Grant	25,000	165,831	177,378	11,547
Title II, Part A	51,364	51,364	63,166	11,802

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Other federal funds	-	30,500	-	\$ (30,500)
Total categorical aid	\$ 582,318	\$ 753,649	\$ 916,416	\$ 162,767
Total revenue from the federal government	\$ 582,318	\$ 753,649	\$ 916,416	\$ 162,767
Total School Operating Fund	\$ 15,190,031	\$ 15,781,558	\$ 15,522,598	\$ (258,960)
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 225,000	\$ 225,000	\$ 155,914	\$ (69,086)
Total charges for services	\$ 225,000	\$ 225,000	\$ 155,914	\$ (69,086)
Total revenue from local sources	\$ 225,000	\$ 225,000	\$ 155,914	\$ (69,086)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Surry, Virginia	\$ -	\$ 87,413	\$ 87,413	\$ -
Total revenues from local governments	\$ -	\$ 87,413	\$ 87,413	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 7,415	\$ 7,415	\$ 6,649	\$ (766)
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 275,000	\$ 275,000	\$ 308,511	\$ 33,511
Summer feeding	-	-	6,131	6,131
Commodities	-	27,684	27,684	-
Total categorical aid	\$ 275,000	\$ 302,684	\$ 342,326	\$ 39,642
Total revenue from the federal government	\$ 275,000	\$ 302,684	\$ 342,326	\$ 39,642
Total School Cafeteria Fund	\$ 507,415	\$ 622,512	\$ 592,302	\$ (30,210)
Total Discretely Presented Component Unit - School Board	\$ 15,697,446	\$ 16,404,070	\$ 16,114,900	\$ (289,170)

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County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 2
Page 1 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:				
General government administration:				
Legislative:				
Board of supervisors	\$ 202,565	\$ 137,546	\$ 102,672	\$ 34,874
General and financial administration:				
County administrator	\$ 415,525	\$ 345,525	\$ 326,372	\$ 19,153
Legal services	86,089	86,089	83,589	2,500
Commissioner of revenue	203,146	203,146	202,478	668
Independent audit	40,000	40,000	36,200	3,800
Treasurer	268,010	273,521	263,300	10,221
Board of equalization	5,428	5,428	3,272	2,156
Finance department	182,584	182,584	148,720	33,864
Information technology	164,595	164,595	150,695	13,900
Total general and financial administration	\$ 1,365,377	\$ 1,300,888	\$ 1,214,626	\$ 86,262
Board of elections:				
Electoral board and officials	\$ 114,880	\$ 123,257	\$ 116,337	\$ 6,920
Total general government administration	\$ 1,682,822	\$ 1,561,691	\$ 1,433,635	\$ 128,056
Judicial administration:				
Courts:				
Circuit court	\$ 19,000	\$ 19,000	\$ 15,347	\$ 3,653
General district court	15,842	17,842	16,699	1,143
Special magistrates	725	725	-	725
Southside legal aid	7,261	7,261	7,261	-
Victim Witness	33,878	56,478	56,095	383
Clerk of the circuit court	257,337	258,337	257,708	629
Total courts	\$ 334,043	\$ 359,643	\$ 353,110	\$ 6,533
Commonwealth's attorney:				
Commonwealth's attorney	\$ 217,179	\$ 217,179	\$ 217,091	\$ 88
Total judicial administration	\$ 551,222	\$ 576,822	\$ 570,201	\$ 6,621
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,648,888	\$ 1,660,750	\$ 1,532,060	\$ 128,690
Virginia juvenile crime control act	30,601	30,601	30,450	151
Total law enforcement and traffic control	\$ 1,679,489	\$ 1,691,351	\$ 1,562,510	\$ 128,841
Fire and rescue services:				
Fire department/rescue services	\$ 610,960	\$ 611,012	\$ 602,642	\$ 8,370
Correction and detention:				
Confinement and care of prisoners	\$ 219,454	\$ 219,454	\$ 211,674	\$ 7,780

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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	\$ 163,419	\$ 163,419	\$ 118,215	\$ 45,204
Other protection:				
Animal control	\$ 193,675	\$ 223,675	\$ 222,502	\$ 1,173
Emergency services	390,218	402,880	268,069	134,811
E-911 communications	92,101	92,101	68,595	23,506
Total other protection	\$ 675,994	\$ 718,656	\$ 559,166	\$ 159,490
Total public safety	\$ 3,349,316	\$ 3,403,892	\$ 3,054,207	\$ 349,685
Public works:				
Sanitation and waste removal:				
Sanitation	\$ 738,903	\$ 608,703	\$ 585,958	\$ 22,745
Litter control	5,979	6,310	6,285	25
Total sanitation and waste removal	\$ 744,882	\$ 615,013	\$ 592,243	\$ 22,770
Maintenance of general buildings and grounds:				
General properties	\$ 689,938	\$ 919,938	\$ 917,811	\$ 2,127
Total public works	\$ 1,434,820	\$ 1,534,951	\$ 1,510,054	\$ 24,897
Health and welfare:				
Health:				
Supplement of local health department	\$ 209,664	\$ 209,664	\$ 209,664	\$ -
Total health	\$ 209,664	\$ 209,664	\$ 209,664	\$ -
Mental health and mental retardation:				
Community services board	\$ 59,236	\$ 59,236	\$ 59,236	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,950,163	\$ 1,950,163	\$ 1,641,877	\$ 308,286
Area agency on aging	2,000	2,000	2,000	-
Comprehensive services act	172,648	189,958	59,879	130,079
SSG improvement association	29,604	29,604	29,604	-
Workforce development	84,344	86,667	70,868	15,799
Office on youth	190,245	192,245	191,993	252
Genieve shelter	4,000	4,000	4,000	-
Surry free clinic	8,000	8,000	8,000	-
Other welfare contributions	2,400	2,400	2,400	-
Total welfare	\$ 2,443,404	\$ 2,465,037	\$ 2,010,621	\$ 454,416
Total health and welfare	\$ 2,712,304	\$ 2,733,937	\$ 2,279,521	\$ 454,416

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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	\$ 3,944	\$ 3,944	\$ 3,944	\$ -
Contribution to County School Board	12,000,000	12,348,635	11,867,363	481,272
Total education	\$ 12,003,944	\$ 12,352,579	\$ 11,871,307	\$ 481,272
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation center	\$ 503,358	\$ 473,358	\$ 427,831	\$ 45,527
Williamsburg area transit	36,750	36,750	36,750	-
Historic landmarks	500	500	500	-
Total parks and recreation	\$ 540,608	\$ 510,608	\$ 465,081	\$ 45,527
Library:				
Contribution to regional library	\$ 99,127	\$ 99,127	\$ 98,841	\$ 286
Total parks, recreation, and cultural	\$ 639,735	\$ 609,735	\$ 563,922	\$ 45,813
Community development:				
Planning and community development:				
Planning and zoning	\$ 342,808	\$ 342,808	\$ 333,730	\$ 9,078
Zoning board	3,095	3,095	1,586	1,509
Highway transportation safety commission	1,085	1,085	108	977
Planning district commission	11,645	11,645	3,279	8,366
Economic development	112,904	112,904	110,021	2,883
Habitat for humanity	5,000	5,000	5,000	-
Other planning and community development	3,490	3,490	2,054	1,436
Total planning and community development	\$ 480,027	\$ 480,027	\$ 455,778	\$ 24,249
Environmental management:				
Contribution to soil and water conservation district	\$ 11,500	\$ 11,500	\$ 11,500	\$ -
Cooperative extension program:				
Extension office	\$ 81,682	\$ 81,682	\$ 56,169	\$ 25,513
Total community development	\$ 573,209	\$ 573,209	\$ 523,447	\$ 49,762
Capital projects:				
Comprehensive plan	\$ 20,000	\$ 20,000	\$ -	\$ 20,000
Total capital projects	\$ 20,000	\$ 20,000	\$ -	\$ 20,000
Debt service:				
Principal retirement	\$ 1,085,000	\$ 1,085,000	\$ 1,085,000	\$ -
Interest and other fiscal charges	836,234	836,234	813,234	23,000
Total debt service	\$ 1,921,234	\$ 1,921,234	\$ 1,898,234	\$ 23,000
Total General Fund	\$ 24,888,606	\$ 25,288,050	\$ 23,704,528	\$ 1,583,522

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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:				
DEA task force	\$ 25,000	\$ 25,000	\$ -	\$ 25,000
Total public safety	\$ 25,000	\$ 25,000	\$ -	\$ 25,000
Community development				
Indoor plumbing program	\$ 11,720	\$ 11,720	\$ 864	\$ 10,856
Economic development	80,000	80,000	-	80,000
Total community development	\$ 91,720	\$ 91,720	\$ 864	\$ 90,856
Total community development	\$ 91,720	\$ 91,720	\$ 864	\$ 90,856
Total Special Revenue Fund	\$ 116,720	\$ 116,720	\$ 864	\$ 115,856
County Capital Projects Fund:				
Capital projects:				
Broadband technology initiative	\$ -	\$ -	\$ 22,062	\$ (22,062)
Health department	29,522	29,522	-	29,522
Property acquisition	139,000	139,000	-	139,000
Water and sewer master plan	-	-	3,282	(3,282)
Public safety tower upgrades	301,907	301,907	118,750	183,157
Record books cleaning	-	-	81,694	(81,694)
Technology upgrades	175,000	175,000	134,826	40,174
Community center	-	-	12,750	(12,750)
Rescue squad building	1,500,000	1,500,000	7,938	1,492,062
Visitor center	-	-	14,099	(14,099)
Marina project	1,500,000	1,500,000	455,415	1,044,585
Water upgrades	4,202,413	4,202,413	30,060	4,172,353
County capital projects	-	-	15,334	(15,334)
School capital projects	60,000	60,000	58,700	1,300
Total capital projects	\$ 7,907,842	\$ 7,907,842	\$ 954,910	\$ 6,952,932
Total County Capital Projects Fund	\$ 7,907,842	\$ 7,907,842	\$ 954,910	\$ 6,952,932
Total Primary Government	\$ 32,913,168	\$ 33,312,612	\$ 24,660,302	\$ 8,652,310
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Operating Costs:				
Administration, health, and attendance	\$ 945,919	\$ 905,276	\$ 893,369	\$ 11,907
Instruction costs	10,408,961	10,862,576	10,638,045	224,531
Districtwide technology	664,560	825,162	822,070	3,092
Pupil transportation	878,971	949,912	938,482	11,430
Operation and maintenance of school plant	2,291,620	2,238,632	2,230,632	8,000
Total operating costs	\$ 15,190,031	\$ 15,781,558	\$ 15,522,598	\$ 258,960
Total education	\$ 15,190,031	\$ 15,781,558	\$ 15,522,598	\$ 258,960
Total School Operating Fund	\$ 15,190,031	\$ 15,781,558	\$ 15,522,598	\$ 258,960

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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: (Continued)				
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
School food services	\$ 576,955	\$ 684,461	\$ 512,136	\$ 172,325
Commodities	-	27,684	27,684	-
	<hr/>			
Total School Cafeteria Fund	\$ 576,955	\$ 712,145	\$ 539,820	\$ 172,325
	<hr/>			
Total Discretely Presented Component Unit - School Board	\$ 15,766,986	\$ 16,493,703	\$ 16,062,418	\$ 431,285
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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.

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Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

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

	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	\$ 5,262,920	\$ 1,240,925	\$ 2,320,769	\$ 2,422,090
Unrestricted	7,395,194	10,625,829	9,117,385	9,928,451
Total governmental activities net position	<u>\$ 12,658,114</u>	<u>\$ 11,866,754</u>	<u>\$ 11,438,154</u>	<u>\$ 12,350,541</u>
Business-type activities				
Net investment in capital assets	\$ 6,069,662	\$ 5,967,613	\$ 5,867,567	\$ 5,762,362
Unrestricted	(2,014)	25,604	(41,263)	(20,563)
Total business-type activities net position	<u>\$ 6,067,648</u>	<u>\$ 5,993,217</u>	<u>\$ 5,826,304</u>	<u>\$ 5,741,799</u>
Primary Government				
Net investment in capital assets	\$ 11,332,582	\$ 7,208,538	\$ 8,188,336	\$ 8,184,452
Unrestricted	7,393,180	10,651,433	9,076,122	9,907,888
Total Primary government net position	<u>\$ 18,725,762</u>	<u>\$ 17,859,971</u>	<u>\$ 17,264,458</u>	<u>\$ 18,092,340</u>

Table 1

2012	2013	2014	2015	2016	2017
\$ 2,631,382	\$ 3,321,023	\$ 4,482,211	\$ 4,678,557	\$ 5,764,238	\$ 6,655,370
11,782,612	13,441,797	14,864,951	15,045,158	14,793,362	15,856,084
\$ 14,413,994	\$ 16,762,820	\$ 19,347,162	\$ 19,723,715	\$ 20,557,600	\$ 22,511,454
\$ 5,610,317	\$ 5,460,113	\$ 5,311,812	\$ 5,165,477	\$ 5,021,173	\$ 5,409,740
(18,810)	(15,684)	(31,037)	(26,024)	(36,137)	(1,464)
\$ 5,591,507	\$ 5,444,429	\$ 5,280,775	\$ 5,139,453	\$ 4,985,036	\$ 5,408,276
\$ 8,241,699	\$ 8,781,136	\$ 9,794,023	\$ 9,844,034	\$ 10,785,411	\$ 12,065,110
11,763,802	13,426,113	14,833,914	15,019,134	14,757,225	15,854,620
\$ 20,005,501	\$ 22,207,249	\$ 24,627,937	\$ 24,863,168	\$ 25,542,636	\$ 27,919,730

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

	2008	2009	2010	2011
Expenses				
Governmental activities				
General government administration	\$ 1,375,071	\$ 1,864,806	\$ 1,556,300	\$ 1,381,514
Judicial administration	806,049	358,576	744,437	742,347
Public safety	2,469,893	2,907,399	2,761,300	2,732,338
Public works	2,101,649	1,237,489	1,025,861	995,742
Health and welfare	2,263,034	2,368,475	2,189,821	2,440,233
Community development	494,492	923,784	747,514	484,311
Parks, Recreation and cultural	507,811	567,971	554,813	571,977
Education	12,736,313	11,734,160	11,932,831	11,787,315
Interest and other financial charges	690,748	836,260	833,989	798,490
Total governmental activities	<u>\$ 23,445,060</u>	<u>\$ 22,798,920</u>	<u>\$ 22,346,866</u>	<u>\$ 21,934,267</u>
Business-type activities				
Water and Sewer	\$ 383,052	\$ 383,367	\$ 404,703	\$ 422,687
Total business-type activities	<u>\$ 383,052</u>	<u>\$ 383,367</u>	<u>\$ 404,703</u>	<u>\$ 422,687</u>
Total primary government expenses	<u>\$ 23,828,112</u>	<u>\$ 23,182,287</u>	<u>\$ 22,751,569</u>	<u>\$ 22,356,954</u>
Program Revenues				
Governmental activities				
Charges for services:				
General government administration	\$ -	\$ -	\$ -	\$ 8,025
Judicial administration	42,476	56,959	50,736	40,941
Public safety	61,746	48,335	41,406	36,976
Public works	31,777	21,849	29,794	49,054
Parks, recreation and cultural	22,318	20,621	30,439	38,400
Community development	-	-	-	-
Operating grants and contributions	2,281,233	2,545,547	2,315,618	2,204,458
Capital Grants and contributions	424,813	76,580	612,584	186,400
Total governmental activities	<u>\$ 2,864,363</u>	<u>\$ 2,769,891</u>	<u>\$ 3,080,577</u>	<u>\$ 2,564,254</u>
Business-type activities				
Charges for services:				
Water and Sewer	\$ -	\$ 37,185	\$ 41,575	\$ 45,582
Capital grants and contributions	2,887,434	269,529	-	57,208
Total business-type activities	<u>\$ 2,887,434</u>	<u>\$ 306,714</u>	<u>\$ 41,575</u>	<u>\$ 102,790</u>
Total primary government revenues	<u>\$ 5,751,797</u>	<u>\$ 3,076,605</u>	<u>\$ 3,122,152</u>	<u>\$ 2,667,044</u>

2012	2013	2014	2015	2016	2017
\$ 1,375,325	\$ 1,647,559	\$ 1,584,521	\$ 1,991,967	\$ 2,132,002	\$ 1,917,740
734,692	746,655	766,927	748,445	773,107	888,575
3,022,043	3,316,803	3,193,870	3,328,127	2,918,282	3,290,894
1,059,277	1,061,654	1,153,265	87,783	1,413,326	1,557,463
2,269,681	2,451,304	2,457,024	2,441,740	2,303,706	2,320,721
570,296	479,927	491,679	533,375	531,693	1,018,108
515,549	562,994	899,221	576,999	1,176,469	(139,681)
11,570,030	11,967,342	11,525,579	12,149,458	12,463,776	12,055,007
748,812	709,606	674,932	1,024,436	562,721	538,332
<u>\$ 21,865,705</u>	<u>\$ 22,943,844</u>	<u>\$ 22,747,018</u>	<u>\$ 22,882,330</u>	<u>\$ 24,275,082</u>	<u>\$ 23,447,159</u>
\$ 451,572	\$ 405,141	\$ 498,727	\$ 489,378	\$ 457,130	\$ 521,937
\$ 451,572	\$ 405,141	\$ 498,727	\$ 489,378	\$ 457,130	\$ 521,937
<u>\$ 22,317,277</u>	<u>\$ 23,348,985</u>	<u>\$ 23,245,745</u>	<u>\$ 23,371,708</u>	<u>\$ 24,732,212</u>	<u>\$ 23,969,096</u>
\$ 12,414	\$ 1,784	\$ 1,117	\$ 295	\$ 276	\$ 16,429
41,784	91,304	90,461	69,629	45,947	66,032
50,841	42,316	48,333	59,880	47,887	58,176
49,139	49,609	51,934	45,556	42,663	35,100
29,469	28,788	38,969	52,662	63,891	31,916
-	10,737	13,639	10,208	-	-
2,231,420	2,199,793	2,410,697	2,535,110	2,345,604	2,586,006
70,447	672,973	59,671	20,805	322,950	-
<u>\$ 2,485,514</u>	<u>\$ 3,097,304</u>	<u>\$ 2,714,821</u>	<u>\$ 2,794,145</u>	<u>\$ 2,869,218</u>	<u>\$ 2,793,659</u>
\$ 60,662	\$ 60,427	\$ 50,812	\$ 197,263	\$ 134,154	\$ 150,495
-	-	-	-	-	-
<u>\$ 60,662</u>	<u>\$ 60,427</u>	<u>\$ 50,812</u>	<u>\$ 197,263</u>	<u>\$ 134,154</u>	<u>\$ 150,495</u>
<u>\$ 2,546,176</u>	<u>\$ 3,157,731</u>	<u>\$ 2,765,633</u>	<u>\$ 2,991,408</u>	<u>\$ 3,003,372</u>	<u>\$ 2,944,154</u>

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

	2008	2009	2010	2011
Net (Expense)/Revenue				
Governmental activities	\$ (20,580,697)	\$ (20,029,029)	\$ (19,266,289)	\$ (19,370,013)
Business-type activities	(76,338)	(341,792)	(301,913)	(362,025)
Total primary government net expense	<u>\$ (20,657,035)</u>	<u>\$ (20,370,821)</u>	<u>\$ (19,568,202)</u>	<u>\$ (19,732,038)</u>

General Revenues and Other Changes in Net Position
Governmental Activities:

Taxes

Property taxes	\$ 17,644,857	\$ 17,728,739	\$ 17,428,339	\$ 18,997,082
Other local taxes	664,638	754,536	643,424	692,822
Investment earnings	872,613	299,565	139,858	88,504
Miscellaneous	581	24,255	52,754	45,913
Non-categorical aid from the Commonwealth	730,465	697,935	708,314	735,599
Transfers	(192,731)	(267,361)	(135,000)	(277,520)
Total governmental activities	<u>\$ 19,720,423</u>	<u>\$ 19,237,669</u>	<u>\$ 18,837,689</u>	<u>\$ 20,282,400</u>

Business-type activities

Transfers	\$ 192,731	\$ 267,361	\$ 135,000	\$ 277,520
Total business-type activities	<u>\$ 192,731</u>	<u>\$ 267,361</u>	<u>\$ 135,000</u>	<u>\$ 277,520</u>
Total primary government	<u>\$ 19,913,154</u>	<u>\$ 19,505,030</u>	<u>\$ 18,972,689</u>	<u>\$ 20,559,920</u>

Changes in Net Position

Governmental activities	\$ (860,274)	\$ (791,360)	\$ (428,600)	\$ 912,387
Business-type activities	116,393	(74,431)	(166,913)	(84,505)
Total primary government	<u>\$ (743,881)</u>	<u>\$ (865,791)</u>	<u>\$ (595,513)</u>	<u>\$ 827,882</u>

2012	2013	2014	2015	2016	2017
\$ (19,380,191)	\$ (19,846,540)	\$ (20,032,197)	\$ (20,088,185)	\$ (21,405,864)	\$ (20,653,500)
(391,145)	(354,329)	(429,307)	(292,115)	(322,976)	(371,442)
\$ (19,771,336)	\$ (20,200,869)	\$ (20,461,504)	\$ (20,380,300)	\$ (21,728,840)	\$ (21,024,942)

\$ 19,924,721	\$ 20,724,814	\$ 21,177,468	\$ 20,966,352	\$ 20,744,418	\$ 21,725,342
878,104	742,671	755,736	644,424	706,543	610,920
91,269	98,183	90,225	94,049	154,325	226,484
19,075	32,331	92,072	55,082	54,442	70,236
771,328	778,690	766,691	771,419	769,719	769,054
(240,853)	(207,251)	(265,653)	(150,793)	(168,559)	(794,682)
\$ 21,443,644	\$ 22,169,438	\$ 22,616,539	\$ 22,380,533	\$ 22,260,888	\$ 22,607,354

\$ 240,853	\$ 207,251	\$ 265,653	\$ 150,793	\$ 168,559	\$ 794,682
\$ 240,853	\$ 207,251	\$ 265,653	\$ 150,793	\$ 168,559	\$ 794,682
\$ 21,684,497	\$ 22,376,689	\$ 22,882,192	\$ 22,531,326	\$ 22,429,447	\$ 23,402,036

\$ 2,063,453	\$ 2,322,898	\$ 2,584,342	\$ 2,292,348	\$ 855,024	\$ 1,953,854
(150,292)	(147,078)	(163,654)	(141,322)	(154,417)	423,240
\$ 1,913,161	\$ 2,175,820	\$ 2,420,688	\$ 2,151,026	\$ 700,607	\$ 2,377,094

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

	2008	2009	2010	2011
General fund				
Unreserved	\$ 10,170,215	\$ 9,744,681	\$ 8,353,210	\$ -
Committed	-	-	-	6,835,193
Unassigned	-	-	-	2,428,955
Total general fund	<u>\$ 10,170,215</u>	<u>\$ 9,744,681</u>	<u>\$ 8,353,210</u>	<u>\$ 9,264,148</u>
All other governmental funds				
Unreserved, reported in:				
Special revenue funds	\$ 618,145	\$ 617,270	\$ 628,500	\$ -
Capital projects funds	3,424,693	4,140,348	1,879,841	-
Committed	-	-	-	2,231,830
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ 4,042,838</u>	<u>\$ 4,757,618</u>	<u>\$ 2,508,341</u>	<u>\$ 2,190,895</u>

Note:

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

Table 3

2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,788,537	5,536,834	5,690,518	5,889,072	4,480,761	6,509,370
5,591,064	8,093,311	10,678,611	12,593,041	13,442,281	12,813,118
\$ 11,379,601	\$ 13,630,145	\$ 16,369,129	\$ 18,482,113	\$ 17,923,042	\$ 19,322,488
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,979,195	1,638,403	299,867	3,620,347	2,254,813	1,576,782
-	3,973	19,170	29,403	35,567	42,611
\$ 1,951,481	\$ 1,642,376	\$ 319,037	\$ 3,649,750	\$ 2,290,380	\$ 1,619,393

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

	2008	2009	2010	2011
Revenues				
General property taxes	\$ 17,442,571	\$ 17,637,845	\$ 17,376,874	\$ 18,768,963
Other local taxes	664,638	754,536	643,424	692,822
Permits, privilege fees and licenses	61,447	48,036	41,406	36,976
Fines and Forfeitures	15,245	24,902	11,922	12,182
Revenue from use of money & property	872,613	299,565	139,858	88,504
Charges for services	81,625	74,826	99,047	124,238
Miscellaneous	581	24,255	52,754	45,913
Recovered costs	54,784	17,710	10,705	3,599
Commonwealth of Virginia	2,179,694	2,376,715	2,325,332	2,167,407
Federal Government	1,256,817	943,347	1,311,184	959,050
Total revenues	\$ 22,630,015	\$ 22,201,737	\$ 22,012,506	\$ 22,899,654
Expenditures				
General government administration	\$ 1,279,711	\$ 1,554,499	\$ 1,441,060	\$ 1,315,093
Judicial administration	346,306	396,862	402,477	398,667
Public Safety	2,309,462	2,536,356	2,447,061	2,431,375
Public works	990,575	1,022,167	906,278	953,519
Health and welfare	2,293,730	2,361,067	2,191,083	2,219,441
Education	12,214,510	10,921,288	11,575,408	11,413,268
Community development	464,046	438,558	507,589	436,425
Parks, recreation and cultural	506,431	540,575	534,123	532,124
Capital projects	8,483,375	5,527,490	3,441,248	445,392
Debt service				
Principal	671,901	734,832	1,202,177	1,069,826
Interest and other fiscal charges	694,989	731,117	869,750	813,512
Total Expenditures	\$ 30,255,036	\$ 26,764,811	\$ 25,518,254	\$ 22,028,642
Revenues over (under) expenditures	\$ (7,625,021)	\$ (4,563,074)	\$ (3,505,748)	\$ 871,012
Other financing sources (uses)				
Transfers in	\$ 729,141	\$ 1,364,051	\$ 625,000	\$ 48,091
Transfers out	(921,872)	(1,631,412)	(760,000)	(325,611)
Issuance of bonds	-	5,050,000	-	-
Bond issuance premium	-	69,681	-	-
Total other financing sources (uses)	\$ (192,731)	\$ 4,852,320	\$ (135,000)	\$ (277,520)
Net change in fund balances	\$ (7,817,752)	\$ 289,246	\$ (3,640,748)	\$ 593,492
Debt service as a percentage of noncapital expenditures	6.01%	6.41%	9.67%	8.70%

Table 4

2012		2013		2014		2015		2016		2017	
\$	19,964,237	\$	21,012,899	\$	21,140,727	\$	21,119,861	\$	20,939,138	\$	21,692,941
	878,104		742,671		755,736		644,424		706,543		610,920
	50,542		42,017		48,034		59,555		37,354		39,843
	18,091		49,350		49,826		30,963		20,043		43,375
	91,269		98,183		90,225		94,049		154,325		226,484
	115,014		133,171		146,593		147,712		143,267		124,435
	19,075		32,331		92,072		55,082		54,442		70,236
	209		886		229		700		29,588		20,149
	2,126,006		2,732,108		2,196,137		2,316,990		2,173,971		2,410,290
	947,189		919,348		1,040,922		1,010,344		1,264,302		944,770
\$	24,209,736	\$	25,762,964	\$	25,560,501	\$	25,479,680	\$	25,522,973	\$	26,183,443
\$	1,303,131	\$	1,357,725	\$	1,388,887	\$	1,411,117	\$	1,655,003	\$	1,433,635
	402,742		415,237		434,476		436,324		476,120		570,201
	2,730,279		3,015,476		2,927,342		3,031,347		2,968,027		3,054,207
	1,009,790		983,123		1,067,715		1,164,473		1,290,413		1,510,054
	2,337,613		2,422,570		2,423,793		2,417,346		2,340,943		2,279,521
	11,338,153		11,766,080		11,380,579		11,758,980		12,145,887		11,871,307
	404,459		538,068		461,795		688,660		694,471		563,922
	490,216		455,404		669,741		518,254		521,082		524,311
	367,937		1,010,776		1,472,333		2,245,537		3,288,574		954,910
	936,045		922,469		959,102		13,339,050		1,045,000		1,085,000
	772,479		727,346		693,440		1,190,219		847,335		813,234
\$	22,092,844	\$	23,614,274	\$	23,879,203	\$	38,201,307	\$	27,272,855	\$	24,660,302
\$	2,116,892	\$	2,148,690	\$	1,681,298	\$	(12,721,627)	\$	(1,749,882)	\$	1,523,141
\$	594,456	\$	25,345	\$	62,906	\$	-	\$	1,549,848	\$	80,000
	(835,309)		(232,596)		(328,559)		(150,793)		(1,718,407)		(874,682)
	-		-		-		18,316,117		-		-
	-		-		-		-		-		-
\$	(240,853)	\$	(207,251)	\$	(265,653)	\$	18,165,324	\$	(168,559)	\$	(794,682)
\$	1,876,039	\$	1,941,439	\$	1,415,645	\$	5,443,697	\$	(1,918,441)	\$	728,459
	7.89%		7.22%		7.30%		39.61%		7.78%		7.97%

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

Table 5

Taxpayer	2017			2008		
	Rank	Assessed Valuation (1)	Percentage of Total Assessed Valuation	Rank	Assessed Valuation (2)	Percentage of Total Assessed Valuation
Dominion Virginia Power	1	\$ 1,900,635,036	66.70%	1	\$ 1,488,135,824	63.03%
Swann's Point Farm LLC et al	2	26,773,500	0.94%			0.00%
Beechland/Alliance Farms et al	3	11,642,800	0.41%	6	6,096,020	0.26%
Wanro LLC et al	4	10,987,300	0.39%	2	11,097,800	0.47%
Timbervest Partners (III) of Virginia LLC	5	8,989,700	0.32%			0.00%
Prince George Electric Cooperative	6	8,737,796	0.31%	4	7,684,932	0.33%
Murphy Brown LLC/Smithfield Hog Production	7	8,306,400	0.29%			0.00%
Windsor Mill	8	5,736,500	0.20%	10	4,764,500	0.20%
Andrew Acres LLC et al	9	4,694,800	0.16%			0.00%
Brandon & Brandon LLC et al	10	4,050,000	0.14%			0.00%
Grayland/Gray Lumber Company	11	4,047,100	0.14%	7	5,943,600	0.25%
John Hancock Mutual Life Insurance Company	12	3,861,200	0.14%	12	3,867,200	0.16%
Spring Grove Land Association	13	3,352,200	0.12%	14	2,947,100	0.12%
Commonwealth Forest Investment	14	3,276,800	0.11%	13	3,276,800	0.14%
Smithfield-Carrolls Farms				3	8,813,300	0.37%
Alpha Forest Association				6	6,165,100	0.26%
Schorsch, Nicholas				8	5,716,400	0.24%
Sussex Surry LLC				11	4,374,500	0.19%
Swann's Point Farm LLC				5	7,661,900	0.32%
Verizon South Inc.		3,106,362		9	5,488,258	0.23%
		<u>\$ 2,008,197,494</u>	<u>70.47%</u>		<u>\$ 1,572,033,234</u>	<u>66.58%</u>
Total Assessed Valuation of RE		<u>\$ 2,849,612,690</u>	<u>100.00%</u>		<u>\$ 2,360,974,519</u>	<u>100.00%</u>

Notes:

(1) 2017 Real Estate Assessments.

(2) 2008 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)	Collections 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
2017	\$ 22,454,884	\$ 21,909,904	97.57%	\$ -	22,454,884	\$ -	\$ 21,909,904	97.57%
2016	21,650,045	20,775,506	95.96%	-	21,650,045	-	20,775,506	95.96%
2015	20,874,695	20,472,352	98.07%	-	20,874,695	-	20,472,352	98.07%
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	-	20,761,624	98.96%
2012	20,588,020	19,790,059	96.12%	(3,640)	20,584,380	731,261	20,521,320	99.68%
2011	18,793,552	18,272,180	97.23%	(1,037)	18,792,515	370,230	18,642,410	99.20%
2010	17,397,366	16,858,370	96.90%	(36,001)	17,361,365	389,786	17,248,156	99.14%
2009	17,597,560	17,480,039	99.33%	(27,377)	17,570,183	16,483	17,496,522	99.43%
2008	17,440,097	17,301,159	99.20%	(3,776)	17,436,321	6,399	17,307,558	99.24%

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

To be updated

Tax 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
2017	\$ 888,941,000	\$ 34,205,000	\$ 923,146,000	\$ 0.71	\$ 923,146,000	100.00% (2)
2016	883,676,800	34,266,700	917,943,500	0.71	917,943,500	100.00% (2)
2015	857,689,600	33,269,100	890,958,700	0.73	890,958,700	100.00% (2)
2014	852,448,300	33,431,600	885,879,900	0.73	885,879,900	100.00% (2)
2013	850,646,000	34,078,200	884,724,200	0.73	884,724,200	100.00% (2)
2012	844,458,700	33,911,900	878,370,600	0.73	878,370,600	100.00% (2)
2011	842,381,900	33,602,400	875,984,300	0.73	875,984,300	100.00% (2)
2010	839,293,100	32,734,300	872,027,400	0.73	872,027,400	100.00% (2)
2009	830,543,600	32,458,800	863,002,400	0.70	852,646,371	101.21% (2)
2008	814,604,700	31,625,800	846,230,500	0.70	836,075,734	101.21% (2)

Notes:

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

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

Table 8

Fiscal Year	Personal Property (1)	Machinery & Tools (1)	Aircraft (1)	Public Service (2,3)	Total
2017	\$ 53,527,229	\$ 2,876,946	\$ 4,450	\$ 1,937,479,967	\$ 1,993,888,592
2016	51,381,116	2,228,648	4,945	1,785,663,243	1,839,277,952
2015	50,593,919	2,246,971	6,780	1,807,206,155	1,860,053,825
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

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

Table 9

Fiscal Year	Governmental Activities				Business-Type Activities	Summary Totals		
	General Obligation Bonds	Capital Lease Obligations	Lease Revenue Bonds Payable	Bank Loans Payable	Revenue Bonds Payable	Total Primary Government	Percentage of Personal Income (1)	Per Capita Personal Income (1)
2017	\$ 2,156,809	\$ -	\$ 15,768,196	\$ -	\$ -	\$ 17,925,005	**	N/A
2016	2,285,293	-	16,989,454	-	597,742	19,872,489	7.35%	\$ 41,337
2015	2,403,777	-	18,191,382	-	662,613	21,257,772	7.87%	40,509
2014	2,517,261	-	1,029,050	12,200,000	725,452	16,471,763	6.32%	38,374
2013	2,665,745	-	1,238,152	12,805,000	786,326	17,495,223	6.79%	37,916
2012	2,804,229	-	1,440,621	13,390,000	845,297	18,480,147	7.21%	37,391
2011	2,987,713	-	1,636,666	13,950,000	902,427	19,476,806	7.86%	35,699
2010	3,336,197	-	1,826,492	14,485,000	1,006,397	20,654,086	8.58%	34,085
2009	3,719,681	123,373	2,010,296	15,000,000	1,058,317	21,911,667	9.06%	34,352
2008	1,055,000	413,501	-	15,000,000	1,159,722	17,628,223	7.44%	33,540

Notes:

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

(1) Population data & estimates for 2008 through 2016, and personal income and per capital personal income data for 2008 through 2016 were obtained from the Bureau of Economic Analysis.

** Information not available.

COUNTY OF SURRY, VIRGINIA

Table 10

Ratio of Outstanding General Bonded Debt
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	General Bonded Debt Per Capita	Percent of General Bonded Debt to Assessed Real Property Value
2017	\$ 2,156,809	**	0.23%
2016	2,285,293	349	0.25%
2015	2,403,777	358	0.27%
2014	2,517,261	370	0.28%
2013	2,665,745	392	0.30%
2012	2,804,229	409	0.32%
2011	2,987,713	430	0.34%
2010	3,336,197	473	0.38%
2009	3,719,681	529	0.44%
2008	1,055,000	149	0.13%

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 is unavailable.

COUNTY OF SURRY, VIRGINIA
Demographic and Economic Statistics
Last Ten Years

Table 11

Fiscal Year	(3)(4) Population	(1) Per Capita Income	(1) Total Personal Income	(2) School Enrollment	(3) Unemployment Rate %
2017	**	**	**	826	4.8%
2016	6,544	\$ 41,337	\$ 270,512,000	837	5.3%
2015	6,709	39,631	270,197,000	867	5.1%
2014	6,804	38,596	262,064,000	934	6.7%
2013	6,801	38,275	260,041,000	902	7.3%
2012	6,854	37,376	255,654,000	928	8.0%
2011	6,946	35,753	248,123,000	977	7.0%
2010	7,058	33,915	240,640,000	1,017	7.6%
2009	7,037	34,204	241,734,000	1,041	4.5%
2008	7,061	33,674	236,826,000	1,044	3.2%

Notes: (1) Bureau of Economic Analysis

(2) Virginia Department of Education

(3) Virginia Workforce Connection - Years 2008-2015

(4) Weldon Cooper Center for Public Service at the University of Virginia - Year 2016

**Information Unavailable

COUNTY OF SURRY, VIRGINIA
Principal Employers
Current Year and Nine Years Ago

Table 12

Employer	Fiscal Year 2017			Fiscal Year 2008	
	Employees	Rank	% of Total Employment	Employees	Rank
Dominion Virginia Power	500-999	1	20.25%	500-999	1
Surry County School Board	250-499	2	10.12%	250-499	2
The Atlantic Group, Inc.	100-249	3	2.70%	100-249	3
Surry County	100-249	5	4.72%	50-99	4
Brock Services LLC	100-249	5	2.02%		
Virginia Department of Transportation	50-99	6	2.02%		
Windsor Mill	50-99	7	0.94%	50-99	5
Coastal Waters Contracting & Roofing	50-99	8	0.94%		
Fluor Daniel Services Corporation	20-49	9	0.94%	20-49	13
Surry County Department of Social Services	20-49	10	0.94%	20-49	7
Dominion Resources	20-49	11	2.02%	20-49	14
Coggin Electric Specialists	20-49	12	2.02%	20-49	10
Virginia Department of Conservation	20-49	13	0.40%	20-49	9
Seward Lumber Company, Inc.	20-49	14	0.94%	20-49	12
S.W. Edwards and Sons	10-19	15	0.94%	20-49	8
Barlett Nuclear				20-49	6
Sho Enterprises LLC				20-49	11
Postal Service				10-19	15

Source: Virginia Employment Commission

COUNTY OF SURRY, VIRGINIA

Table 13

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

	Full-Time Equivalent Employees as of June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government:										
County Administration	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Commissioner of the Revenue	3.2	3.2	3.2	3.7	3.6	4.3	3.2	3.7	3.7	3.0
Treasurer	4.0	4.0	4.6	5.2	4.5	4.9	5.0	4.5	4.2	3.0
Finance	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0
Information Technologies	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Registrar	1.6	1.6	1.4	1.4	1.8	1.6	1.6	1.6	1.6	1.6
Total General Government	14.8	14.8	15.2	16.3	15.9	17.8	16.8	16.8	16.5	14.6
Judicial Administration:										
Clerk of the Circuit Court	3.3	3.3	3.5	3.3	3.6	3.0	3.0	3.0	3.0	3.0
General District Court	2.3	2.3	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Victim's Witness	1.0	1.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Commonwealth Attorney	2.0	2.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total Judicial Administration	8.6	8.6	7.5	7.3	7.6	7.0	7.0	7.0	7.0	7.0
Public Safety:										
Sheriff's Office	26.3	26.3	24.4	22.1	25.2	22.5	19.0	19.0	21.0	20.0
Fire and Emergency Services	3.0	3.0	2.1	2.1	2.1	2.0	2.0	2.0	2.0	1.0
Animal Control	3.0	3.0	3.0	2.0	2.0	1.0	1.0	1.0	2.0	2.0
Total Public Safety	32.3	32.3	29.5	26.2	29.3	24.5	21.0	21.0	23.0	21.0
Public Works:										
Sanitation	11.4	11.4	10.0	4.4	14.7	13.0	14.0	15.4	17.4	6.8
Maintenance	4.7	4.7	5.0	5.6	5.0	5.0	5.0	5.0	6.0	6.0
Total Public Works	16.1	16.1	15.0	10.0	19.7	18.0	19.0	20.4	23.4	12.8
Office on Youth:										
Office on Youth	6.0	6.0	5.0	5.6	5.1	7.0	6.3	5.0	6.8	3.0
Total Office on Youth	6.0	6.0	5.0	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	23.0
Total Health and Welfare	23.0	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	7.0	7.0	6.0	5.0	6.0	7.0	9.0	6.3	7.4	6.0
Total Parks, Recreation and Cultural	7.0	7.0	6.0	5.0		7.0	9.0	6.3	7.4	6.0
Community Development										
Planning/Environmental/Permitting	4.0	4.0	3.0	4.0	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	2.0
Extension	3.0	3.0	4.0	4.0	5.0	4.0	5.0	5.0	5.0	5.0
Total Community Development	9.0	9.0	9.0	10.0	12.0	11.0	12.0	12.0	12.0	12.0
Total	116.8	116.8	110.2	103.4	112.6	108.3	107.8	106.5	112.3	96.4

Source: Payroll Clerk

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

Table 14

		Fiscal Year									
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety (1)	Number of calls answered	189	321	276	267	332	312	268	408	375	283
Community Development (2)	Residential building permits	217	255	208	172	87	75	75	68	74	61
	Commercial building permits	3	2	7	8	4	3	1	6	6	9
Parks & Recreation (3)	Program participants	19,850	19,850	18,500	18,500	18,123	17,822	18,652	18,399	18,572	19,618
Sewer (4)	Service connections	**	141	155	139	141	140	140	128	127	-
	Average daily consumption in gallons	**	14,152	17,504	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
** Information is unavailable.

Note: The wastewater system began operation in 2008.

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

Table 15

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Sheriff's Office (1)										
Number of stations	1	1	1	1	1	1	1	1	1	1
Physical arrests	170	164	144	166	223	164	217	197	260	262
Patrol units	14	14	13	14	20	16	16	16	18	21
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	3	3	3	2	2	2	2	2	2	2
Library (4)										
Number of libraries	2	2	2	2	2	2	2	2	2	2
Public Utilities (4)										
Wastewater System										
Service connections	141	141	155	139	141	140	140	128	127	105
Average daily consumption in gallons	14,152	14,152	17,504	15,120	13,047	13,747	12,724	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	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	38	35	33	35	39	36	36	35	34	34

Source: (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.

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 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, 2017, 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 October 6, 2017.

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. Clark", followed by a long horizontal line.

Richmond, Virginia
October 6, 2017

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 the Uniform Guidance

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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards available 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and the Uniform Guidance 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, 2017.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Richmond, Virginia
October 6, 2017

County of Surry, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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	0950116/0950117	\$ 7,061
Temporary Assistance for Needy Families	93.558	0400116/0400117	142,958
Refugee and Entrant Assistance - State Administered Programs	93.566	0500116/0500117	479
Low-Income Home Energy Assistance	93.568	0600416/0600417	17,150
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760116/0760117	24,242
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116/0900117	217
Foster Care - Title IV-E	93.658	1100116/1100117	68,524
Adoption Assistance	93.659	1120116/1120117	11,511
Social Services Block Grant	93.667	1000116/1000117	183,412
Chafee Foster Care Independence Program	93.674	9150116/9150117	655
Children's Health Insurance Program	93.767	0540116/0540117	6,785
Medical Assistance Program	93.778	1200116/1200117	228,281
Total Department of Health and Human Services			\$ 691,275
Department of Justice:			
Pass Through Payments:			
<i>Department of Criminal Justice Service:</i>			
Crime Victim Assistance	16.575	unavailable	\$ 41,984
Edward Byrne Memorial Justice Assistance Grant Program	16.738	unavailable	3,405
Total Department of Justice			\$ 45,389
Department of Transportation:			
Pass Through Payments:			
<i>Department of Transportation:</i>			
State and Community Highway Safety	20.600	unavailable	\$ 11,522
Department of the Defense:			
Direct Payments:			
Junior ROTC	12.xxx	N/A	\$ 83,646
Environmental Protection Agency:			
Direct Payments:			
Chesapeake Bay Program	66.466	N/A	\$ 2,280
Department of Agriculture:			
Pass Through Payments:			
<i>Department of Agriculture:</i>			
Food Distribution - Summer Feeding Program (Child Nutrition Cluster)	10.559	Unavailable	\$ 1,634
<i>Department of Health:</i>			
Summer Food Service Program for Children (Child Nutrition Cluster)	10.559	Unavailable	11,681 \$ 13,315

County of Surry, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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	\$ 26,050
<i>Department of Education:</i>			
National School Lunch Program (Child Nutrition Cluster)	10.555	17901- 40623	208,649 \$ 234,699
School Breakfast Program (Child Nutrition Cluster)	10.553	17901- 40591	99,861
Total Child Nutrition Cluster			<u>\$ 347,875</u>
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/ 90103	188,410
Total Department of Agriculture			<u>\$ 536,285</u>
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	17901- 42901	\$ 230,803
<i>Special Education Cluster:</i>			
Special Education - Grants to States	84.027	17901- 43071	323,310
Special Education - Preschool Grants	84.173	17901- 62521	8,200
Total Special Education Cluster			<u>\$ 331,510</u>
Career and Technical Education - Basic Grants to States	84.048	17901- 61095	29,913
Twenty-First Century Community Learning Centers	84.287	17901- 60565	177,378
Supporting Effective Instruction State Grant	84.367	17901- 61480	63,166
Total Department of Education			<u>\$ 832,770</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,203,167</u></u>

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, 2017

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, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

(3) The County did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note C - Food Donation

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

Note D - Subrecipients

No awards were passed through to subrecipients.

Note E - 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	\$ 944,770
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Component Unit School Board:

School Operating Fund	\$ 916,416
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School Cafeteria Fund	342,326
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Total component unit school board	<u>\$ 1,258,742</u>
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Total federal expenditures per basic financial statements	<u>\$ 2,203,512</u>
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Less: Payment in Lieu of Taxes	<u>345</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 2,203,167</u></u>
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County of Surry, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> yes	<u> ✓ </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> ✓ </u> none reported

Noncompliance material to financial statements noted?

	<u> </u> yes	<u> ✓ </u> no
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> yes	<u> ✓ </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> ✓ </u> 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 2 CFR section
200.516(a)?

<u> </u> yes	<u> ✓ </u> no
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Identification of major programs:

CFDA Number(s)
10.553/10.555/10.559
93.778

Name of Federal Program or Cluster
Child Nutrition Cluster
Medical Assistance Program

Dollar threshold used to distinguish between type A
and type B programs: \$750,000

Auditee qualified as low-risk auditee?

<u> ✓ </u> yes	<u> </u> no
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Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Surry, Virginia
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

There were no prior year findings.

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