

SURRY COUNTY, VIRGINIA

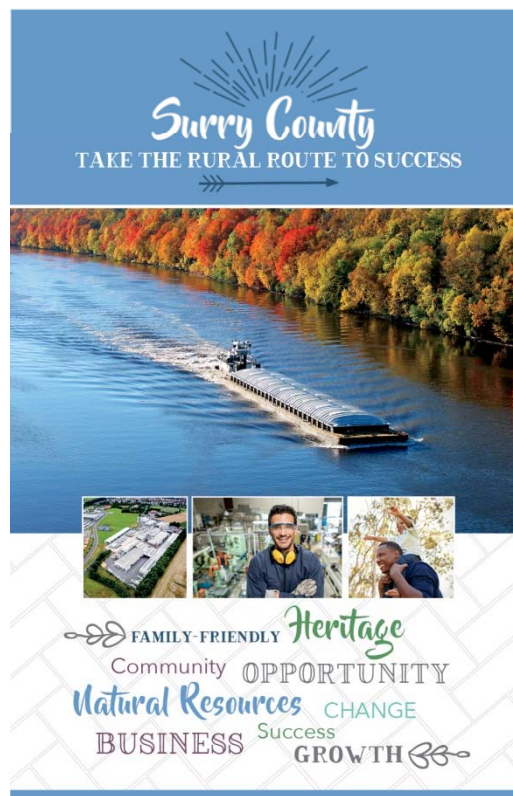


COMPREHENSIVE ANNUAL FINANCIAL REPORT

Prepared by the Department of Finance

FOR THE FISCAL PERIOD ENDED
JUNE 30, 2018

Opportunity ➤ *Growth* ➤ *Community*



COUNTY OF SURRY, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

COUNTY OF SURRY, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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COUNTY OF SURRY, VIRGINIA

Board of Supervisors

John M. Seward, Chairperson

Judy S. Lyttle
Giron R. Wooden, Sr.

Kenneth R. Holmes
Michael H. Drewry

Social Services Board

Marie B. Pierce, Chairperson

Juanita Parker
Honorable Kenneth R. Holmes

Allen T. Parson
Linda B. Ellis

County School Board

Elsie M. Dennis, Chairperson

Laura P. Ruffin
Audrey D. Byrd

Harold L. Jones
Dr. Marion H. Wilkins

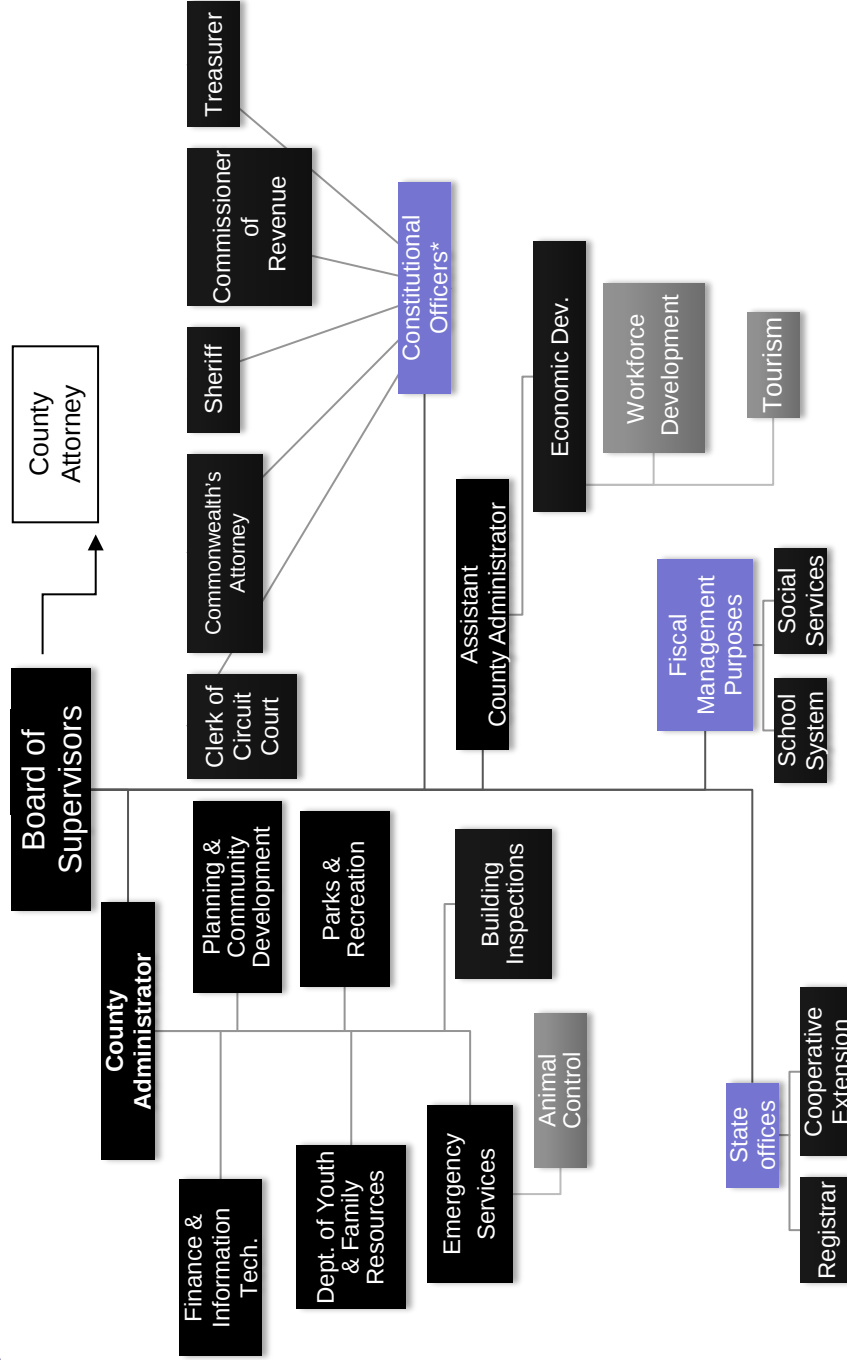
Other Officials

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
Interim 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
Sanford B. Wanner
Bruce A. Clark, Jr.
Carson E. Saunders, Jr.
William H. Hefty



Surry County Organization Chart



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



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, 2017

Christopher P. Morill

Executive Director/CEO



"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, 2018

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, 2018. 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, 2018 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, 2018 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 2017 estimated population of 6,540. 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.

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 3.9% in June 2018 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, approximately 66%, work for small businesses with 100 or more employees. Approximately 90% 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 postal workers, bookkeeping, and fast food.

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 2018 the County transferred ownership of its sewer system to the Hampton Roads Sanitation District (HRSRD). HRSRD'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 HSRD 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 & Emergency Operations Building: The Surry Volunteer Rescue Squad & Emergency Operations Center building is planned for construction in the County's Industrial Park. The relocation of the Emergency Operations Center was necessitated to move the critical EOC functions and dispatch functions from outside of the Emergency Evacuation Zone, required in the event of an emergency at the Dominion Nuclear Power Plant, and centralizes EOC functions for drills and Emergency Planning events. The Surry Volunteer Rescue Squad will occupy approximately 8,294 sq. ft. of the facility and will better serve the needs of the County's paid and volunteer rescue squad operations. The projected FY 18 cost of \$316,000 was included in the long-term debt issued in 2014 through the Virginia Resources Authority. The total remaining project cost of \$4.1 million will be funded in FY 19 through long term debt.

Grays Creek Marina: The Gray's Creek 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 2017. The final phase of construction for the marina itself, including a fishing pier, fueling station, floating boat slips and a bath house building is scheduled to be completed in FY18 and FY 19. The estimated remaining project cost is \$495,000, which includes construction of the bathhouse.

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** –In November 2017, the Economic Development Authority signed an agreement with 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 Mbs and with the current generation of fiber network equipment, LTE speeds up to 1 Gbps. The performance-based incentive grant recognizes the need to enhance economic development and educational opportunities for County business and citizens.

- Hampton Roads Sanitation District (HRSD) – The transition of the County's sewer system to HSRD will provide safe, sanitary and efficient wastewater treatment services and is essential to attracting 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, enhancements to the County's Economic Development website, creation of concise marketing material to promote the County as the ideal location for work, leisure and business opportunity, comprehensive strategic planning, and expansion of the Surry County Farmer's market to provide healthy food access and economic prosperity. Economic development initiatives further include local and regional partnering and grant opportunities in alignment with creating strategies to promote business retention and expansion and to enhance quality of life.

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, 2017. 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.



Sanford B. Wanner
Interim County Administrator



Carol O. Swindell
Interim Director of Finance

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, 2018, 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, 2018, 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.

Change in Accounting Principle

As described in Note 20 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 20 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-11, 106, and 107-123 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.

Supplementary 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* 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.

Supplementary and Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Surry, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Surry, Virginia's internal control over financial reporting and compliance.

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

Richmond, Virginia
November 23, 2018

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, 2018. 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, 2018 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, 2017 and June 30, 2018.

County of Surry, Virginia's Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 20,549,616	\$ 21,859,831	\$ 3,667	\$ 3,667	\$ 21,881,158	\$ 21,881,158
Capital assets	23,021,834	21,694,117	5,618,915	5,618,915	27,103,857	27,103,857
Total assets	\$ 43,571,450	\$ 43,553,948	\$ 5,622,582	\$ 5,622,582	\$ 48,985,015	\$ 48,985,015
Pension related items	\$ 386,792	\$ 697,288	\$ -	\$ -	\$ 294,824	\$ 697,288
OPEB related items	27,634	-	-	-	27,800	-
Total deferred outflows of revenue	\$ 414,426	\$ 697,288	\$ -	\$ -	\$ 322,624	\$ 697,288
Current liabilities	\$ 684,076	\$ 764,377	\$ 40,854	\$ 22,791	\$ 724,930	\$ 787,168
Long-term liabilities:						
Due within one year	1,078,360	1,148,359	-	-	1,078,360	1,148,359
Due in more than one year	18,049,268	19,488,541	-	-	18,049,268	19,488,541
Total liabilities	\$ 19,811,704	\$ 21,401,277	\$ 40,854	\$ 22,791	\$ 19,852,558	\$ 21,424,068
Deferred revenue-property taxes	\$ 51,131	\$ 26,238	\$ -	\$ -	\$ 51,131	\$ 26,238
Pension related items	407,450	312,267	-	-	315,483	312,267
OPEB related items	39,301	-	-	-	39,301	-
Total deferred inflow of resources	\$ 497,882	\$ 338,505	\$ -	\$ -	\$ 405,915	\$ 338,505
Net investment in capital assets	\$ 9,400,418	\$ 6,655,370	\$ 450,268	\$ 5,409,740	\$ 9,850,686	\$ 12,065,110
Unrestricted	14,275,872	15,856,084	(12,070)	(1,464)	14,263,967	15,854,620
Total net position	\$ 23,676,290	\$ 22,511,454	\$ 438,198	\$ 5,408,276	\$ 24,114,653	\$ 27,919,730

Unrestricted net position of governmental activities account for \$14.3 million or 60.3% 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	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 181,234	\$ 207,653	\$ 64,486	\$ 150,495	\$ 245,720	\$ 358,148
Operating grants and contributions	2,619,000	2,586,006	-	-	2,619,000	2,586,006
General revenues:						
General property taxes	21,766,374	21,725,342	-	-	21,766,374	21,725,342
Other local taxes	780,408	610,920	-	-	780,408	610,920
Grants and other contributions not restricted	776,502	769,054	-	-	776,502	769,054
Other general revenues	533,109	296,720	-	-	533,109	296,720
Transfers	(96,900)	(794,682)	96,900	794,682	-	-
Total revenues	\$ 26,559,727	\$ 25,401,013	\$ 161,386	\$ 945,177	\$ 26,721,113	\$ 26,346,190
Expenses:						
General government administration	\$ 1,964,276	\$ 1,917,740	\$ -	\$ -	\$ 1,964,276	\$ 1,917,740
Judicial administration	873,741	888,575	-	-	873,741	888,575
Public safety	3,606,834	3,290,894	-	-	3,606,834	3,290,894
Public works	1,422,039	1,557,463	5,131,464	521,937	6,553,503	2,079,400
Health and welfare	2,302,899	2,320,721	-	-	2,302,899	2,320,721
Education	13,088,905	12,055,007	-	-	13,088,905	12,055,007
Parks, recreation, and cultural	632,537	(139,681)	-	-	632,537	(139,681)
Community development	516,728	1,018,108	-	-	516,728	1,018,108
Interest and other fiscal charges	505,507	538,332	-	-	505,507	538,332
Total expenses	\$ 24,913,466	\$ 23,447,159	\$ 5,131,464	\$ 521,937	\$ 30,044,930	\$ 23,969,096
Change in net position	\$ 1,646,261	\$ 1,953,854	\$ (4,970,078)	\$ 423,240	\$ (3,323,817)	\$ 2,377,094
Beginning of year, as restated	22,030,029	20,557,600	5,408,276	4,985,036	27,438,305	25,542,636
End of year	\$ 23,676,290	\$ 22,511,454	\$ 438,198	\$ 5,408,276	\$ 24,114,488	\$ 27,919,730

The *Statement of Activities* illustrates the general revenue sources that support the various governmental operations. Governmental activities increased the County's net position by \$1.65 million, from \$22.0 million at June 30, 2017 (as restated) to \$23.7 million at June 30, 2018. Key factors associated with the increase in net position include:

- Revenue of \$822,119 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, \$1.2M less than appropriated.

In FY18 the net position of the County's business-type activities decreased from \$5.4 million in FY2017 to \$0.44 million. This is primarily attributed to the transfer of sewer assets to Hampton Roads Sanitation District in FY2018. 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 \$26.5 million for the fiscal year ended June 30, 2018. General Fund revenue increased 2.0%, or \$506,596, in FY18. General property taxes, the largest source of revenue, were \$21.7 million, including public service corporation taxes (\$13.7 million), real estate taxes (\$6.5 million) and personal property taxes (\$1.4 million). Almost 82% 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 \$780,408 in FY18. This amount represented an increase of \$169,488, or 27.8% from the previous year.

Revenue Classified by Source - General Fund						
	June 30, 2018		June 30, 2017		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Property Taxes	\$21,670,403	81.82%	\$21,692,941	83.50%	-22,538	-0.10%
Other Local Taxes	780,408	2.95%	610,920	2.35%	169,488	27.74%
Permits, Fees & Regulatory Licenses	49,723	0.19%	39,843	0.15%	9,880	24.80%
Fines & Forfeitures	34,210	0.13%	43,375	0.17%	-9,165	-21.13%
Revenue from Use of Money & Property	325,583	1.23%	206,995	0.80%	118,588	57.29%
Charges for Services	97,301	0.37%	124,435	0.48%	-27,134	-21.81%
Miscellaneous	157,052	0.59%	34,938	0.13%	122,114	349.52%
Recovered Costs	95,520	0.36%	20,149	0.08%	75,371	374.07%
Intergovernmental:						
Commonwealth	2,345,813	8.86%	2,260,290	8.70%	85,523	3.78%
Federal	929,239	3.51%	944,770	3.64%	-15,531	-1.64%
Total Revenues	\$26,485,252	100.00%	\$25,978,656	100.00%	\$506,596	1.95%

Intergovernmental revenues allocated by the state and federal governments totaled \$3.3 million during FY18, which reflects an increase of \$69,992 or 2.2%. Revenue from the commonwealth for non-categorical aid remained essentially flat in FY18, increasing by \$235. 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 \$33,357, or 3.5%, while the other categorical aid consisting of welfare administration and federal & state grants increased by \$13,798, or 6.2%.

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, 2018		June 30, 2017		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Government Administration	\$1,655,924	6.59%	\$1,433,635	6.05%	\$222,289	15.51%
Judicial Administration	565,128	2.25%	570,201	2.41%	-5,073	-0.89%
Public Safety	3,289,980	13.09%	3,054,207	12.88%	235,773	7.72%
Public Works	1,407,940	5.60%	1,510,054	6.37%	-102,114	-6.76%
Health & Welfare	2,301,035	9.16%	2,279,521	9.62%	21,514	0.94%
Education	12,758,905	50.78%	11,871,307	50.08%	887,598	7.48%
Parks, Recreation & Cultural	597,532	2.38%	563,922	2.38%	33,610	5.96%
Community Development	486,837	1.94%	523,447	2.21%	-36,610	-6.99%
Capital Projects	171,970	0.68%	0	0.00%	171,970	N/A
Debt Service: Principal Retirement	1,125,000	4.48%	1,085,000	4.58%	40,000	3.69%
Debt Service: Interest Retirement	766,759	3.05%	813,234	3.43%	-46,475	-5.71%
Total Expenses	\$25,127,010	100.00%	\$23,704,528	100.00%	\$1,422,482	6.00%

The County's total General Fund expenses of \$25.1 million for the fiscal year ended June 30, 2018 covered a wide range of services, with 50.7% or \$12.76 million for education (payments to the School System, a component unit), 13.09% or \$3.29 million for public safety, 9.16% or \$2.30 million for health and welfare services, 7.53% or \$1.89 million to retire existing debt service, 6.59% or \$1.66 million related to general government administration, and 5.60% or \$1.41 million for public works. The remaining 7.25% 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 \$14.3 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, and the Board of Supervisors also commits fund balance for various purposes throughout the year. At June 30, 2018, the committed fund balance was \$7,372,426, and the unassigned fund balance was \$12,783,307 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.

The FY18 capital expenses totaled \$2,776,868, including these projects:

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

- o The marina project -- \$1,899,118, or 68.4%;
- o School Bus replacements -- \$200,000, or 7.2%;
- o New Rescue Squad Building -- \$193,705, or 7.0%;
- o E-911 improvements -- \$190,165, or 6.8%;
- o Lighting/Security upgrades -- \$119,057, or 4.3%;
- o Fleet vehicles -- \$77,294 or 2.8%;
- o New community center -- \$51,000, or 1.8%;
- o Water upgrades -- \$17,877, or 0.6%;
- o Telephone system -- \$13,865, or 0.5%;
- o Miscellaneous other projects -- \$14,788, or 0.5%.

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. FY18 had General Fund operating expenses of \$1,229,110 below the revised budget. The County's budget was amended during the year to reflect grants, carryover of unspent appropriations from FY17 and other unanticipated revenues. The difference between the original adopted budget and the amended budget was \$1,089,736 or 4.3%.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2018 totaled \$23.0 million (net of accumulated depreciation). This represents a net increase of \$1.33 million, due primarily to capital additions. The investment in capital assets includes land and land improvements, buildings, infrastructure and machinery & equipment. Additional information on the County's capital assets can be found in Note 5 of this report.

Long-Term Debt - At the end of the current fiscal year, the County had total debt outstanding of \$16.3 million, excluding bond premiums, compensated absences, and landfill post-closure liability. Of this amount, \$2.0 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 \$2.0 million of the total outstanding general obligation bonds of the governmental activities.

During the current fiscal year, the County's total debt decreased by \$1,778,185, 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, 2018 was 3.9%, 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 FY19 operating budget for all funds is \$45.0 million (including transfers to other funds), an increase of 1.0% over the FY18 budget. The FY19 Capital budget is \$9.9 million, an increase of 10.8% from the FY18 capital budget.
- Tax rates for future periods are dependent on the effects of fluctuations in the assessed valuations of public

Surry County, Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS

service corporations and real property.

- For 2018, 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.

County of Surry, Virginia
Statement of Net Position
June 30, 2018

	Primary Government				
	Governmental	Business-type		Component Units	
	Activities	Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	\$ 16,101,728	\$ 19,813	\$ 16,121,541	\$ 1,782,784	\$ 40,264
Receivables (net of allowance for uncollectibles):					
Taxes receivable	526,710	-	526,710	-	-
Accounts receivable	28,935	8,971	37,906	16,000	-
Due from other governmental units	963,461	-	963,461	328,239	23,976
Restricted assets:					
Bond construction escrow	2,928,782	-	2,928,782	-	-
Capital assets (net of accumulated depreciation):					
Land and land improvements	1,811,163	3,636	1,814,799	158,330	-
Buildings and system	16,603,680	410,634	17,014,314	5,580,843	-
Infrastructure	-	-	-	129,068	-
Equipment	1,288,281	35,998	1,324,279	2,001,151	-
Infrastructure	660,281	-	660,281	-	-
Construction in progress	2,658,429	-	2,658,429	-	-
Total assets	\$ 43,571,450	\$ 479,052	\$ 44,050,502	\$ 9,996,415	\$ 64,240
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 386,792	\$ -	\$ 386,792	\$ 1,577,571	\$ -
OPEB related items	27,634	-	27,634	143,998	-
Total deferred outflows of resources	\$ 414,426	\$ -	\$ 414,426	\$ 1,721,569	\$ -
LIABILITIES					
Accounts payable	\$ 449,561	\$ 40,854	\$ 490,415	\$ 121,159	\$ -
Accrued liabilities	-	-	-	1,410,973	-
Accrued interest payable	210,539	-	210,539	-	-
Due to other governmental units	23,976	-	23,976	592,123	-
Long-term liabilities:					
Due within one year	1,078,360	-	1,078,360	5,751	-
Due in more than one year	18,049,268	-	18,049,268	15,726,958	-
Total liabilities	\$ 19,811,704	\$ 40,854	\$ 19,852,558	\$ 17,856,964	\$ -
DEFERRED INFLOW OF RESOURCES					
Deferred revenue - property taxes	\$ 51,131	\$ -	\$ 51,131	\$ -	\$ -
Pension related items	407,450	-	407,450	2,239,391	-
OPEB related items	39,301	-	39,301	116,529	-
Total deferred inflow of resources	\$ 497,882	\$ -	\$ 497,882	\$ 2,355,920	\$ -
NET POSITION					
Net investment in capital assets	\$ 9,400,418	\$ 450,268	\$ 9,850,686	\$ 7,869,392	\$ -
Unrestricted	14,275,872	(12,070)	14,263,802	(16,364,292)	64,240
Total net position	\$ 23,676,290	\$ 438,198	\$ 24,114,488	\$ (8,494,900)	\$ 64,240

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, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
PRIMARY GOVERNMENT:					
Governmental activities:					
General government administration	\$ 1,964,276	\$ 14,928	\$ 181,318	\$ -	
Judicial administration	873,741	43,015	359,623	-	
Public safety	3,606,834	62,557	704,344	-	
Public works	1,422,039	39,897	6,038	-	
Health and welfare	2,302,899	-	1,240,414	-	
Education	13,088,905	-	-	-	
Parks, recreation, and cultural	632,537	20,837	124,263	-	
Community development	516,728	-	3,000	-	
Interest on long-term debt	505,507	-	-	-	
Total governmental activities	<u>\$ 24,913,466</u>	<u>\$ 181,234</u>	<u>\$ 2,619,000</u>	<u>\$ -</u>	
Business-type activities:					
Water and sewer	\$ 5,131,464	\$ 64,486	\$ -	\$ -	
Total business-type activities	<u>\$ 5,131,464</u>	<u>\$ 64,486</u>	<u>\$ -</u>	<u>\$ -</u>	
Total primary government	<u>\$ 30,044,930</u>	<u>\$ 245,720</u>	<u>\$ 2,619,000</u>	<u>\$ -</u>	
COMPONENT UNITS:					
School Board	\$ 15,899,237	\$ 139,589	\$ 3,720,478	\$ -	
Economic Development Authority	69,309	32,624	-	-	
Total component unit	<u>\$ 15,968,546</u>	<u>\$ 172,213</u>	<u>\$ 3,720,478</u>	<u>\$ -</u>	

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, as restated
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
\$ (1,768,030)		\$ (1,768,030)		
(471,103)		(471,103)		
(2,839,933)		(2,839,933)		
(1,376,104)		(1,376,104)		
(1,062,485)		(1,062,485)		
(13,088,905)		(13,088,905)		
(487,437)		(487,437)		
(513,728)		(513,728)		
(505,507)		(505,507)		
<u>\$ (22,113,232)</u>		<u>\$ (22,113,232)</u>		
	\$ (5,066,978)	\$ (5,066,978)		
	<u>\$ (5,066,978)</u>	<u>\$ (5,066,978)</u>		
		<u>\$ (27,180,210)</u>		
			\$ (12,039,170)	\$ -
			-	(36,685)
			<u>\$ (12,039,170)</u>	<u>\$ (36,685)</u>
\$ 21,766,374	\$ -	\$ 21,766,374	\$ -	\$ -
464,274	-	464,274	-	-
133,633	-	133,633	-	-
182,501	-	182,501	-	-
368,134	-	368,134	389	38
164,975	-	164,975	9,034	-
-	-	-	12,739,855	-
776,502	-	776,502	-	-
(96,900)	96,900	-	-	-
<u>\$ 23,759,493</u>	<u>\$ 96,900</u>	<u>\$ 23,856,393</u>	<u>\$ 12,749,278</u>	<u>\$ 38</u>
\$ 1,646,261	\$ (4,970,078)	\$ (3,323,817)	\$ 710,108	\$ (36,647)
22,030,029	5,408,276	27,438,305	(9,205,008)	100,887
<u>\$ 23,676,290</u>	<u>\$ 438,198</u>	<u>\$ 24,114,488</u>	<u>\$ (8,494,900)</u>	<u>\$ 64,240</u>

County of Surry, Virginia
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 19,523,138	\$ -	\$ 465,413	\$ 19,988,551
Receivables (net of allowance for uncollectibles):				
Taxes receivable	526,710	-	-	526,710
Accounts receivable	28,935	-	-	28,935
Due from other funds	1,001	-	-	1,001
Due from other governmental units	963,461	-	-	963,461
Restricted assets:				
Bond construction funds	-	2,928,782	-	2,928,782
Total assets	<u>\$ 21,043,245</u>	<u>\$ 2,928,782</u>	<u>\$ 465,413</u>	<u>\$ 24,437,440</u>
LIABILITIES				
Accounts payable	\$ 353,024	\$ 96,537	\$ -	\$ 449,561
Reconciled overdraft payable	14,091	3,872,732	-	3,886,823
Due to other funds	-	-	1,001	1,001
Due to other governmental units	23,976	-	-	23,976
Total liabilities	<u>\$ 391,091</u>	<u>\$ 3,969,269</u>	<u>\$ 1,001</u>	<u>\$ 4,361,361</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 496,421	\$ -	\$ -	\$ 496,421
Total deferred inflows of resources	<u>\$ 496,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 496,421</u>
FUND BALANCES				
Committed	\$ 7,372,426	\$ (1,040,487)	\$ 421,627	\$ 6,753,566
Assigned	-	-	42,785	42,785
Unassigned	12,783,307	-	-	12,783,307
Total fund balances	<u>\$ 20,155,733</u>	<u>\$ (1,040,487)</u>	<u>\$ 464,412</u>	<u>\$ 19,579,658</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 21,043,245</u>	<u>\$ 2,928,782</u>	<u>\$ 465,413</u>	<u>\$ 24,437,440</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, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 19,579,658

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

Capital assets, cost	\$ 39,763,443	
Accumulated depreciation	<u>(16,741,609)</u>	23,021,834

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

Unavailable revenue - property taxes		445,290
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Deferred outflows of resources are not available to pay for current-period expenditures and,
therefore, are not reported in the funds.

Pension related items	\$ 386,792	
OPEB related items	<u>27,634</u>	414,426

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	\$ (1,985,000)	
Revenue bond	(12,910,000)	
Bond issuance premiums	(1,655,198)	
Net OPEB liability	(453,608)	
Net pension liability	(972,615)	
Compensated absences	(233,603)	
Landfill postclosure care	(917,604)	
Accrued interest payable	<u>(210,539)</u>	(19,338,167)

Deferred inflows of resources are not due and payable in the current period and, therefore,
are not reported in the funds.

Pension related items	\$ (407,450)	
OPEB related items	<u>(39,301)</u>	(446,751)

Net position of governmental activities		<u><u>\$ 23,676,290</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, 2018

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 21,670,403	\$ -	\$ -	\$ 21,670,403
Other local taxes	780,408	-	-	780,408
Permits, privilege fees, and regulatory licenses	49,723	-	-	49,723
Fines and forfeitures	34,210	-	-	34,210
Revenue from the use of money and property	325,583	42,524	27	368,134
Charges for services	97,301	-	-	97,301
Miscellaneous	157,052	-	7,923	164,975
Recovered costs	95,520	-	-	95,520
Intergovernmental:				
Commonwealth	2,345,813	120,450	-	2,466,263
Federal	929,239	-	-	929,239
Total revenues	<u>\$ 26,485,252</u>	<u>\$ 162,974</u>	<u>\$ 7,950</u>	<u>\$ 26,656,176</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,655,924	\$ -	\$ -	\$ 1,655,924
Judicial administration	565,128	-	-	565,128
Public safety	3,289,980	-	-	3,289,980
Public works	1,407,940	-	-	1,407,940
Health and welfare	2,301,035	-	-	2,301,035
Education	12,758,905	-	-	12,758,905
Parks, recreation, and cultural	597,532	-	-	597,532
Community development	486,837	-	17,621	504,458
Capital projects	171,970	2,776,868	-	2,948,838
Debt service:				
Principal retirement	1,125,000	-	-	1,125,000
Interest and other fiscal charges	766,759	-	-	766,759
Total expenditures	<u>\$ 25,127,010</u>	<u>\$ 2,776,868</u>	<u>\$ 17,621</u>	<u>\$ 27,921,499</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,358,242</u>	<u>\$ (2,613,894)</u>	<u>\$ (9,671)</u>	<u>\$ (1,265,323)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 348,097	\$ 80,000	\$ 428,097
Transfers out	(524,997)	-	-	(524,997)
Total other financing sources (uses)	<u>\$ (524,997)</u>	<u>\$ 348,097</u>	<u>\$ 80,000</u>	<u>\$ (96,900)</u>
Net change in fund balances	\$ 833,245	\$ (2,265,797)	\$ 70,329	\$ (1,362,223)
Fund balances - beginning	19,322,488	1,225,310	394,083	20,941,881
Fund balances - ending	<u>\$ 20,155,733</u>	<u>\$ (1,040,487)</u>	<u>\$ 464,412</u>	<u>\$ 19,579,658</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, 2018

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

Net change in fund balances - total governmental funds	\$ (1,362,223)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$ 2,459,024	
Depreciation expense	(1,148,961)	
Activity related to joint tenancy assets of Component Unit and Primary Government	17,654	1,327,717

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

Property taxes	95,971
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

Principal retired on school general obligation bonds	\$ 130,000	
Principal retired on revenue bond	995,000	
Bond premium amortization	249,807	1,374,807

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	\$ (18)	
Pension expense	198,637	
OPEB expense	16,150	
Decrease (increase) in landfill postclosure care	(16,225)	
Decrease (increase) in accrued interest payable	11,445	209,989

Change in net position of governmental activities	\$ 1,646,261
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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, 2018

	<u>Enterprise Fund Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 19,813
Accounts receivable, net of allowance for uncollectibles	8,971
Total current assets	<u>\$ 28,784</u>
Noncurrent assets:	
Capital assets:	
Land and land improvements	\$ 3,636
Utility plant in service	754,467
Equipment	119,992
Accumulated depreciation	(427,827)
Total net capital assets	<u>\$ 450,268</u>
Total noncurrent assets	<u>\$ 450,268</u>
Total assets	<u>\$ 479,052</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 40,854
Total current liabilities	<u>\$ 40,854</u>
Total liabilities	<u>\$ 40,854</u>
NET POSITION	
Investment in capital assets	\$ 450,268
Unrestricted	<u>(12,070)</u>
Total net position	<u>\$ 438,198</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, 2018

	Enterprise Fund Water and <u>Sewer</u>
OPERATING REVENUES	
Charges for services:	
Water and sewer revenues	\$ 64,486
Total operating revenues	<u>\$ 64,486</u>
OPERATING EXPENSES	
Other supplies and expenses	\$ 171,992
Depreciation	24,861
Total operating expenses	<u>\$ 196,853</u>
Operating income (loss)	<u>\$ (132,367)</u>
NONOPERATING REVENUES (EXPENSES)	
Contribution to Hampton Roads Sanitary District	\$ (4,934,611)
Total nonoperating revenues (expenses)	<u>\$ (4,934,611)</u>
Income before transfers	<u>\$ (5,066,978)</u>
Transfers in	<u>\$ 96,900</u>
Change in net position	\$ (4,970,078)
Total net position- beginning	5,408,276
Total net position - ending	<u><u>\$ 438,198</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, 2018

	Enterprise Fund Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 76,842
Payments to suppliers	(153,929)
Net cash provided by (used for) operating activities	<u>\$ (77,087)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 96,900
Net cash provided by (used for) noncapital financing activities	<u>\$ 96,900</u>
Net increase (decrease) in cash and cash equivalents	\$ 19,813
Cash and cash equivalents - beginning	-
Cash and cash equivalents - ending	<u><u>\$ 19,813</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (132,367)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	24,861
(Increase) decrease in accounts receivable	12,356
Increase (decrease) in accounts payable	18,063
Total adjustments	<u>\$ 55,280</u>
Net cash provided by (used for) operating activities	<u><u>\$ (77,087)</u></u>

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

County of Surry, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 157,777
Total assets	<u>\$ 157,777</u>
LIABILITIES	
Accounts payable	\$ 11,459
Amounts held for social services clients	38,641
Amounts held for others	107,677
Total liabilities	<u>\$ 157,777</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, 2018

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.

Notes to Financial Statements (Continued)
As of June 30, 2018

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, 2018.

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, 2018.

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, 2018. 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 \$64,127 to the District 19 Community Services Board for the fiscal year ended June 30, 2018.

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, 2018

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 \$62,652 at June 30, 2018 and is comprised of property taxes of \$58,539 and water and sewer charges of \$4,113.

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, 2018

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 formal resolution of the Board. Assigned fund balance is also established by Board of Supervisors.

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.

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

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	\$ 7,372,426	\$ -	\$ -	\$ 7,372,426
Capital Improvements	-	(1,040,487)	-	(1,040,487)
DEA Task Force	-	-	52,837	52,837
Economic Development	-	-	368,790	368,790
Total Committed Fund Balance	\$ 7,372,426	\$ (1,040,487)	\$ 421,627	\$ 6,753,566
Assigned:				
Indoor plumbing	\$ -	\$ -	\$ 42,785	\$ 42,785
Total Assigned Fund Balance	\$ -	\$ -	\$ 42,785	\$ 42,785
Unassigned	\$ 12,783,307	\$ -	\$ -	\$ 12,783,307
Total Fund Balances	\$ 20,155,733	\$ (1,040,487)	\$ 464,412	\$ 19,579,658

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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 and School Board's Retirement Plan and the additions to/deductions from the County's and School Board'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. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the VRS Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Medical and Dental Pay-As-You Go

For purposes of measuring the medical and dental pay-as-you go liability, deferred outflows of resources and deferred inflows of resources related to the Plan's OPEB, and the related OPEB expenses, information about the fiduciary net position of the County's and School Board's Medical and Dental Pay- As-You go Plan and the additions to/deductions from the County's and School Board's OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by the actuary. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

P. 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.

Q. 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 one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB measurement date. For more detailed information, reference the related notes.

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

Q. Deferred Outflows/Inflows of Resources (Continued)

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 multiple 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 and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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 exceeded appropriations in the Water and Sewer Fund at June 30, 2018.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

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, 2018 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	\$ 16,440,417
Virginia State Non-Arbitrage Pool	<u>2,932,823</u>
Total	<u>\$ 19,373,240</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

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	\$ 16,440,417	\$ 16,440,417
Virginia State Non-Arbitrage Pool	2,932,823	2,932,823
Total	<u>\$ 19,373,240</u>	<u>\$ 19,373,240</u>

External Investment Pools

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 and SNAP are 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, 2018

Note 4—Due to/from Other Governments:

At June 30, 2018, the County has receivables due from other governments as follows:

	Primary Government	Component Unit School Board	Component Unit EDA
Other Local Governments:			
Surry County School Board	\$ 592,123	\$ -	\$ -
County of Surry	-	-	23,976
Commonwealth of Virginia:			
Local sales tax	90,995	-	-
State Sales Tax	-	114,728	-
Constitutional officer reimbursements	105,488	-	-
Recordation tax	7,261	-	-
Mobile home titling tax	240	-	-
Communications tax	7,545	-	-
Comprehensive services act	9,048	-	-
Wireless funds	12,529	-	-
Welfare	29,179	-	-
Victim-witness grant	10,694	-	-
Federal Government:			
JROTC	-	6,089	-
Transportation safety	4,172	-	-
Victim-witness grant	32,082	-	-
School fund grants	-	207,422	-
Welfare	62,105	-	-
Total due from other governments	<u>\$ 963,461</u>	<u>\$ 328,239</u>	<u>\$ 23,976</u>

At June 30, 2018, amounts due to other local governments are as follows:

Other Local Governments:			
County of Surry	\$ -	\$ 592,123	\$ -
EDA	<u>23,976</u>	<u>-</u>	<u>-</u>
Total due to other governments	<u>\$ 23,976</u>	<u>\$ 592,123</u>	<u>\$ -</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<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	2,222,573	302,084	2,658,429
Total capital assets not subject to depreciation	<u>\$ 2,549,103</u>	<u>\$ 2,222,573</u>	<u>\$ 302,084</u>	<u>\$ 4,469,592</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 21,373,286	\$ -	\$ -	\$ 21,373,286
Equipment	5,995,718	538,535	-	6,534,253
Infrastructure	734,835	-	-	734,835
Jointly owned assets	6,592,320	-	(59,157)	6,651,477
Total capital assets subject to depreciation	<u>\$ 34,696,159</u>	<u>\$ 538,535</u>	<u>\$ (59,157)</u>	<u>\$ 35,293,851</u>
Accumulated depreciation:				
Buildings and improvements	\$ 6,221,900	\$ 532,706	\$ -	\$ 6,754,606
Equipment	4,795,742	450,230	-	5,245,972
Infrastructure	56,183	18,371	-	74,554
Jointly owned assets	4,477,320	147,654	(41,503)	4,666,477
Total accumulated depreciation	<u>\$ 15,551,145</u>	<u>\$ 1,148,961</u>	<u>\$ (41,503)</u>	<u>\$ 16,741,609</u>
Total capital assets subject to depreciation, net	<u>\$ 19,145,014</u>	<u>\$ (610,426)</u>	<u>\$ (17,654)</u>	<u>\$ 18,552,242</u>
Governmental activities capital assets, net	<u>\$ 21,694,117</u>	<u>\$ 1,612,147</u>	<u>\$ 284,430</u>	<u>\$ 23,021,834</u>

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 5—Capital Assets: (Continued)

A summary of proprietary fund property, plant, and equipment at June 30, 2018 follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<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	\$ -	\$ 7,143,709	\$ 754,467
Equipment	177,200	-	57,208	119,992
Total capital assets subject to depreciation	\$ 8,075,376	\$ -	\$ 7,200,917	\$ 874,459
Accumulated depreciation:				
Utility Plant in Service	\$ 2,545,511	\$ 18,862	\$ 2,220,540	\$ 343,833
Equipment	123,761	5,999	45,766	83,994
Total accumulated depreciation	\$ 2,669,272	\$ 24,861	\$ 2,266,306	\$ 427,827
Total capital assets subject to depreciation, net	\$ 5,406,104	\$ (24,861)	\$ 4,934,611	\$ 446,632
Business-type activities capital assets, net	\$ 5,409,740	\$ (24,861)	\$ 4,934,611	\$ 450,268

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
<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	\$ 5,757,863	\$ 572,901	\$ -	\$ 6,330,764
Building improvement	184,686	-	-	184,686
Jointly owned assets	18,759,831	-	59,157	18,700,674
Total capital assets subject to depreciation	\$ 24,702,380	\$ 572,901	\$ 59,157	\$ 25,216,124
Accumulated depreciation:				
Equipment	\$ 4,045,132	\$ 284,481	\$ -	\$ 4,329,613
Building improvement	51,001	4,617	-	55,618
Jointly owned assets	12,741,153	420,181	41,503	13,119,831
Total accumulated depreciation	\$ 16,837,286	\$ 709,279	\$ 41,503	\$ 17,505,062
Total capital assets subject to depreciation, net	\$ 7,865,094	\$ (136,378)	\$ 17,654	\$ 7,711,062
Component unit school board capital assets, net	\$ 8,023,424	\$ (136,378)	\$ 17,654	\$ 7,869,392

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 151,665
Judicial administration	330,796
Public safety	397,187
Public works	37,527
Health and welfare	13,803
Education	147,654
Parks, recreation and cultural	41,697
Community development	<u>28,632</u>
Total Governmental activities	<u>\$ 1,148,961</u>
Business-type activities	<u>\$ 24,861</u>
Component Unit School Board	<u>\$ 709,279</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, 2018, is that school financed assets in the amount of \$1,985,000 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, 2018

Note 6—Interfund Transfers and Obligations:

Interfund transfers for the year ended June 30, 2018 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 524,997
Other governmental funds	80,000	-
County Capital Projects Fund	348,097	-
Water and Sewer Fund	96,900	-
Total	<u>\$ 524,997</u>	<u>\$ 524,997</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, 2018 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Primary Government:		
General Fund	\$ 1,001	\$ -
Other governmental funds	-	1,001
Total	<u>\$ 1,001</u>	<u>\$ 1,001</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, 2018

Note 7—Long Term Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2018:

Primary Government:

	Restated Balance at July 1, 2017	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2018	Amounts Due Within One Year
Governmental Activities:					
Incurred by County:					
Compensated absences					
(payloadable by General Fund)	\$ 233,585	\$ 23,377	\$ 23,359	\$ 233,603	\$ 23,360
Lease revenue bond	13,905,000	-	995,000	12,910,000	920,000
Bond premium	1,863,196	-	246,323	1,616,873	-
Net pension liability					
(payloadable by General Fund)	1,576,931	1,771,155	2,375,471	972,615	-
Net OPEB liabilities					
(payloadable by General Fund)	502,477	24,616	73,485	453,608	-
Landfill postclosure care	901,379	16,225	-	917,604	-
Total incurred by County	<u>\$ 18,982,568</u>	<u>\$ 1,835,373</u>	<u>\$ 3,713,638</u>	<u>\$ 17,104,303</u>	<u>\$ 943,360</u>
Incurred by School Board:					
General obligation bonds	\$ 2,115,000	\$ -	\$ 130,000	\$ 1,985,000	\$ 135,000
Bond premium	41,809	-	3,484	38,325	-
Total incurred by School Board	<u>\$ 2,156,809</u>	<u>\$ -</u>	<u>\$ 133,484</u>	<u>\$ 2,023,325</u>	<u>\$ 135,000</u>
Total Governmental Activities	<u><u>\$ 21,139,377</u></u>	<u><u>\$ 1,835,373</u></u>	<u><u>\$ 3,847,122</u></u>	<u><u>\$ 19,127,628</u></u>	<u><u>\$ 1,078,360</u></u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

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
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>\$ 12,910,000</u>	<u>\$ 4,327,243</u>	<u>\$ 1,985,000</u>	<u>\$ 624,367</u>

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

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>\$ 12,910,000</u>
Bond issuance premium	<u>\$ 1,616,873</u>
Landfill postclosure care (Note 14)	<u>\$ 917,604</u>
Net pension liability (payable by General Fund)	<u>\$ 972,615</u>
Net OPEB liabilities (payable by General Fund)	<u>\$ 453,608</u>
Compensated absences (payable by General Fund)	<u>\$ 233,603</u>
Total incurred by County	<u>\$ 17,104,303</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>\$ 1,985,000</u>
Bond issuance premium	<u>\$ 38,325</u>
Total incurred by School Board	<u>\$ 2,023,325</u>
Total Long-Term Obligations, Governmental Activities	<u><u>\$ 19,127,628</u></u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

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, 2018:

	Restated Balance at July 1, 2017	Increases	Decreases	Balance at June 30, 2018	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences (payable by School Fund)	\$ 56,671	\$ 6,510	\$ 5,667	\$ 57,514	\$ 5,751
Net pension liability	15,116,079	2,832,966	4,832,106	13,116,939	-
Net OPEB liabilities	2,707,874	157,046	306,664	2,558,256	-
Total Component Unit-School Board	<u>\$ 17,880,624</u>	<u>\$ 2,996,522</u>	<u>\$ 5,144,437</u>	<u>\$ 15,732,709</u>	<u>\$ 5,751</u>

Note 8—Deferred/Unavailable Revenue:

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. Under the accrual basis, assessments for future periods are deferred. Deferred/unavailable revenue totaling \$496,421 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	\$ -	\$ 445,290
Prepaid property taxes due in December but paid in advance by taxpayers	<u>51,131</u>	<u>51,131</u>
Total	<u>\$ 51,131</u>	<u>\$ 496,421</u>

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

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, 2018, 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, 2018

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
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.	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.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

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.) • 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.
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 and they have not taken a refund. Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	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. 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. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • 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. *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • 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, 2018

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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.	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.	*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.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. 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.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	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.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	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. <u>Defined Contribution 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. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions.

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) <u>Defined Contribution Component:</u> (Cont.) • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1. <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.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. 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.	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. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%. 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. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.
Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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. 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.	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. Political subdivisions hazardous duty employees: Same as Plan 1.	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. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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. Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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%. <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. 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. <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: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability.	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%. <u>Eligibility:</u> Same as Plan 1. <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Not applicable. <u>Eligibility:</u> Same as Plan 1 and Plan 2. <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates: (Cont.)</u> • 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.	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates: (Cont.)</u> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates: (Cont.)</u> Same as Plan 1 and Plan 2.
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage 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.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage (Cont.)	Disability Coverage (Cont.)	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.
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. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018

Note 12—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2016 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	47	75
Inactive members:		
Vested inactive members	8	4
Non-vested inactive members	13	12
Inactive members active elsewhere in VRS	23	15
Total inactive members	44	31
Active members	92	46
Total covered employees	183	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 employer contribution rate for the year ended June 30, 2018 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 \$273,088 and \$280,187 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually employer required contribution rate for nonprofessional employees for the year ended June 30, 2018 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.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2018

Note 12—Pension Plan: (Continued)

Contributions (Continued)

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 \$96,055 and \$100,849 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016, 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, 2017.

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:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

Mortality rates: (Continued)

All Others (Non 10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 Increased age 50 rates, and lowered rates at older ages
Retirement Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	No change
Salary Scale	Decreased rate from 60% to 45%
Line of Duty Disability	

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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, 2019, 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, 2019 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

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 12—Pension Plan: (Continued)

Discount Rate (Continued)

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, 2016	\$ 17,258,061	\$ 15,681,130	\$ 1,576,931
Changes for the year:			
Service cost	\$ 434,734	\$ -	\$ 434,734
Interest	1,170,206	-	1,170,206
Differences between expected and actual experience	124,012	-	124,012
Assumption changes	29,310	-	29,310
Contributions - employer	-	272,074	(272,074)
Contributions - employee	-	219,825	(219,825)
Net investment income	-	1,883,572	(1,883,572)
Benefit payments, including refunds			
Refunds of employee contributions	(1,081,657)	(1,081,657)	-
Administrative expenses	-	(11,235)	11,235
Other changes	-	(1,658)	1,658
Net changes	\$ 676,605	\$ 1,280,921	\$ (604,316)
Balances at June 30, 2017	\$ 17,934,666	\$ 16,962,051	\$ 972,615

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

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, 2016	\$ 5,943,096	\$ 4,949,017	\$ 994,079
Changes for the year:			
Service cost	\$ 99,250	\$ -	\$ 99,250
Interest	401,621	-	401,621
Differences between expected and actual experience	(44,242)	-	(44,242)
Assumption changes	(3,930)	-	(3,930)
Contributions - employer	-	96,895	(96,895)
Contributions - employee	-	45,755	(45,755)
Net investment income	-	587,284	(587,284)
Benefit payments, including refunds			
Refunds of employee contributions	(411,306)	(411,306)	-
Administrative expenses	-	(3,581)	3,581
Other changes	-	(514)	514
Net changes	\$ 41,393	\$ 314,533	\$ (273,140)
Balances at June 30, 2017	\$ 5,984,489	\$ 5,263,550	\$ 720,939

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)	\$ 3,233,127	\$ 972,615	\$ (918,243)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 1,388,610	\$ 720,939	\$ 157,377

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

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, 2018, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$71,286 and \$(18,580) respectively. At June 30, 2018, 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	\$ 91,968	\$ 177,099	\$ -	\$ 66,662
Change in assumptions	21,736	-	-	2,135
Net difference between projected and actual earnings on pension plan investments	-	230,351	-	70,594
Employer contributions subsequent to the measurement date	273,088	-	96,055	-
Total	<u>\$ 386,792</u>	<u>\$ 407,450</u>	<u>\$ 96,055</u>	<u>\$ 139,391</u>

\$273,088 and \$96,055 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 ending June 30, 2019. 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)
2019	\$ (250,135)	\$ (115,886)
2020	78,838	23,372
2021	38,949	3,202
2022	(161,398)	(50,079)
2023	-	-
Thereafter	-	-

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

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 provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

Each School Division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% 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 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. Contributions to the pension plan from the school division were \$1,298,516 and \$1,159,872 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$12,396,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.10080% as compared to 0.10077% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$620,000. 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.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

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)

At June 30, 2018, 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	\$ -	\$ 878,000
Change in assumptions	181,000	-
Net difference between projected and actual earnings on pension plan investments	-	450,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,000	772,000
Employer contributions subsequent to the measurement date	<u>1,298,516</u>	<u>-</u>
Total	\$ <u>1,481,516</u>	\$ <u>2,100,000</u>

\$1,298,516 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 ending June 30, 2019. 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>	
2019	\$ (782,000)
2020	(286,000)
2021	(329,000)
2022	(475,000)
2023	(45,000)
Thereafter	-

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

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, 2016, 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, 2017.

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-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

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, 2017, 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	\$ 45,417,520
Plan Fiduciary Net Position	33,119,545
Employers' Net Pension Liability (Asset)	<u><u>\$ 12,297,975</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%

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, 2018

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:

Asset Class (Strategy)	Target 47	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	8.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Asests	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	116.00%		4.80%
		Inflation	2.50%
		92 tic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each one of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

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, 2019, 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, 2019 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 (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) \$	18,511,000 \$	12,396,000 \$	7,337,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13—Group Life Insurance (GLI) Program (OPEB PLAN):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Note 13—Group Life Insurance (GLI) Program (OPEB PLAN): (Continued)

*Plan Description (Continued)***GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)****Benefit Amounts**

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** - The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - o Accidental dismemberment benefit
 - o Safety belt benefit
 - o Repatriation benefit
 - o Felonious assault benefit
 - o Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the County were \$21,634 and \$21,052 for the years ended June 30, 2018 and June 30, 2017, respectively.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 13—Group Life Insurance (GLI) Program (OPEB PLAN): (Continued)

Contributions (Continued)

Contributions to the Group Life Insurance Program from the Component Unit School Board professional group were \$41,303 and \$41,094 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the Group Life Insurance Program from the Component Unit School Board nonprofessional group were \$4,997 and \$4,994 for the years ended June 30, 2018 and June 30, 2017, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the County reported a liability of \$330,000 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$645,000 and \$78,000, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the County's proportion was .02195% as compared to .02157% at June 30, 2016. At June 30, 2017, the Component Unit School Board professional and nonprofessional groups' proportion was .04285% and .00521%, respectively as compared to .04275% and .00535% respectively at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of \$5,000. For the year ended June 30, 2018, the Component Unit School Board professional group recognized GLI OPEB expense of \$9,000. For the year ended June 30, 2018, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of (\$1,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component School Board (professional)		Component School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 8,000	\$ -	\$ 15,000	\$ -	\$ 2,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	12,000	-	24,000	-	3,000
Change in assumptions	6,000	17,000	-	33,000	-	4,000
Employer contributions subsequent to the measurement date	21,634	-	41,303	-	4,997	-
Total	\$ 27,634	\$ 37,000	\$ 41,303	\$ 72,000	\$ 4,997	\$ 9,000

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 13—Group Life Insurance (GLI) Program (OPEB PLAN): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

\$21,634, \$41,303, and \$4,997, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (professional)	Component Unit School Board (nonprofessional)
2019	\$ (7,000)	\$ (15,000)	\$ (2,000)
2020	(7,000)	(15,000)	(2,000)
2021	(7,000)	(15,000)	(2,000)
2022	(7,000)	(15,000)	(2,000)
2023	(3,000)	(9,000)	(1,000)
Thereafter	-	(3,000)	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, 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 OPEB liabilities.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 13—Group Life Insurance (GLI) Program (OPEB PLAN): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 13—Group Life Insurance (GLI) Program (OPEB PLAN): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 13—Group Life Insurance (GLI) Program (OPEB PLAN): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 13—Group Life Insurance (GLI) Program (OPEB PLAN): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Note 13—Group Life Insurance (GLI) Program (OPEB PLAN): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

- Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.
- Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.
- Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 13—Group Life Insurance (GLI) Program (OPEB PLAN): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 13—Group Life Insurance (GLI) Program (OPEB PLAN): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 13—Group Life Insurance (GLI) Program (OPEB PLAN): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 13—Group Life Insurance (GLI) Program (OPEB PLAN): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and Retirement Rates)	Updated to a more current mortality table - RP-2014 projected to 2020
Withdrawal Rates	Increased age 50 rates and lowered rates at older ages
Disability Rates	Adjusted termination rates to better fit experience at each age and service year
Salary Scale	Adjusted rates to better match experience
Line of Duty Disability	No change
	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

The total GLI OPEB 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 GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 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, 2018

Note 13—Group Life Insurance (GLI) Program (OPEB PLAN): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's 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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB 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 guidance 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, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 13—Group Life Insurance (GLI) Program (OPEB PLAN): (Continued)

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB 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's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 427,000	\$ 330,000	\$ 251,000
Component School Board (professional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 834,000	\$ 645,000	\$ 491,000
Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 101,000	\$ 78,000	\$ 60,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 14—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
Eligible Employees The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
Benefit Amounts The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • <u>At Retirement</u> - For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • <u>Disability Retirement</u> - For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: - o \$4.00 per month, multiplied by twice the amount of service credit, or - o \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
Health Insurance Credit Program Notes: • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Note 14—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate 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 from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$97,698 and \$87,719 for the years ended June 30, 2018 and June 30, 2017, respectively.

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB

At June 30, 2018, the school division reported a liability of \$1,270,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was .10013% as compared to .10076% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$102,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 2,000
Change in assumptions	-	13,000
Change in proportion	-	7,000
Employer contributions subsequent to the measurement date	<u>97,698</u>	<u>-</u>
Total	<u>\$ 97,698</u>	<u>\$ 22,000</u>

\$97,698 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

2019	\$ (4,000)
2020	(4,000)
2021	(4,000)
2022	(4,000)
2023	(3,000)
Thereafter	(3,000)

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2018

Note 14—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, 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 OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,364,702
Plan Fiduciary Net Position		96,091
Teacher Employee net HIC OPEB Liability (Asset)	\$	1,268,611
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		
		7.04%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 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, 2018

Note 14—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the VRS 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 VRS 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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.

Note 14—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)***Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate***

The following presents the school division's proportionate share of the VRS Teacher Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net HIC OPEB 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 HIC OPEB Plan			
Net HIC OPEB Liability	\$ 1,418,000	\$ 1,270,000	\$ 1,145,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018

Note 15—Medical and Dental Pay-As-You-Go (OPEB PLAN):

County and School Board

Plan Description

In addition to the pension benefits described in Note 12, the County administers a single-employer defined benefit healthcare plan, The County of Surry Postretirement Benefits Plan. The plan provides post-employment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

In addition to the pension benefits described in Note 12, the Component Unit School Board administers a single-employer defined benefit healthcare plan, The Surry County Public Schools Postretirement Benefits Plan. The plan provides post-employment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits are provided to eligible retirees include medical and dental insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the County who meet eligibility requirements of the pension plan are eligible to receive post-employment health care benefits. No benefits are provided to Medicare eligible retirees or their spouses.

Postemployment benefits are provided to eligible retirees include medical and dental insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the School Board who meet eligibility requirements of the pension plan are eligible to receive post-employment health care benefits. Retirees and spouses that became eligible for Medicare are no longer eligible to participate in the Surry County Public School's retiree medical plan.

Plan Membership

At June 30, 2018 (measurement date), the following employees were covered by the benefit terms:

	Primary Government	Component Unit School Board
Total active employees with coverage	95	201
Total active employees without coverage	-	-
Total retirees with coverage	3	9
Total retirees without coverage	-	-
Total	98	210

Note 15—Medical and Dental Pay-As-You-Go (OPEB PLAN): (Continued)

County and School Board: (Continued)

Contributions

The County nor the School Board pre-funds benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County or School Board. The amount paid by the County and the School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$12,465 and \$53,761.

Total OPEB Liability

The County and School Board’s total OPEB liability was measured as of June 30, 2018.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	The salary increase rate was 3.50% per annum
Discount Rate	3.87% based on Bond Buyer 20-Year Bond GO Index
Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related.
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85.
Post-Disablement:	RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 15—Medical and Dental Pay-As-You-Go (OPEB PLAN): (Continued)

County and School Board: (Continued)

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the Bond Buyer 20-Year Bond GO Index. The final equivalent single discount rate used for this year's valuation is 3.87% as of the end of June 30, 2018 with the expectation that the County and School Board will continue contributing the Actuarially Determined Contribution and paying the pay-as-you-go cost.

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability	Component Unit School Board Total OPEB Liability
Balances at June 30, 2017	\$ 125,477	\$ 587,874
Changes for the year:		
Service cost	9,121	26,477
Interest	4,495	20,569
Changes in assumptions	(3,020)	(15,903)
Benefit payments	(12,465)	(53,761)
Net changes	\$ (1,869)	\$ (22,618)
Balances at June 30, 2018	\$ 123,608	\$ 565,256

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 15—Medical and Dental Pay-As-You-Go (OPEB PLAN): (Continued)

County and School Board: (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

		Rate		
		1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Primary Government:				
Net OPEB liability	\$	131,920	\$ 123,608	\$ 115,827
Component Unit School Board:				
Net OPEB liability	\$	608,814	\$ 565,256	\$ 523,899

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.70% decreasing to 4.20%) or one percentage point higher (8.70% decreasing to 5.20%) than the current healthcare cost trend rates:

		Rates		
		1% Decrease (6.70% decreasing to 3.20%)	Healthcare Cost Trend (7.70% decreasing to 4.20%)	1% Increase (8.70% decreasing to 5.20%)
Primary Government:				
Net OPEB liability	\$	111,564	\$ 123,608	\$ 138,065
Component Unit School Board:				
Net OPEB liability	\$	502,242	\$ 565,256	\$ 640,013

COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 15—Medical and Dental Pay-As-You-Go (OPEB PLAN): (Continued)

County and School Board: (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the County and the School Board recognized OPEB expense in the amount of \$12,897 and \$44,672. At June 30, 2018, the County and the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government		Component Unit School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 2,301	\$ -	\$ 13,529
Total	\$ -	\$ 2,301	\$ -	\$ 13,529

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board
2019	\$ (719)	\$ (2,374)
2020	(719)	(2,374)
2021	(719)	(2,374)
2022	(144)	(2,374)
2023	-	(2,374)
Thereafter	-	(1,659)

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 16—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 17—Landfill Closure and Postclosure Care Cost:

The \$917,604 reported as landfill postclosure liability at June 30, 2018, represents the estimated liability for postclosure monitoring. This amount is based on what it would cost to perform all postclosure care in 2018 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, 2018, 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.

Note 18 - Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to VACORP. VACORP assumes all liability for the County's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2018 was \$13,128.

Note 19—Upcoming Pronouncements:

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.

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. 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.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 19—Upcoming Pronouncements: (Continued)

and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. 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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COUNTY OF SURRY, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 20 - Adoption of Accounting Principles:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the County implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Govern- mental Activities	Component Unit - School Board
Net position, July 1, 2017, as previously stated	\$ 22,511,454	\$ (6,769,084)
Implementation of GASB 75:		
Adjustment to record OPEB GLI liability as reported by VRS at the beginning of the year	(377,000)	(842,000)
Adjustment to record deferred outflow of resources related to OPEB GLI liability at the beginning of the year	21,052	46,088
Adjustment to record OPEB HIC liability as reported by VRS at the beginning of the year	-	(1,278,000)
Adjustment to record deferred outflow of resources related to OPEB HIC liability at the beginning of the year	-	87,719
Adjustment to remove OPEB healthcare insurance liability as reported under GASB 45	-	138,143
Adjustment to record OPEB healthcare insurance liability as reported under GASB 75	(125,477)	(587,874)
Net position, July 1, 2017, as restated	\$ 22,030,029	\$ (9,205,008)

County of Surry, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 21,266,000	\$ 21,296,646	\$ 21,670,403	\$ 373,757
Other local taxes	627,000	627,000	780,408	153,408
Permits, privilege fees, and regulatory licenses	30,175	30,175	49,723	19,548
Fines and forfeitures	31,600	31,600	34,210	2,610
Revenue from the use of money and property	162,676	162,676	325,583	162,907
Charges for services	111,900	111,900	97,301	(14,599)
Miscellaneous	20,425	153,383	157,052	3,669
Recovered costs	4,100	4,100	95,520	91,420
Intergovernmental:				
Commonwealth	2,428,758	2,468,390	2,345,813	(122,577)
Federal	745,650	777,263	929,239	151,976
Total revenues	\$ 25,428,284	\$ 25,663,133	\$ 26,485,252	\$ 822,119
EXPENDITURES				
Current:				
General government administration	\$ 2,051,542	\$ 2,098,792	\$ 1,655,924	\$ 442,868
Judicial administration	589,483	597,837	565,128	32,709
Public safety	3,193,898	3,460,081	3,289,980	170,101
Public works	1,472,713	1,472,713	1,407,940	64,773
Health and welfare	2,456,322	2,480,022	2,301,035	178,987
Education	12,243,896	12,825,168	12,758,905	66,263
Parks, recreation, and cultural	667,339	667,339	597,532	69,807
Community development	676,431	665,431	486,837	178,594
Capital projects	-	173,977	171,970	2,007
Debt service:				
Principal retirement	1,125,000	1,125,000	1,125,000	-
Interest and other fiscal charges	789,760	789,760	766,759	23,001
Total expenditures	\$ 25,266,384	\$ 26,356,120	\$ 25,127,010	\$ 1,229,110
Excess (deficiency) of revenues over (under) expenditures	\$ 161,900	\$ (692,987)	\$ 1,358,242	\$ 2,051,229
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (396,900)	\$ (443,302)	\$ (524,997)	\$ (81,695)
Net change in fund balances	\$ (235,000)	\$ (1,136,289)	\$ 833,245	\$ 1,969,534
Fund balances - beginning	235,000	1,136,289	19,322,488	18,186,199
Fund balances - ending	\$ -	\$ -	\$ 20,155,733	\$ 20,155,733

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, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 434,734	\$ 417,603	\$ 411,340	\$ 391,145
Interest	1,170,206	1,139,509	1,132,119	1,071,965
Differences between expected and actual experience	124,012	(23,768)	(553,229)	-
Changes in assumptions	29,310	-	-	-
Benefit payments, including refunds of employee contributions	(1,081,657)	(1,107,975)	(661,340)	(546,185)
Net change in total pension liability	\$ 676,605	\$ 425,369	\$ 328,890	\$ 916,925
Total pension liability - beginning	17,258,061	16,832,692	16,503,802	15,586,877
Total pension liability - ending (a)	\$ 17,934,666	\$ 17,258,061	\$ 16,832,692	\$ 16,503,802
Plan fiduciary net position				
Contributions - employer	\$ 272,074	\$ 361,721	\$ 362,868	\$ 382,061
Contributions - employee	219,825	189,642	191,927	181,266
Net investment income	1,883,572	263,004	703,835	2,102,412
Benefit payments, including refunds of employee contributions	(1,081,657)	(1,107,975)	(661,340)	(546,185)
Administrative expense	(11,235)	(10,178)	(9,603)	(11,194)
Other	(1,658)	(115)	(147)	110
Net change in plan fiduciary net position	\$ 1,280,921	\$ (303,901)	\$ 587,540	\$ 2,108,470
Plan fiduciary net position - beginning	15,681,130	15,985,031	15,397,491	13,289,021
Plan fiduciary net position - ending (b)	\$ 16,962,051	\$ 15,681,130	\$ 15,985,031	\$ 15,397,491
County's net pension liability - ending (a) - (b)	\$ 972,615	\$ 1,576,931	\$ 847,661	\$ 1,106,311
Plan fiduciary net position as a percentage of the total pension liability	94.58%	90.86%	94.96%	93.30%
Covered payroll	\$ 4,037,279	\$ 3,876,167	\$ 3,902,373	\$ 3,608,554
County's net pension liability as a percentage of covered payroll	24.09%	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, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 99,250	\$ 101,589	\$ 104,105	\$ 103,206
Interest	401,621	407,137	400,493	390,886
Differences between expected and actual experience	(44,242)	(175,816)	(4,521)	-
Changes in assumptions	(3,930)	-	-	-
Benefit payments, including refunds of employee contributions	(411,306)	(412,126)	(398,190)	(315,519)
Net change in total pension liability	\$ 41,393	\$ (79,216)	\$ 101,887	\$ 178,573
Total pension liability - beginning	5,943,096	6,022,312	5,920,425	5,741,852
Total pension liability - ending (a)	\$ 5,984,489	\$ 5,943,096	\$ 6,022,312	\$ 5,920,425
Plan fiduciary net position				
Contributions - employer	\$ 96,895	\$ 118,759	\$ 120,248	\$ 114,008
Contributions - employee	45,755	46,721	47,557	49,896
Net investment income	587,284	82,954	228,563	708,437
Benefit payments, including refunds of employee contributions	(411,306)	(412,126)	(398,190)	(315,519)
Administrative expense	(3,581)	(3,252)	(3,306)	(3,912)
Other	(514)	(36)	(49)	37
Net change in plan fiduciary net position	\$ 314,533	\$ (166,980)	\$ (5,177)	\$ 552,947
Plan fiduciary net position - beginning	4,949,017	5,115,997	5,121,174	4,568,227
Plan fiduciary net position - ending (b)	\$ 5,263,550	\$ 4,949,017	\$ 5,115,997	\$ 5,121,174
School Division's net pension liability - ending (a) - (b)	\$ 720,939	\$ 994,079	\$ 906,315	\$ 799,251
Plan fiduciary net position as a percentage of the total pension liability	87.95%	83.27%	84.95%	86.50%
Covered payroll	\$ 960,463	\$ 960,773	\$ 962,804	\$ 997,905
School Division's net pension liability as a percentage of covered payroll	75.06%	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, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.10080%	0.10077%	0.10636%	0.10898%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 12,396,000	\$ 14,122,000	\$ 13,387,000	\$ 13,170,000
Employer's Covered Payroll	\$ 7,902,638	\$ 7,683,184	\$ 7,907,861	\$ 7,969,660
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	156.86%	183.80%	169.29%	165.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	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, 2009 through June 30, 2018

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					
2018	\$ 273,088	\$ 273,088	\$ -	\$ 4,160,375	6.94%
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%
Component Unit School Board (nonprofessional)					
2018	\$ 96,055	\$ 96,055	\$ -	\$ 960,932	10.50%
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%
Component Unit School Board (professional)					
2018	\$ 1,298,516	\$ 1,298,516	\$ -	\$ 7,942,962	16.32%
2017	1,159,872	1,159,872	-	7,902,638	14.66%
2016	1,098,107	1,098,107	-	7,683,184	14.06%
2015	1,146,640	1,146,640	-	7,907,861	14.50%
2014	927,170	927,170	-	7,969,660	11.63%
2013	930,547	930,547	-	7,980,682	11.66%
2012	490,114	490,114	-	7,450,210	6.58%
2011	313,302	313,302	-	7,972,074	3.93%
2010	706,462	706,462	-	8,018,865	8.81%
2009	701,587	701,587	-	7,963,532	8.81%

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, 2018

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, 2017 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

County of Surry, Virginia
Notes to Required Supplementary Information (Continued)
For the Year Ended June 30, 2018

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

County of Surry, Virginia
Schedule of County's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government:					
2017	0.02195%	\$ 330,000	\$ 4,048,531	8.15%	48.86%
Component Unit School Board (professional):					
2017	0.04285%	\$ 645,000	\$ 7,902,638	8.16%	48.86%
Component Unit School Board (nonprofessional):					
2017	0.00521%	\$ 78,000	\$ 960,463	8.12%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Surry, Virginia
Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2009 through June 30, 2018

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:					
2018	\$ 21,634	\$ 21,634	- \$	4,160,375	0.52%
2017	21,052	21,052	-	4,048,531	0.52%
2016	18,606	18,606	-	3,876,167	0.48%
2015	18,768	18,768	-	3,910,006	0.48%
2014	17,321	17,321	-	3,608,554	0.48%
2013	17,194	17,194	-	3,582,138	0.48%
2012	8,985	8,985	-	3,208,924	0.28%
2011	9,078	9,078	-	3,242,146	0.28%
2010	6,872	6,872	-	2,545,216	0.27%
2009	8,616	8,616	-	3,191,167	0.27%
Component Unit School Board (professional):					
2018	\$ 41,303	\$ 41,303	- \$	7,942,962	0.52%
2017	41,094	41,094	-	7,902,638	0.52%
2016	36,879	36,879	-	7,683,184	0.48%
2015	37,958	37,958	-	7,907,861	0.48%
2014	38,321	38,321	-	7,983,511	0.48%
2013	38,761	38,761	-	8,075,134	0.48%
2012	20,846	20,846	-	7,445,095	0.28%
2011	22,322	22,322	-	7,972,074	0.28%
2010	15,486	15,486	-	5,735,509	0.27%
2009	21,502	21,502	-	7,963,532	0.27%
Component Unit School Board (nonprofessional):					
2018	\$ 4,997	\$ 4,997	- \$	960,932	0.52%
2017	4,994	4,994	-	960,463	0.52%
2016	4,612	4,612	-	960,773	0.48%
2015	4,621	4,621	-	962,804	0.48%
2014	4,809	4,809	-	1,001,916	0.48%
2013	4,712	4,712	-	981,630	0.48%
2012	2,477	2,477	-	884,643	0.28%
2011	2,631	2,631	-	939,508	0.28%
2010	1,998	1,998	-	739,895	0.27%
2009	2,792	2,792	-	1,034,158	0.27%

County of Surry, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

ValORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

County of Surry, Virginia
Notes to Required Supplementary Information (Continued)
Group Life Insurance Program
For the Year Ended June 30, 2018

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

County of Surry, Virginia
Schedule of School Board's Share of Net OPEB Liability
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.10013% \$	1,270,000 \$	7,902,638	16.07%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Surry, Virginia
Schedule of Employer Contributions
Teacher Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2009 through June 30, 2018

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)
2018	\$ 97,698	\$ 97,698	\$ -	\$ 7,942,962	1.23%
2017	87,719	87,719	-	7,902,638	1.11%
2016	81,442	81,442	-	7,683,184	1.06%
2015	83,823	83,823	-	7,907,861	1.06%
2014	88,463	88,463	-	7,969,660	1.11%
2013	88,586	88,586	-	7,980,682	1.11%
2012	44,701	44,701	-	7,450,210	0.60%
2011	47,832	47,832	-	7,972,074	0.60%
2010	59,628	59,628	-	5,733,509	1.04%
2009	86,006	86,006	-	7,963,532	1.08%

Schedule is intended to show information for 10 years. Additional years will be provided as they become available.

County of Surry, Virginia
Notes to Required Supplementary Information
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

County of Surry, Virginia
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Primary Government
For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 9,121
Interest	4,495
Changes in assumptions	(3,020)
Benefit payments	(12,465)
Net change in total OPEB liability	\$ (1,869)
Total OPEB liability - beginning	125,477
Total OPEB liability - ending	\$ 123,608
 Covered payroll	 \$ 4,125,259
 County's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	 3.00%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

County of Surry, Virginia
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Component Unit School Board
For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 26,477
Interest	20,569
Changes in assumptions	(15,903)
Benefit payments	(53,761)
Net change in total OPEB liability	\$ (22,618)
Total OPEB liability - beginning	587,874
Total OPEB liability - ending	<u>\$ 565,256</u>
 Covered payroll	 \$ 8,596,400
 School Board's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	 6.58%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

County of Surry, Virginia
Notes to Required Supplementary Information - Primary Government OPEB
For the Year Ended June 30, 2018

Valuation Date: 1/1/2018
Measurement Date: 6/30/2018

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal, level percentage of pay
Discount Rate	3.87% based on Bond Buyer 20-Year Bond GO Index
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 3.5% for 2018, increases to 7.70% for 2019, and graded down to 4.20% over 76 years
Salary Increase Rates	The salary increase rate was 3.50% per annum
Retirement Age	The average age of retirement is 65
Mortality Rates	Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related. Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85. Post-Disablement: RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

County of Surry, Virginia
Notes to Required Supplementary Information - Component Unit School Board
For the Year Ended June 30, 2018

Valuation Date: 1/1/2018
Measurement Date: 6/30/2018

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal, level percentage of pay
Discount Rate	3.87% based on Bond Buyer 20-Year Bond GO Index
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 3.5% for 2018, increases to 7.80% for 2019, and graded down to 4.20% over 76 years
Salary Increase Rates	The salary increase rate was 3.50% per annum
Retirement Age	The average age of retirement is 65
Mortality Rates	Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related. Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85. Post-Disablement: RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 25,000	\$ 25,000	\$ 42,524	\$ 17,524
Intergovernmental:				
Commonwealth	1,508,061	1,508,061	120,450	(1,387,611)
Total revenues	<u>\$ 1,533,061</u>	<u>\$ 1,533,061</u>	<u>\$ 162,974</u>	<u>\$ (1,370,087)</u>
EXPENDITURES				
Capital projects	\$ 8,940,868	\$ 8,972,270	\$ 2,776,868	\$ 6,195,402
Total expenditures	<u>\$ 8,940,868</u>	<u>\$ 8,972,270</u>	<u>\$ 2,776,868</u>	<u>\$ 6,195,402</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (7,407,807)</u>	<u>\$ (7,439,209)</u>	<u>\$ (2,613,894)</u>	<u>\$ 4,825,315</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,035,380	\$ 3,066,782	\$ 348,097	\$ (2,718,685)
Issuance of general obligation bonds	3,697,427	3,697,427	-	(3,697,427)
Total other financing sources (uses)	<u>\$ 6,732,807</u>	<u>\$ 6,764,209</u>	<u>\$ 348,097</u>	<u>\$ (6,416,112)</u>
Net change in fund balances	\$ (675,000)	\$ (675,000)	\$ (2,265,797)	\$ (1,590,797)
Fund balances - beginning	675,000	675,000	1,225,310	550,310
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,040,487)</u>	<u>\$ (1,040,487)</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 20	\$ 20	\$ 27	\$ 7
Miscellaneous	11,720	11,720	7,923	(3,797)
Total revenues	\$ 11,740	\$ 11,740	\$ 7,950	\$ (3,790)
EXPENDITURES				
Current:				
Public safety	\$ 25,000	\$ 25,000	\$ -	\$ 25,000
Community development	91,720	91,720	17,621	74,099
Total expenditures	\$ 116,720	\$ 116,720	\$ 17,621	\$ 99,099
Excess (deficiency) of revenues over (under) expenditures	\$ (104,980)	\$ (104,980)	\$ (9,671)	\$ 95,309
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 80,000	\$ 80,000	\$ 80,000	\$ -
Net change in fund balances	\$ (24,980)	\$ (24,980)	\$ 70,329	\$ 95,309
Fund balances - beginning	24,980	24,980	394,083	369,103
Fund balances - ending	\$ -	\$ -	\$ 464,412	\$ 464,412

County of Surry, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Agency Funds			
	Special <u>Welfare</u>	Crater <u>AAA</u>	Emergency Food and <u>Shelter</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 38,641	\$ 118,996	\$ 140	\$ 157,777
Total assets	<u>\$ 38,641</u>	<u>\$ 118,996</u>	<u>\$ 140</u>	<u>\$ 157,777</u>
LIABILITIES				
Accounts payable	\$ -	\$ 11,459	\$ -	11,459
Amounts held for others	-	107,537	140	107,677
Amounts held for social services clients	38,641	-	-	38,641
Total liabilities	<u>\$ 38,641</u>	<u>\$ 118,996</u>	<u>\$ 140</u>	<u>\$ 157,777</u>

County of Surry, Virginia
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2018

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 37,709	\$ 3,590	\$ 2,658	\$ 38,641
Liabilities:				
Amounts held for social services clients	\$ 37,709	\$ 3,590	\$ 2,658	\$ 38,641
Crater AAA Fund:				
Assets:				
Cash and cash equivalents	\$ 100,422	\$ 32,605	\$ 14,031	\$ 118,996
Liabilities:				
Accounts payable	\$ -	\$ 11,459	\$ -	\$ 11,459
Amounts held for others	100,422	21,146	14,031	107,537
Total liabilities	\$ 100,422	\$ 32,605	\$ 14,031	\$ 118,996
Emergency Food and Shelter Fund:				
Assets:				
Cash and cash equivalents	\$ 140	\$ -	\$ -	\$ 140
Liabilities:				
Amounts held for others	\$ 140	\$ -	\$ -	\$ 140
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 138,271	\$ 36,195	\$ 16,689	\$ 157,777
Total assets	\$ 138,271	\$ 36,195	\$ 16,689	\$ 157,777
Liabilities:				
Accounts payable	\$ -	\$ 11,459	\$ -	\$ 11,459
Amounts held for others	100,562	21,146	14,031	107,677
Amounts held for social services clients	37,709	3,590	2,658	38,641
Total liabilities	\$ 138,271	\$ 36,195	\$ 16,689	\$ 157,777

County of Surry, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2018

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,773,449	\$ 9,335	\$ 1,782,784
Accounts receivable	-	16,000	16,000
Due from other governmental units	312,253	15,986	328,239
Total assets	<u>\$ 2,085,702</u>	<u>\$ 41,321</u>	<u>\$ 2,127,023</u>
LIABILITIES			
Accounts payable	\$ 119,976	\$ 1,183	\$ 121,159
Accrued liabilities	1,373,603	37,370	1,410,973
Due to other governmental units	592,123	-	592,123
Total liabilities	<u>\$ 2,085,702</u>	<u>\$ 38,553</u>	<u>\$ 2,124,255</u>
FUND BALANCES			
Committed:			
School Cafeteria Fund	\$ -	\$ 2,768	\$ 2,768
Total fund balances	<u>\$ -</u>	<u>\$ 2,768</u>	<u>\$ 2,768</u>
Total liabilities and fund balances	<u>\$ 2,085,702</u>	<u>\$ 41,321</u>	<u>\$ 2,127,023</u>

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

Total fund balances per above	\$ 2,768
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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	\$ 25,374,454	
Accumulated depreciation	<u>(17,505,062)</u>	7,869,392

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 1,577,571	
OPEB related items	<u>143,998</u>	1,721,569

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	\$ (57,514)	
Net pension liability	(13,116,939)	
Net OPEB liability	<u>(2,558,256)</u>	(15,732,709)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (2,239,391)	
OPEB related items	<u>(116,529)</u>	(2,355,920)

Net position of governmental activities		<u>\$ (8,494,900)</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, 2018

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 389	\$ -	\$ 389
Charges for services	-	139,589	139,589
Miscellaneous	9,034	-	9,034
Intergovernmental:			
Local government	12,714,899	42,610	12,757,509
Commonwealth	2,610,974	8,491	2,619,465
Federal	752,882	348,131	1,101,013
Total revenues	<u>\$ 16,088,178</u>	<u>\$ 538,821</u>	<u>\$ 16,626,999</u>
EXPENDITURES			
Current:			
Education	\$ 16,088,178	\$ 493,443	\$ 16,581,621
Total expenditures	<u>\$ 16,088,178</u>	<u>\$ 493,443</u>	<u>\$ 16,581,621</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 45,378</u>	<u>\$ 45,378</u>
Net change in fund balances	\$ -	\$ 45,378	\$ 45,378
Fund balances - beginning	-	(42,610)	(42,610)
Fund balances - ending	<u>\$ -</u>	<u>\$ 2,768</u>	<u>\$ 2,768</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 \$ 45,378

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

Capital outlay	\$ 572,901	
Depreciation expense	(709,279)	
Activity related to joint tenancy assets of Component Unit and Primary Government	<u>(17,654)</u>	(154,032)

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.

OPEB expense	\$ 43,280	
Pension expense	776,325	
(Increase) decrease in compensated absences	<u>(843)</u>	818,762

Change in net position of governmental activities \$ 710,108

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, 2018

	School Operating Fund				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>		
REVENUES					
Revenue from the use of money and property	\$ -	\$ -	\$ 389	\$ 389	
Charges for services	-	-	-	-	
Miscellaneous	100,000	100,000	9,034	(90,966)	
Intergovernmental:					
Local government	12,240,000	12,778,662	12,714,899	(63,763)	
Commonwealth	2,548,666	2,686,166	2,610,974	(75,192)	
Federal	636,935	852,318	752,882	(99,436)	
Total revenues	<u>\$ 15,525,601</u>	<u>\$ 16,417,146</u>	<u>\$ 16,088,178</u>	<u>\$ (328,968)</u>	
EXPENDITURES					
Current:					
Education	\$ 15,525,601	\$ 16,417,146	\$ 16,088,178	\$ 328,968	
Total expenditures	<u>\$ 15,525,601</u>	<u>\$ 16,417,146</u>	<u>\$ 16,088,178</u>	<u>\$ 328,968</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	
Fund balances - beginning	-	-	-	-	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

School Cafeteria Fund				
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
Original	Final			
\$ -	\$ -	\$ -	\$ -	-
225,000	225,000	139,589	(85,411)	-
-	-	-	-	-
-	42,610	42,610	-	-
4,558	4,558	8,491	3,933	-
275,000	306,172	348,131	41,959	-
\$ 504,558	\$ 578,340	\$ 538,821	\$ (39,519)	-
\$ 529,558	\$ 603,340	\$ 493,443	\$ 109,897	-
\$ 529,558	\$ 603,340	\$ 493,443	\$ 109,897	-
\$ (25,000)	\$ (25,000)	\$ 45,378	\$ 70,378	-
\$ (25,000)	\$ (25,000)	\$ 45,378	\$ 70,378	-
25,000	25,000	(42,610)	(67,610)	-
\$ -	\$ -	\$ 2,768	\$ 2,768	-

County of Surry, Virginia
Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
June 30, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$	40,264
Due from other governmental units		23,976
Total current assets	\$	<u>64,240</u>
Total assets	\$	<u>64,240</u>

NET POSITION

Unrestricted	\$	<u>64,240</u>
Total net position	\$	<u><u>64,240</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, 2018

OPERATING REVENUES

Charges for services:

Rents	\$	32,624
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OPERATING EXPENSES

Personal services	\$	1,089
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Other charges		2,650
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Total operating expenses	\$	3,739
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Operating income (loss)	\$	28,885
-------------------------	----	--------

NONOPERATING REVENUES (EXPENSES)

Interest income	\$	38
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Service charge		(36)
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Total nonoperating revenues (expenses)	\$	2
--	----	---

Broadband grant to Surry County		(65,534)
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Change in net position	\$	(36,647)
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Total net position - beginning		100,887
--------------------------------	--	---------

Total net position - ending	\$	64,240
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County of Surry, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 8,648
Payments for operating activities	(3,739)
Net cash provided by (used for) operating activities	<u>\$ 4,909</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Broadband grant to Surry County	\$ <u>(65,534)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$ 38
Service charge	(36)
Net cash provided by (used for) investing activities	<u>\$ 2</u>

Net increase (decrease) in cash and cash equivalents	\$ (60,623)
--	-------------

Cash and cash equivalents - beginning	100,887
Cash and cash equivalents - ending	<u>\$ 40,264</u>

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

Operating income (loss)	\$ <u>28,885</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in due from other funds	\$ (23,976)

Net cash provided (used) by operating activities	<u>\$ 4,909</u>
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County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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	\$ 6,500,000	\$ 6,500,000	\$ 6,460,354	\$ (39,646)
Real and personal public service corporation taxes	13,350,000	13,380,646	13,704,882	324,236
Personal property taxes	1,301,000	1,301,000	1,389,110	88,110
Penalties	45,000	45,000	46,017	1,017
Interest	70,000	70,000	70,040	40
Total general property taxes	<u>\$ 21,266,000</u>	<u>\$ 21,296,646</u>	<u>\$ 21,670,403</u>	<u>\$ 373,757</u>
Other local taxes:				
Local sales and use taxes	\$ 360,000	\$ 360,000	\$ 464,274	\$ 104,274
Consumption tax	20,000	20,000	20,189	189
Business license taxes	70,000	70,000	101,294	31,294
Motor vehicle licenses	135,000	135,000	133,633	(1,367)
Taxes on recordation and wills	42,000	42,000	61,018	19,018
Total other local taxes	<u>\$ 627,000</u>	<u>\$ 627,000</u>	<u>\$ 780,408</u>	<u>\$ 153,408</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 4,000	\$ 4,000	\$ 3,460	\$ (540)
Building permits	16,000	16,000	26,356	10,356
Permits and other licenses	10,175	10,175	19,907	9,732
Total permits, privilege fees, and regulatory licenses	<u>\$ 30,175</u>	<u>\$ 30,175</u>	<u>\$ 49,723</u>	<u>\$ 19,548</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 31,600	\$ 31,600	\$ 34,210	\$ 2,610
Revenue from use of money and property:				
Revenue from use of money	\$ 100,050	\$ 100,050	\$ 265,401	\$ 165,351
Revenue from use of property	62,626	62,626	60,182	(2,444)
Total revenue from use of money and property	<u>\$ 162,676</u>	<u>\$ 162,676</u>	<u>\$ 325,583</u>	<u>\$ 162,907</u>
Charges for services:				
Sheriff fees	\$ 10,700	\$ 10,700	\$ 12,834	\$ 2,134
Charges for Commonwealth's Attorney	1,000	1,000	1,718	718
Charges for Treasurer	15,000	15,000	14,928	(72)
Courthouse maintenance fees	2,700	2,700	2,653	(47)
Charges for other court services	4,500	4,500	4,434	(66)
Charges for sanitation and waste removal	43,500	43,500	39,897	(3,603)
Charges for farmers market vendor fees	2,000	2,000	562	(1,438)
Charges for parks and recreation	32,500	32,500	20,275	(12,225)
Total charges for services	<u>\$ 111,900</u>	<u>\$ 111,900</u>	<u>\$ 97,301</u>	<u>\$ (14,599)</u>
Miscellaneous:				
Miscellaneous	\$ 20,425	\$ 153,383	\$ 157,052	\$ 3,669

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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	\$ -	\$ -	\$ 2,709	\$ 2,709
Insurance premiums	-	-	9,079	9,079
Recovered costs	4,100	4,100	83,732	79,632
Total recovered costs	\$ 4,100	\$ 4,100	\$ 95,520	\$ 91,420
Total revenue from local sources	\$ 22,253,876	\$ 22,417,480	\$ 23,210,200	\$ 792,720
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ -	\$ -	\$ 18	\$ 18
Mobile home titling tax	10,000	10,000	9,168	(832)
Taxes on deeds	16,000	16,000	20,082	4,082
Communications tax	52,000	52,000	46,984	(5,016)
State recordation tax	13,000	13,000	21,991	8,991
Personal property tax relief funds	677,907	677,907	677,907	-
Total noncategorical aid	\$ 768,907	\$ 768,907	\$ 776,150	\$ 7,243
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 167,393	\$ 167,393	\$ 166,327	\$ (1,066)
Sheriff	466,043	466,043	468,083	2,040
Commissioner of revenue	68,840	75,077	75,743	666
Treasurer	64,897	70,268	64,895	(5,373)
Registrar/electoral board	35,779	35,779	35,656	(123)
Clerk of the circuit court	149,318	156,462	176,016	19,554
Total shared expenses	\$ 952,270	\$ 971,022	\$ 986,720	\$ 15,698
Other categorical aid:				
Public assistance and welfare administration	\$ 413,798	\$ 413,798	\$ 309,966	\$ (103,832)
Fire programs fund	20,000	20,000	20,607	607
Comprehensive services act	72,648	72,648	55,084	(17,564)
Wireless funds	110,000	110,000	105,944	(4,056)
Emergency medical services	8,000	8,000	-	(8,000)
Victim-witness grant	46,585	62,563	17,280	(45,283)
Animal friendly plates	150	150	122	(28)
Radio emergency preparedness grant	30,000	30,000	60,000	30,000
Business ready sites program grant	-	-	3,000	3,000
Records preservation grant	-	4,902	4,902	-
Litter control	6,400	6,400	6,038	(362)
Total other categorical aid	\$ 707,581	\$ 728,461	\$ 582,943	\$ (145,518)
Total categorical aid	\$ 1,659,851	\$ 1,699,483	\$ 1,569,663	\$ (129,820)
Total revenue from the Commonwealth	\$ 2,428,758	\$ 2,468,390	\$ 2,345,813	\$ (122,577)

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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	\$ 352	\$ 52
Categorical aid:				
Public assistance and welfare administration	\$ 740,350	\$ 740,350	\$ 875,364	\$ 135,014
Criminal justice grant	-	-	32,081	32,081
Edward Byrne JAG grant	-	13,984	-	(13,984)
Sheriff DMV grant	-	17,629	17,629	-
Summer feeding program	5,000	5,000	3,813	(1,187)
Total categorical aid	\$ 745,350	\$ 776,963	\$ 928,887	\$ 151,924
Total revenue from the federal government	\$ 745,650	\$ 777,263	\$ 929,239	\$ 151,976
Total General Fund	\$ 25,428,284	\$ 25,663,133	\$ 26,485,252	\$ 822,119
Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 20	\$ 20	\$ 27	\$ 7
Miscellaneous:				
Miscellaneous	\$ 11,720	\$ 11,720	\$ 7,923	\$ (3,797)
Total revenue from local sources	\$ 11,740	\$ 11,740	\$ 7,950	\$ (3,790)
Total Special Revenue Fund	\$ 11,740	\$ 11,740	\$ 7,950	\$ (3,790)
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 42,524	\$ 42,524
Revenue from the use of property	25,000	25,000	-	(25,000)
Total revenue from use of money and property	25,000	25,000	42,524	17,524
Total revenue from local sources	\$ 25,000	\$ 25,000	\$ 42,524	\$ 17,524
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Boating infrastructure grant	\$ 1,392,985	\$ 1,392,985	\$ -	\$ (1,392,985)
RTP grant	115,076	115,076	-	(115,076)
Wireless board grant	-	-	120,450	120,450
Total categorical aid	\$ 1,508,061	\$ 1,508,061	\$ 120,450	\$ (1,387,611)
Total revenue from the Commonwealth	\$ 1,508,061	\$ 1,508,061	\$ 120,450	\$ (1,387,611)
Total County Capital Projects Fund	\$ 1,533,061	\$ 1,533,061	\$ 162,974	\$ (1,370,087)
Total Primary Government	\$ 26,973,085	\$ 27,207,934	\$ 26,656,176	\$ (551,758)

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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	\$ -	\$ -	\$ 389	\$ 389
Total revenue from use of money and property	\$ -	\$ -	\$ 389	\$ 389
Miscellaneous:				
Miscellaneous	\$ 100,000	\$ 100,000	\$ 9,034	\$ (90,966)
Total revenue from local sources	\$ 100,000	\$ 100,000	\$ 9,423	\$ (90,577)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Surry	\$ 12,240,000	\$ 12,778,662	\$ 12,714,899	\$ (63,763)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 962,472	\$ 962,472	\$ 908,332	\$ (54,140)
Basic school aid	766,870	766,870	739,765	(27,105)
Remedial summer education	9,419	9,419	9,519	100
GED funding	7,859	7,859	8,294	435
Gifted and talented	7,350	7,350	7,165	(185)
Special education	142,102	142,102	146,155	4,053
Textbook payment	16,467	16,467	16,053	(414)
Remedial education	34,950	34,950	34,072	(878)
Vocational education	66,534	66,534	70,662	4,128
Early reading intervention	2,612	2,612	3,265	653
School fringes	187,092	187,092	182,393	(4,699)
English as a second language	262	262	655	393
Technology	128,000	228,000	228,000	-
Mentor teacher program	632	632	827	195
Lottery payments	41,118	41,118	40,121	(997)
At risk payments	43,640	43,640	44,740	1,100
Primary class size	41,527	41,527	41,654	127
SOL algebra readiness	3,963	3,963	3,963	-
At risk four-year olds	82,688	82,688	82,688	-
Enrollment loss	-	-	-	-
Other state funds	3,109	40,609	42,651	2,042
Total categorical aid	\$ 2,548,666	\$ 2,686,166	\$ 2,610,974	\$ (75,192)
Total revenue from the Commonwealth	\$ 2,548,666	\$ 2,686,166	\$ 2,610,974	\$ (75,192)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 235,518	\$ 235,518	\$ 159,607	\$ (75,911)
Title VI-B, special education flow-through	234,028	263,653	258,670	(4,983)
Vocational education	14,575	14,575	15,517	942
Title VI-B, special education pre-school	-	4,365	4,745	380
JROTC	82,000	82,000	64,430	(17,570)
Twenty-first Century Grant	-	171,393	179,795	8,402
Title II, Part A	70,814	70,814	70,118	(696)

County of Surry, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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	\$ -	\$ 10,000	\$ -	\$ (10,000)
Total categorical aid	\$ 636,935	\$ 852,318	\$ 752,882	\$ (99,436)
Total revenue from the federal government	\$ 636,935	\$ 852,318	\$ 752,882	\$ (99,436)
Total School Operating Fund	\$ 15,525,601	\$ 16,417,146	\$ 16,088,178	\$ (328,968)
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 225,000	\$ 225,000	\$ 139,589	\$ (85,411)
Total charges for services	\$ 225,000	\$ 225,000	\$ 139,589	\$ (85,411)
Total revenue from local sources	\$ 225,000	\$ 225,000	\$ 139,589	\$ (85,411)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Surry, Virginia	\$ -	\$ 42,610	\$ 42,610	\$ -
Total revenues from local governments	\$ -	\$ 42,610	\$ 42,610	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 4,558	\$ 4,558	\$ 8,491	\$ 3,933
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 275,000	\$ 275,000	\$ 316,987	\$ 41,987
Child nutrition discretionary grants	-	5,527	5,499	(28)
Commodities	-	25,645	25,645	-
Total categorical aid	\$ 275,000	\$ 306,172	\$ 348,131	\$ 41,959
Total revenue from the federal government	\$ 275,000	\$ 306,172	\$ 348,131	\$ 41,959
Total School Cafeteria Fund	\$ 504,558	\$ 578,340	\$ 538,821	\$ (39,519)
Total Discretely Presented Component Unit - School Board	\$ 16,030,159	\$ 16,995,486	\$ 16,626,999	\$ (368,487)

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

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	\$ 441,995	\$ 471,995	\$ 153,174	\$ 318,821
General and financial administration:				
County administrator	\$ 434,645	\$ 434,645	\$ 419,047	\$ 15,598
Legal services	88,600	88,600	83,589	5,011
Commissioner of revenue	206,727	218,977	217,324	1,653
Independent audit	45,000	45,000	36,985	8,015
Treasurer	277,210	282,210	261,205	21,005
Board of equalization				-
Finance department	178,079	178,079	114,313	63,766
Information technology	254,595	254,595	251,825	2,770
Total general and financial administration	\$ 1,484,856	\$ 1,502,106	\$ 1,384,288	\$ 117,818
Board of elections:				
Electoral board and officials	\$ 124,691	\$ 124,691	\$ 118,462	\$ 6,229
Total general government administration	\$ 2,051,542	\$ 2,098,792	\$ 1,655,924	\$ 442,868
Judicial administration:				
Courts:				
Circuit court	\$ 19,000	\$ 17,000	\$ 12,419	\$ 4,581
General district court	17,877	16,974	14,584	2,390
Special magistrates	725	725	-	725
Southside legal aid	7,261	7,261	-	7,261
Victim Witness	53,224	58,881	58,881	-
Clerk of the circuit court	273,423	277,985	261,553	16,432
Total courts	\$ 371,510	\$ 378,826	\$ 347,437	\$ 31,389
Commonwealth's attorney:				
Commonwealth's attorney	\$ 217,973	\$ 219,011	\$ 217,691	\$ 1,320
Total judicial administration	\$ 589,483	\$ 597,837	\$ 565,128	\$ 32,709
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,590,849	\$ 1,631,551	\$ 1,586,409	\$ 45,142
Virginia juvenile crime control act	31,781	32,781	32,643	138
Total law enforcement and traffic control	\$ 1,622,630	\$ 1,664,332	\$ 1,619,052	\$ 45,280
Fire and rescue services:				
Fire department/rescue services	\$ 611,461	\$ 621,261	\$ 620,553	\$ 708
Correction and detention:				
Confinement and care of prisoners	\$ 194,280	\$ 280,280	\$ 272,420	\$ 7,860

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

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	\$ 147,978	\$ 132,978	\$ 122,042	\$ 10,936
Other protection:				
Animal control	\$ 204,178	\$ 219,178	\$ 217,772	\$ 1,406
Emergency services	321,344	450,025	367,973	82,052
E-911 communications	92,027	92,027	70,168	21,859
Total other protection	\$ 617,549	\$ 761,230	\$ 655,913	\$ 105,317
Total public safety	\$ 3,193,898	\$ 3,460,081	\$ 3,289,980	\$ 170,101
Public works:				
Sanitation and waste removal:				
Sanitation	\$ 746,943	\$ 711,743	\$ 650,362	\$ 61,381
Litter control	6,328	6,528	6,475	53
Total sanitation and waste removal	\$ 753,271	\$ 718,271	\$ 656,837	\$ 61,434
Maintenance of general buildings and grounds:				
General properties	\$ 719,442	\$ 754,442	\$ 751,103	\$ 3,339
Total public works	\$ 1,472,713	\$ 1,472,713	\$ 1,407,940	\$ 64,773
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	\$ 64,127	\$ 64,127	\$ 64,127	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,705,198	\$ 1,705,198	\$ 1,606,232	\$ 98,966
Area agency on aging	4,000	4,000	4,000	-
Comprehensive services act	170,952	170,952	100,475	70,477
SSG improvement association	29,604	29,604	29,604	-
Workforce development	68,755	84,755	80,285	4,470
Office on youth	192,022	199,722	198,648	1,074
Genieve shelter	4,000	4,000	-	4,000
Surry free clinic	8,000	8,000	8,000	-
Total welfare	\$ 2,182,531	\$ 2,206,231	\$ 2,027,244	\$ 178,987
Total health and welfare	\$ 2,456,322	\$ 2,480,022	\$ 2,301,035	\$ 178,987

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

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	\$ 3,896	\$ 3,896	\$ 1,396	\$ 2,500
Contribution to County School Board	12,240,000	12,821,272	12,757,509	63,763
Total education	\$ 12,243,896	\$ 12,825,168	\$ 12,758,905	\$ 66,263
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation center	\$ 496,794	\$ 496,644	\$ 427,383	\$ 69,261
Williamsburg area transit	40,000	40,000	40,000	-
Historic landmarks	500	500	-	500
Total parks and recreation	\$ 537,294	\$ 537,144	\$ 467,383	\$ 69,761
Library:				
Contribution to regional library	\$ 130,045	\$ 130,195	\$ 130,149	\$ 46
Total parks, recreation, and cultural	\$ 667,339	\$ 667,339	\$ 597,532	\$ 69,807
Community development:				
Planning and community development:				
Planning and zoning	\$ 361,750	\$ 394,250	\$ 295,279	\$ 98,971
Zoning board	1,583	1,583	412	1,171
Highway transportation safety commission	325	325	324	1
Planning district commission	8,658	8,658	4,628	4,030
Economic development	141,045	141,045	125,852	15,193
Other planning and community development	2,800	3,300	888	2,412
Total planning and community development	\$ 516,161	\$ 549,161	\$ 427,383	\$ 121,778
Environmental management:				
Contribution to soil and water conservation district	\$ 11,000	\$ 11,000	\$ 11,000	-
Cooperative extension program:				
Extension office	\$ 149,270	\$ 105,270	\$ 48,454	\$ 56,816
Total community development	\$ 676,431	\$ 665,431	\$ 486,837	\$ 178,594
Capital projects:				
Comprehensive plan	\$ -	\$ 173,977	\$ 171,970	\$ 2,007
Total capital projects	\$ -	\$ 173,977	\$ 171,970	\$ 2,007
Debt service:				
Principal retirement	\$ 1,125,000	\$ 1,125,000	\$ 1,125,000	-
Interest and other fiscal charges	789,760	789,760	766,759	23,001
Total debt service	\$ 1,914,760	\$ 1,914,760	\$ 1,891,759	\$ 23,001
Total General Fund	\$ 25,266,384	\$ 26,356,120	\$ 25,127,010	\$ 1,229,110

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
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	\$ 7,750	\$ 3,970
Economic development	80,000	80,000	9,871	70,129
Total community development	\$ 91,720	\$ 91,720	\$ 17,621	\$ 74,099
Total community development	\$ 91,720	\$ 91,720	\$ 17,621	\$ 74,099
Total Special Revenue Fund	\$ 116,720	\$ 116,720	\$ 17,621	\$ 99,099
County Capital Projects Fund:				
Capital projects:				
Health department	\$ 20,000	\$ 20,000	\$ -	\$ 20,000
E-911 communications	120,000	146,500	145,408	1,092
Public safety tower upgrades	-	-	44,757	(44,757)
Record books cleaning	-	4,902	4,902	-
Technology upgrades	25,000	25,000	-	25,000
Community center	-	85,000	51,000	34,000
Fleet vehicles	90,000	90,000	77,294	12,706
Rescue squad building	1,485,000	1,485,000	193,705	1,291,295
Visitor center	-	-	8,723	(8,723)
Marina project	2,418,455	2,418,455	1,899,118	519,337
Water upgrades	4,102,413	4,102,413	17,877	4,084,536
Sanitation equipment	250,000	165,000	-	165,000
Sewer expansion	-	-	485	(485)
Lighting and security upgrades	230,000	230,000	119,057	110,943
County capital projects	-	-	14,542	(14,542)
School capital projects	200,000	200,000	200,000	-
Total capital projects	\$ 8,940,868	\$ 8,972,270	\$ 2,776,868	\$ 6,195,402
Total County Capital Projects Fund	\$ 8,940,868	\$ 8,972,270	\$ 2,776,868	\$ 6,195,402
Total Primary Government	\$ 34,323,972	\$ 35,445,110	\$ 27,921,499	\$ 7,523,611
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Operating Costs:				
Administration, health, and attendance	\$ 964,766	\$ 964,766	\$ 957,418	\$ 7,348
Instruction costs	11,036,682	11,153,565	11,008,661	144,904
Districtwide technology	670,940	988,940	834,703	154,237
Pupil transportation	913,290	986,290	978,793	7,497
Operation and maintenance of school plant	1,939,923	2,323,585	2,308,603	14,982
Total operating costs	\$ 15,525,601	\$ 16,417,146	\$ 16,088,178	\$ 328,968
Total education	\$ 15,525,601	\$ 16,417,146	\$ 16,088,178	\$ 328,968
Total School Operating Fund	\$ 15,525,601	\$ 16,417,146	\$ 16,088,178	\$ 328,968

County of Surry, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
School food services	\$ 529,558	\$ 577,695	\$ 467,798	\$ 109,897
Commodities	-	25,645	25,645	-
Total School Cafeteria Fund	\$ 529,558	\$ 603,340	\$ 493,443	\$ 109,897
Total Discretely Presented Component Unit - School Board	\$ 16,055,159	\$ 17,020,486	\$ 16,581,621	\$ 438,865

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

	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	\$ 1,240,925	\$ 2,320,769	\$ 2,422,090	\$ 2,631,382
Unrestricted	10,625,829	9,117,385	9,928,451	11,782,612
Total governmental activities net position	<u>\$ 11,866,754</u>	<u>\$ 11,438,154</u>	<u>\$ 12,350,541</u>	<u>\$ 14,413,994</u>
Business-type activities				
Net investment in capital assets	\$ 5,967,613	\$ 5,867,567	\$ 5,762,362	\$ 5,610,317
Unrestricted	25,604	(41,263)	(20,563)	(18,810)
Total business-type activities net position	<u>\$ 5,993,217</u>	<u>\$ 5,826,304</u>	<u>\$ 5,741,799</u>	<u>\$ 5,591,507</u>
Primary Government				
Net investment in capital assets	\$ 7,208,538	\$ 8,188,336	\$ 8,184,452	\$ 8,241,699
Unrestricted	10,651,433	9,076,122	9,907,888	11,763,802
Total Primary government net position	<u>\$ 17,859,971</u>	<u>\$ 17,264,458</u>	<u>\$ 18,092,340</u>	<u>\$ 20,005,501</u>

Table 1

2013	2014	2015	2016	2017	2018
\$ 3,321,023	\$ 4,482,211	\$ 4,678,557	\$ 5,764,238	\$ 6,655,370	\$ 9,400,418
13,441,797	14,864,951	15,045,158	14,793,362	15,856,084	14,275,872
\$ 16,762,820	\$ 19,347,162	\$ 19,723,715	\$ 20,557,600	\$ 22,511,454	\$ 23,676,290
\$ 5,460,113	\$ 5,311,812	\$ 5,165,477	\$ 5,021,173	\$ 5,409,740	\$ 450,268
(15,684)	(31,037)	(26,024)	(36,137)	(1,464)	(12,070)
\$ 5,444,429	\$ 5,280,775	\$ 5,139,453	\$ 4,985,036	\$ 5,408,276	\$ 438,198
\$ 8,781,136	\$ 9,794,023	\$ 9,844,034	\$ 10,785,411	\$ 12,065,110	\$ 9,850,686
13,426,113	14,833,914	15,019,134	14,757,225	15,854,620	14,263,802
\$ 22,207,249	\$ 24,627,937	\$ 24,863,168	\$ 25,542,636	\$ 27,919,730	\$ 24,114,488

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

	2009	2010	2011	2012
Expenses				
Governmental activities				
General government administration	\$ 1,864,806	\$ 1,556,300	\$ 1,381,514	\$ 1,375,325
Judicial administration	358,576	744,437	742,347	734,692
Public safety	2,907,399	2,761,300	2,732,338	3,022,043
Public works	1,237,489	1,025,861	995,742	1,059,277
Health and welfare	2,368,475	2,189,821	2,440,233	2,269,681
Community development	923,784	747,514	484,311	570,296
Parks, Recreation and cultural	567,971	554,813	571,977	515,549
Education	11,734,160	11,932,831	11,787,315	11,570,030
Interest and other financial charges	836,260	833,989	798,490	748,812
Total governmental activities	<u>\$ 22,798,920</u>	<u>\$ 22,346,866</u>	<u>\$ 21,934,267</u>	<u>\$ 21,865,705</u>
Business-type activities				
Water and Sewer	\$ 383,367	\$ 404,703	\$ 422,687	\$ 451,572
Total business-type activities	<u>\$ 383,367</u>	<u>\$ 404,703</u>	<u>\$ 422,687</u>	<u>\$ 451,572</u>
Total primary government expenses	<u><u>\$ 23,182,287</u></u>	<u><u>\$ 22,751,569</u></u>	<u><u>\$ 22,356,954</u></u>	<u><u>\$ 22,317,277</u></u>
Program Revenues				
Governmental activities				
Charges for services:				
General government administration	\$ -	\$ -	\$ 8,025	\$ 12,414
Judicial administration	56,959	50,736	40,941	41,784
Public safety	48,335	41,406	36,976	50,841
Public works	21,849	29,794	49,054	49,139
Parks, recreation and cultural	20,621	30,439	38,400	29,469
Community development	-	-	-	-
Operating grants and contributions	2,545,547	2,315,618	2,204,458	2,231,420
Capital Grants and contributions	76,580	612,584	186,400	70,447
Total governmental activities	<u>\$ 2,769,891</u>	<u>\$ 3,080,577</u>	<u>\$ 2,564,254</u>	<u>\$ 2,485,514</u>
Business-type activities				
Charges for services:				
Water and Sewer	\$ 37,185	\$ 41,575	\$ 45,582	\$ 60,662
Capital grants and contributions	269,529	-	57,208	-
Total business-type activities	<u>\$ 306,714</u>	<u>\$ 41,575</u>	<u>\$ 102,790</u>	<u>\$ 60,662</u>
Total primary government revenues	<u><u>\$ 3,076,605</u></u>	<u><u>\$ 3,122,152</u></u>	<u><u>\$ 2,667,044</u></u>	<u><u>\$ 2,546,176</u></u>

Table 2
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2013	2014	2015	2016	2017	2018
\$ 1,647,559	\$ 1,584,521	\$ 1,991,967	\$ 2,132,002	\$ 1,917,740	\$ 1,964,276
746,655	766,927	748,445	773,107	888,575	873,741
3,316,803	3,193,870	3,328,127	2,918,282	3,290,894	3,606,834
1,061,654	1,153,265	87,783	1,413,326	1,557,463	1,422,039
2,451,304	2,457,024	2,441,740	2,303,706	2,320,721	2,302,899
479,927	491,679	533,375	531,693	1,018,108	516,728
562,994	899,221	576,999	1,176,469	(139,681)	632,537
11,967,342	11,525,579	12,149,458	12,463,776	12,055,007	13,088,905
709,606	674,932	1,024,436	562,721	538,332	505,507
\$ 22,943,844	\$ 22,747,018	\$ 22,882,330	\$ 24,275,082	\$ 23,447,159	\$ 24,913,466
\$ 405,141	\$ 498,727	\$ 489,378	\$ 457,130	\$ 521,937	\$ 5,131,464
\$ 405,141	\$ 498,727	\$ 489,378	\$ 457,130	\$ 521,937	\$ 5,131,464
\$ 23,348,985	\$ 23,245,745	\$ 23,371,708	\$ 24,732,212	\$ 23,969,096	\$ 30,044,930
\$ 1,784	\$ 1,117	\$ 295	\$ 276	\$ 16,429	\$ 14,928
91,304	90,461	69,629	45,947	66,032	43,015
42,316	48,333	59,880	47,887	58,176	62,557
49,609	51,934	45,556	42,663	35,100	39,897
28,788	38,969	52,662	63,891	31,916	20,837
10,737	13,639	10,208	-	-	-
2,199,793	2,410,697	2,535,110	2,345,604	2,586,006	2,619,000
672,973	59,671	20,805	322,950	-	-
\$ 3,097,304	\$ 2,714,821	\$ 2,794,145	\$ 2,869,218	\$ 2,793,659	\$ 2,800,234
\$ 60,427	\$ 50,812	\$ 197,263	\$ 134,154	\$ 150,495	\$ 64,486
-	-	-	-	-	-
\$ 60,427	\$ 50,812	\$ 197,263	\$ 134,154	\$ 150,495	\$ 64,486
\$ 3,157,731	\$ 2,765,633	\$ 2,991,408	\$ 3,003,372	\$ 2,944,154	\$ 2,864,720

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

	2009	2010	2011	2012
Net (Expense)/Revenue				
Governmental activities	\$ (20,029,029)	\$ (19,266,289)	\$ (19,370,013)	\$ (19,380,191)
Business-type activities	(341,792)	(301,913)	(362,025)	(391,145)
Total primary government net expense	<u>\$ (20,370,821)</u>	<u>\$ (19,568,202)</u>	<u>\$ (19,732,038)</u>	<u>\$ (19,771,336)</u>

General Revenues and Other Changes in Net Position

Governmental Activities:

Taxes

Property taxes	\$ 17,728,739	\$ 17,428,339	\$ 18,997,082	\$ 19,924,721
Other local taxes	754,536	643,424	692,822	878,104
Investment earnings	299,565	139,858	88,504	91,269
Miscellaneous	24,255	52,754	45,913	19,075
Non-categorical aid from the Commonwealth	697,935	708,314	735,599	771,328
Transfers	(267,361)	(135,000)	(277,520)	(240,853)
Total governmental activities	<u>\$ 19,237,669</u>	<u>\$ 18,837,689</u>	<u>\$ 20,282,400</u>	<u>\$ 21,443,644</u>

Business-type activities

Transfers	\$ 267,361	\$ 135,000	\$ 277,520	\$ 240,853
Total business-type activities	<u>\$ 267,361</u>	<u>\$ 135,000</u>	<u>\$ 277,520</u>	<u>\$ 240,853</u>
Total primary government	<u><u>\$ 19,505,030</u></u>	<u><u>\$ 18,972,689</u></u>	<u><u>\$ 20,559,920</u></u>	<u><u>\$ 21,684,497</u></u>

Changes in Net Position

Governmental activities	\$ (791,360)	\$ (428,600)	\$ 912,387	\$ 2,063,453
Business-type activities	(74,431)	(166,913)	(84,505)	(150,292)
Total primary government	<u><u>\$ (865,791)</u></u>	<u><u>\$ (595,513)</u></u>	<u><u>\$ 827,882</u></u>	<u><u>\$ 1,913,161</u></u>

Table 2
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2013	2014	2015	2016	2017	2018
\$ (19,846,540)	\$ (20,032,197)	\$ (20,088,185)	\$ (21,405,864)	\$ (20,653,500)	\$ (22,113,232)
(354,329)	(429,307)	(292,115)	(322,976)	(371,442)	(5,066,978)
\$ (20,200,869)	\$ (20,461,504)	\$ (20,380,300)	\$ (21,728,840)	\$ (21,024,942)	\$ (27,180,210)

\$ 20,724,814	\$ 21,177,468	\$ 20,966,352	\$ 20,744,418	\$ 21,725,342	\$ 21,766,374
742,671	755,736	644,424	706,543	610,920	780,408
98,183	90,225	94,049	154,325	226,484	368,134
32,331	92,072	55,082	54,442	70,236	164,975
778,690	766,691	771,419	769,719	769,054	776,502
(207,251)	(265,653)	(150,793)	(168,559)	(794,682)	(96,900)
\$ 22,169,438	\$ 22,616,539	\$ 22,380,533	\$ 22,260,888	\$ 22,607,354	\$ 23,759,493

\$ 207,251	\$ 265,653	\$ 150,793	\$ 168,559	\$ 794,682	\$ 96,900
\$ 207,251	\$ 265,653	\$ 150,793	\$ 168,559	\$ 794,682	\$ 96,900
\$ 22,376,689	\$ 22,882,192	\$ 22,531,326	\$ 22,429,447	\$ 23,402,036	\$ 23,856,393

\$ 2,322,898	\$ 2,584,342	\$ 2,292,348	\$ 855,024	\$ 1,953,854	\$ 1,646,261
(147,078)	(163,654)	(141,322)	(154,417)	423,240	(4,970,078)
\$ 2,175,820	\$ 2,420,688	\$ 2,151,026	\$ 700,607	\$ 2,377,094	\$ (3,323,817)

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

	2009	2010	2011	2012
General fund				
Unreserved	\$ 9,744,681	\$ 8,353,210	\$ -	\$ -
Committed	-	-	6,835,193	5,788,537
Unassigned	-	-	2,428,955	5,591,064
Total general fund	<u>\$ 9,744,681</u>	<u>\$ 8,353,210</u>	<u>\$ 9,264,148</u>	<u>\$ 11,379,601</u>
All other governmental funds				
Unreserved, reported in:				
Special revenue funds	\$ 617,270	\$ 628,500	\$ -	\$ -
Capital projects funds	4,140,348	1,879,841	-	-
Committed	-	-	2,231,830	1,979,195
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ 4,757,618</u>	<u>\$ 2,508,341</u>	<u>\$ 2,190,895</u>	<u>\$ 1,951,481</u>

Note:

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

Table 3

2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,536,834	5,690,518	5,889,072	4,480,761	6,509,370	7,372,426
8,093,311	10,678,611	12,593,041	13,442,281	12,813,118	12,783,307
\$ 13,630,145	\$ 16,369,129	\$ 18,482,113	\$ 17,923,042	\$ 19,322,488	\$ 20,155,733
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,638,403	299,867	3,620,347	2,254,813	1,576,782	(618,860)
3,973	19,170	29,403	35,567	42,611	42,785
\$ 1,642,376	\$ 319,037	\$ 3,649,750	\$ 2,290,380	\$ 1,619,393	\$ (576,075)

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

	2009	2010	2011	2012
Revenues				
General property taxes	\$ 17,637,845	\$ 17,376,874	\$ 18,768,963	\$ 19,964,237
Other local taxes	754,536	643,424	692,822	878,104
Permits, privilege fees and licenses	48,036	41,406	36,976	50,542
Fines and Forfeitures	24,902	11,922	12,182	18,091
Revenue from use of money & property	299,565	139,858	88,504	91,269
Charges for services	74,826	99,047	124,238	115,014
Miscellaneous	24,255	52,754	45,913	19,075
Recovered costs	17,710	10,705	3,599	209
Commonwealth of Virginia	2,376,715	2,325,332	2,167,407	2,126,006
Federal Government	943,347	1,311,184	959,050	947,189
Total revenues	\$ 22,201,737	\$ 22,012,506	\$ 22,899,654	\$ 24,209,736
Expenditures				
General government administration	\$ 1,554,499	\$ 1,441,060	\$ 1,315,093	\$ 1,303,131
Judicial administration	396,862	402,477	398,667	402,742
Public Safety	2,536,356	2,447,061	2,431,375	2,730,279
Public works	1,022,167	906,278	953,519	1,009,790
Health and welfare	2,361,067	2,191,083	2,219,441	2,337,613
Education	10,921,288	11,575,408	11,413,268	11,338,153
Community development	438,558	507,589	436,425	404,459
Parks, recreation and cultural	540,575	534,123	532,124	490,216
Capital projects	5,527,490	3,441,248	445,392	367,937
Debt service				
Principal	734,832	1,202,177	1,069,826	936,045
Interest and other fiscal charges	731,117	869,750	813,512	772,479
Total Expenditures	\$ 26,764,811	\$ 25,518,254	\$ 22,028,642	\$ 22,092,844
Revenues over (under) expenditures	\$ (4,563,074)	\$ (3,505,748)	\$ 871,012	\$ 2,116,892
Other financing sources (uses)				
Transfers in	\$ 1,364,051	\$ 625,000	\$ 48,091	\$ 594,456
Transfers out	(1,631,412)	(760,000)	(325,611)	(835,309)
Issuance of bonds	5,050,000	-	-	-
Bond issuance premium	69,681	-	-	-
Total other financing sources (uses)	\$ 4,852,320	\$ (135,000)	\$ (277,520)	\$ (240,853)
Net change in fund balances	\$ 289,246	\$ (3,640,748)	\$ 593,492	\$ 1,876,039
Debt service as a percentage of noncapital expenditures	6.41%	9.67%	8.70%	7.89%

Table 4

2013		2014		2015		2016		2017		2018	
\$	21,012,899	\$	21,140,727	\$	21,119,861	\$	20,939,138	\$	21,692,941	\$	21,670,403
	742,671		755,736		644,424		706,543		610,920		780,408
	42,017		48,034		59,555		37,354		39,843		49,723
	49,350		49,826		30,963		20,043		43,375		34,210
	98,183		90,225		94,049		154,325		226,484		368,134
	133,171		146,593		147,712		143,267		124,435		97,301
	32,331		92,072		55,082		54,442		70,236		164,975
	886		229		700		29,588		20,149		95,520
	2,732,108		2,196,137		2,316,990		2,173,971		2,410,290		2,466,263
	919,348		1,040,922		1,010,344		1,264,302		944,770		929,239
\$	25,762,964	\$	25,560,501	\$	25,479,680	\$	25,522,973	\$	26,183,443	\$	26,656,176
\$	1,357,725	\$	1,388,887	\$	1,411,117	\$	1,655,003	\$	1,433,635	\$	1,655,924
	415,237		434,476		436,324		476,120		570,201		565,128
	3,015,476		2,927,342		3,031,347		2,968,027		3,054,207		3,289,980
	983,123		1,067,715		1,164,473		1,290,413		1,510,054		1,407,940
	2,422,570		2,423,793		2,417,346		2,340,943		2,279,521		2,301,035
	11,766,080		11,380,579		11,758,980		12,145,887		11,871,307		12,758,905
	538,068		461,795		688,660		694,471		563,922		597,532
	455,404		669,741		518,254		521,082		524,311		504,458
	1,010,776		1,472,333		2,245,537		3,288,574		954,910		2,948,838
	922,469		959,102		13,339,050		1,045,000		1,085,000		1,125,000
	727,346		693,440		1,190,219		847,335		813,234		766,759
\$	23,614,274	\$	23,879,203	\$	38,201,307	\$	27,272,855	\$	24,660,302	\$	27,921,499
\$	2,148,690	\$	1,681,298	\$	(12,721,627)	\$	(1,749,882)	\$	1,523,141	\$	(1,265,323)
\$	25,345	\$	62,906	\$	-	\$	1,549,848	\$	80,000	\$	428,097
	(232,596)		(328,559)		(150,793)		(1,718,407)		(874,682)		(524,997)
	-		-		18,316,117		-		-		-
	-		-		-		-		-		-
\$	(207,251)	\$	(265,653)	\$	18,165,324	\$	(168,559)	\$	(794,682)	\$	(96,900)
\$	1,941,439	\$	1,415,645	\$	5,443,697	\$	(1,918,441)	\$	728,459	\$	(1,362,223)
	7.22%		7.30%		39.61%		7.78%		7.97%		7.43%

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

Table 5

Taxpayer	2018			2009		
	Rank	Assessed Valuation (1)	Percentage of Total Assessed Valuation	Rank	Assessed Valuation (2)	Percentage of Total Assessed Valuation
Dominion Virginia Power	1	\$ 1,868,959,932	66.28%	1	\$ 1,453,336,971	62.08%
Swann's Point Plantation LLC et al	2	26,795,900	0.95%			0.00%
Beechland/Alliance Farms et al	3	11,213,400	0.40%	6	5,791,500	0.25%
Wanro LLC et al	4	10,987,300	0.39%	2	11,122,800	0.48%
Timbervest Partners (III) of Virginia LLC	5	8,989,700	0.32%			0.00%
Prince George Electric Cooperative	6	8,658,412	0.31%	5	8,145,023	0.35%
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	0.17%			0.00%
Brandon & Brandon LLC et al	10	4,050,000	0.14%			0.00%
Grayland/Gray Lumber Company			0.00%	7	6,086,000	0.26%
John Hancock Mutual Life Insurance Company	11	3,861,200	0.14%	12	3,867,200	0.17%
Spring Grove Land Association	12	3,352,200	0.12%	14	2,947,100	0.13%
Commonwealth Forest Investment	13	3,276,800	0.12%	13	3,276,000	0.14%
Smithfield-Carrolls Farms				4	8,813,100	0.38%
Alpha Forest Association				6	6,165,100	0.26%
Schorsch, Nicholas				8	7,773,200	0.33%
Sussex Surry LLC				11	4,522,700	0.19%
Swann's Point Farm LLC				3	8,974,800	0.38%
Verizon South Inc.	14	3,019,740		9	5,385,406	0.23%
		<u>\$ 1,971,902,284</u>	<u>69.93%</u>		<u>\$ 1,540,971,400</u>	<u>65.82%</u>
Total Assessed Valuation of RE		<u>\$ 2,819,667,727</u>	<u>100.00%</u>		<u>\$ 2,341,180,993</u>	<u>100.00%</u>

Notes:

(1) 2018 Real Estate Assessments.

(2) 2009 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
2018	\$ 21,954,582	\$ 21,554,346	98.18%	\$ -	\$ 21,954,582	\$ -	\$ 21,554,346	98.18%
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%

Notes:

- (1) Commissioner of the Revenue
- (2) Exclusive of Penalties and Interest

COUNTY OF SURRY, VIRGINIA

Table 7

Assessed and Estimated Actual Value of Real Property
Last Ten Fiscal Years

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
2018	\$ 892,809,300	\$ 34,673,900	\$ 927,483,200	\$ 0.71	\$ 927,483,200	100.00% (2)
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)

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

Table 8

Assessed Value of Taxable Property Other than Real Property
Last Ten Fiscal Years

Fiscal Year	Personal Property (1)	Machinery & Tools (1)	Aircraft (1)	Public Service (2,3)	Total
2018	\$ 53,552,530	\$ 2,255,765	\$ 1,400	\$ 1,892,813,173	\$ 1,948,622,868
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

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)
2018	\$ 2,023,325	\$ -	\$ 14,526,873	\$ -	\$ -	\$ 16,550,198	**	N/A
2017	2,153,325	-	15,768,196	-	-	17,921,521	6.46%	\$ 42,427
2016	2,285,293	-	16,989,454	-	597,742	19,872,489	7.54%	41,337
2015	2,403,777	-	18,191,382	-	662,613	21,257,772	7.75%	40,509
2014	2,517,261	-	1,029,050	12,200,000	725,452	16,471,763	6.43%	38,374
2013	2,665,745	-	1,238,152	12,805,000	786,326	17,495,223	7.18%	37,916
2012	2,804,229	-	1,440,621	13,390,000	845,297	18,480,147	7.56%	37,391
2011	2,987,713	-	1,636,666	13,950,000	902,427	19,476,806	8.07%	35,699
2010	3,336,197	-	1,826,492	14,485,000	1,006,397	20,654,086	8.79%	34,085
2009	3,719,681	123,373	2,010,296	15,000,000	1,058,317	21,911,667	9.22%	34,352

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	Lease Revenue Bond Payable	Total General Bonded Debt	General Bonded Debt Per Capita	Percent of General Bonded Debt to Assessed Real Property Value
2018	\$ 2,023,325	\$ 14,526,873	\$ 16,550,198	**	1.78%
2017	2,153,325	15,768,196	17,921,521	2,740	1.94%
2016	2,285,293	16,989,454	19,274,747	2,934	2.10%
2015	2,403,777	18,191,382	20,595,159	3,088	2.31%
2014	2,517,261	1,029,050	3,546,311	523	0.40%
2013	2,665,745	1,238,152	3,903,897	575	0.44%
2012	2,804,229	1,440,621	4,244,850	621	0.48%
2011	2,987,713	1,636,666	4,624,379	668	0.53%
2010	3,336,197	1,826,492	5,162,689	733	0.59%
2009	3,719,681	2,010,296	5,729,977	814	0.67%

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) Population	(1) Per Capita Income	(1) Total Personal Income	(2) School Enrollment	(3) Unemployment Rate %
2018	**	**	**	792	3.9%
2017	6,540	\$ 42,427	\$ 277,471,000	826	4.8%
2016	6,570	40,139	263,711,000	837	5.3%
2015	6,670	41,141	274,412,000	867	5.1%
2014	6,781	37,750	255,985,000	934	6.7%
2013	6,788	35,877	243,534,000	902	7.3%
2012	6,839	35,743	244,447,000	928	8.0%
2011	6,923	34,870	241,403,000	977	7.0%
2010	7,045	33,361	235,027,000	1,017	7.6%
2009	7,037	33,773	237,659,000	1,041	4.5%

Notes: (1) Bureau of Economic Analysis
(2) Virginia Department of Education
(3) Virginia Labor Market Information (LMI)
**Information Unavailable

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

Table 12

Employer	Fiscal Year 2018			Fiscal Year 2009	
	Employees	Rank	% of Total Employment	Employees	Rank
Dominion Virginia Power	500-999	1	30.27%	500-999	1
The Atlantic Group, Inc.	250-499	2	15.13%	250-499	2
Surry County School Board	100-249	3	7.06%	250-499	3
Brock Services LLC	100-249	4	7.06%		
Surry County	100-249	5	7.06%	50-99	4
Virginia Department of Transportation	50-99	6	3.03%		
Fluor Daniel Services Corporation	50-99	7	3.03%	20-49	14
Windsor Mill	50-99	8	3.03%	50-99	5
BHI Energy	50-99	9	3.03%	20-49	13
Coastal Waters Contracting & Roofing	20-49	10	1.41%	20-49	
Coggin Electric Specialists	20-49	11	3.03%	20-49	7
Dominion Resources	20-49	12	3.03%	20-49	10
Virginia Department of Conservation	20-49	13	0.61%	20-49	9
Surry County Department of Social Services	20-49	14	1.41%	20-49	8
Seward Lumber Company Inc.	20-49	15	1.41%	20-49	12
S.W. Edwards and Sons				20-49	6
Barlett Nuclear				20-49	11
Sho Enterprises LLC				20-49	13
Postal Service				10-19	15

Source: Virginia Employment Commission

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

	Full-Time Equivalent Employees as of June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
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	3.2	3.7	3.6	4.3	3.2	3.7	3.7
Treasurer	4.0	4.0	4.0	4.6	5.2	4.5	4.9	5.0	4.5	4.2
Finance	2.0	2.0	2.0	2.0	2.0	2.0	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	1.6	1.4	1.4	1.8	1.6	1.6	1.6	1.6
Total General Government	14.8	14.8	14.8	15.2	16.3	15.9	17.8	16.8	16.8	16.5
Judicial Administration:										
Clerk of the Circuit Court	3.3	3.3	3.3	3.5	3.3	3.6	3.0	3.0	3.0	3.0
General District Court	2.3	2.3	2.3	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Victim's Witness	1.0	1.0	1.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Commonwealth Attorney	2.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total Judicial Administration	8.6	8.6	8.6	7.5	7.3	7.6	7.0	7.0	7.0	7.0
Public Safety:										
Sheriff's Office	27.3	26.3	26.3	24.4	22.1	25.2	22.5	19.0	19.0	21.0
Fire and Emergency Services	3.0	3.0	3.0	2.1	2.1	2.1	2.0	2.0	2.0	2.0
Animal Control	3.0	3.0	3.0	3.0	2.0	2.0	1.0	1.0	1.0	2.0
Total Public Safety	33.3	32.3	32.3	29.5	26.2	29.3	24.5	21.0	21.0	23.0
Public Works:										
Sanitation	11.4	11.4	11.4	10.0	4.4	14.7	13.0	14.0	15.4	17.4
Maintenance	4.7	4.7	4.7	5.0	5.6	5.0	5.0	5.0	5.0	6.0
Total Public Works	16.1	16.1	16.1	15.0	10.0	19.7	18.0	19.0	20.4	23.4
Office on Youth:										
Office on Youth	6.0	6.0	6.0	5.0	5.6	5.1	7.0	6.3	5.0	6.8
Total Office on Youth	6.0	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	7.0	6.0	5.0	6.0	7.0	9.0	6.3	7.4
Total Parks, Recreation and Cultural	7.0	7.0	7.0	6.0	5.0		7.0	9.0	6.3	7.4
Community Development										
Planning/Environmental/Permitting	4.0	4.0	4.0	3.0	4.0	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	3.0	4.0	4.0	5.0	4.0	5.0	5.0	5.0
Total Community Development	9.0	9.0	9.0	9.0	10.0	12.0	11.0	12.0	12.0	12.0
Total	117.8	116.8	116.8	110.2	103.4	112.6	108.3	107.8	106.5	112.3

Source: Payroll Clerk

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

Table 14

		Fiscal Year									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety (1)	Number of calls answered	318	189	321	276	267	332	312	268	408	375
Community Development (2)	Residential building permits	219	217	255	208	172	87	75	75	68	74
	Commercial building permits	5	3	2	7	8	4	3	1	6	6
Parks & Recreation (3)	Program participants	20,144	19,850	19,850	18,500	18,500	18,123	17,822	18,652	18,399	18,572
Sewer (4)	Service connections	N/A	N/A	141	155	139	141	140	140	128	127
	Average daily consumption in gallons	N/A	N/A	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

Note: The wastewater system was transferred to Hampton Roads Sanitation District (HRSD) in FY2017-18.

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

Table 15

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Sheriff's Office (1)										
Number of stations	1	1	1	1	1	1	1	1	1	1
Physical arrests	116	170	164	144	166	223	164	217	197	260
Patrol units	14	14	14	13	14	20	16	16	16	18
Volunteer Fire Departments (2)										
Companies	4	4	4	4	4	4	4	4	4	4
Stations	4	4	4	4	4	4	4	4	4	4
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	3	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	N/A	N/A	141	155	139	141	140	140	128	127
Average daily consumption in gallons	N/A	N/A	14,152	17,504	15,120	13,047	13,747	12,724	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
Number of middle schools	1		1	1	1	1	1	1	1	1
Number of secondary schools	1		1	1	1	1	1	1	1	1
Number of school buses	38		35	33	35	39	36	36	35	34

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

Note:

The wastewater system was transferred to Hampton Roads Sanitation District (HRSD) in FY2017-18.

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, 2018, and the related notes to the financial statements, which collectively comprise County of Surry, Virginia's basic financial statements, and have issued our report thereon dated November 23, 2018.

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
November 23, 2018

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, 2018. 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). 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, 2018.

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
November 23, 2018

County of Surry, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

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	0950117/0950118	\$ 8,884
Temporary Assistance for Needy Families	93.558	0400117/0400118	147,999
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117/0500118	218
Low-Income Home Energy Assistance	93.568	0600417/0600418	19,360
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117/0760118	22,979
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900117/0900118	437
Foster Care - Title IV-E	93.658	1100117/1100118	77,876
Adoption Assistance	93.659	1120117/1120118	11,924
Social Services Block Grant	93.667	1000117/1000118	161,169
Chafee Foster Care Independence Program	93.674	9150117/9150118	869
Children's Health Insurance Program	93.767	0540117/0540118	7,749
Medical Assistance Program	93.778	1200117/1200118	206,186
Total Department of Health and Human Services			\$ 665,650
Department of Justice:			
Pass Through Payments:			
<i>Department of Criminal Justice Service:</i>			
Crime Victim Assistance	16.575	unavailable	\$ 32,082
Department of Transportation:			
Pass Through Payments:			
<i>Department of Transportation:</i>			
State and Community Highway Safety	20.600	unavailable	\$ 17,629
Department of the Defense:			
Direct Payments:			
Junior ROTC	12.xxx	N/A	\$ 64,430
Department of Agriculture:			
Pass Through Payments:			
<i>Department of Agriculture:</i>			
Food Distribution - Summer Feeding Program (Child Nutrition Cluster)	10.559	Unavailable	\$ 900
<i>Department of Health:</i>			
Summer Food Service Program for Children (Child Nutrition Cluster)	10.559	Unavailable	3,813 \$ 4,713

County of Surry, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

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	\$ 24,745
<i>Department of Education:</i>			
National School Lunch Program (Child Nutrition Cluster)	10.555	17901- 40623	213,313
School Breakfast Program (Child Nutrition Cluster)	10.553	17901- 40591	103,674
Total Child Nutrition Cluster			<u>\$ 346,445</u>
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/ 90103	\$ 209,714
Child Nutrition Discretionary Grant	10.579	185002-20100	5,499
Total Department of Agriculture			<u>\$ 561,658</u>
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	17901- 42901	\$ 159,607
<i>Special Education Cluster:</i>			
Special Education - Grants to States	84.027	17901- 43071	258,670
Special Education - Preschool Grants	84.173	17901- 62521	4,745
Total Special Education Cluster			<u>\$ 263,415</u>
Career and Technical Education - Basic Grants to States	84.048	17901- 61095	\$ 15,516
Twenty-First Century Community Learning Centers	84.287	17901- 60565	179,795
Supporting Effective Instruction State Grant	84.367	17901- 61480	70,118
Total Department of Education			<u>\$ 688,451</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,029,900</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, 2018

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Surry, Virginia under programs of the federal government for the year ended June 30, 2018. 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 the Uniform Guidance, 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:

Note F - Loan Balances

The County has no loans or loan guarantees which are subject to reporting requirements for the current year.

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 929,239
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Component Unit School Board:

School Operating Fund	\$ 752,882
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School Cafeteria Fund	348,131
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Total component unit school board	\$ 1,101,013
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Total federal expenditures per basic financial statements	\$ 2,030,252
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Less: Payment in Lieu of Taxes	352
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 2,029,900
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County of Surry, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

	_____ yes	<u>✓</u> no
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ yes	<u>✓</u> no
Significant deficiency(ies) identified?	_____ 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)?

	_____ 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? ✓ yes _____ no

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, 2018

There were no prior year findings.