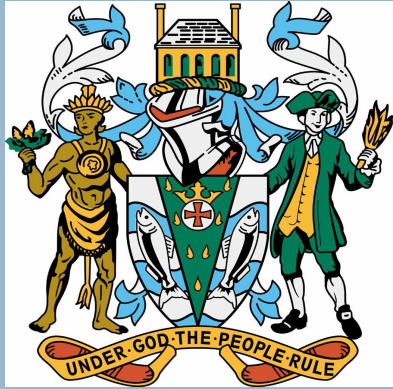


2015

King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2015

www.kingwilliamcounty.us



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**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Fiscal Year Ended June 30, 2015

Prepared by:

Department of Finance
180 Horse Landing Road
King William, Virginia 23086

**COUNTY OF KING WILLIAM, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015**

TABLE OF CONTENTS

<i>INTRODUCTORY SECTION</i>	
Letter of Transmittal	i – viii
Directory of Principal Officials	ix
Organizational Chart	x
Certificate of Achievement for Excellence in Financial Reporting – 2014	xi
<i>FINANCIAL SECTION</i>	
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 16
<i>Basic Financial Statements</i>	
<i>Exhibit 1</i> Statement of net position	17 - 18
<i>Exhibit 2</i> Statement of activities	19 – 20
<i>Exhibit 3</i> Balance sheet - governmental funds	21
<i>Exhibit 4</i> Reconciliation of the balance sheet of the governmental funds to the statement of net position	22
<i>Exhibit 5</i> Statement of revenues, expenditures and changes in fund balances - governmental funds	23
<i>Exhibit 6</i> Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	24
<i>Exhibit 7</i> Statement of revenues, expenditures and changes in fund balances - budget and actual - general fund	25
<i>Exhibit 8</i> Statement of net position - fiduciary funds	26
Notes to financial statements	27 - 75
<i>Required Supplementary Information</i>	
<i>Exhibit 9</i> Schedule of funding progress – other postemployment benefits	76
Schedule of employer contributions –other postemployment benefits	76
<i>Exhibit 10</i> Schedule of changes in the County net pension liability and related ratios – Virginia Retirement System	77
<i>Exhibit 11</i> Schedule of changes in the School Board non-professional net pension liability and related ratios – Virginia Retirement System	78
<i>Exhibit 12</i> Schedule of School Board share of net pension liability – VRS Teacher Retirement Plan (cost-sharing) – Virginia Retirement System	79
<i>Exhibit 13</i> Schedule of County contributions – Virginia Retirement System	80
<i>Exhibit 14</i> Schedule of School Board non-professional contributions – Virginia Retirement System	81
<i>Exhibit 15</i> Schedule of School Board contributions – VRS Teacher Retirement Plan – Virginia Retirement System	82

Supplementary Information

<i>Exhibit 16</i>	Combining statement of net position - agency funds	83
<i>Exhibit 17</i>	Combining statement of changes in assets and liabilities - agency funds	84 - 86
<i>Exhibit 18</i>	Combining balance sheet - discretely presented component unit - School Board	87
<i>Exhibit 19</i>	Combining statement of revenues, expenditures and changes in fund balances -budget and actual - discretely presented component unit - School Board	88
<i>Exhibit 20</i>	Schedule of revenues, expenditures and changes in fund balances - budget and actual - discretely presented component unit - School Board	89 - 90
<i>Exhibit 21</i>	Combining statement of net position - School Board - fiduciary funds	91
<i>Exhibit 22</i>	Combining statement of changes in assets and liabilities - School Board - all agency funds	92 - 93
<i>Exhibit 23</i>	Statement of net position - internal service fund - self-insurance fund - School Board	94
<i>Exhibit 24</i>	Statement of revenues, expenses and changes in net position - internal service fund - self-insurance fund - School Board	95
<i>Exhibit 25</i>	Statement of cash flows - internal service fund - self-insurance fund - School Board	96

Supplemental Schedules

<i>Exhibit 26</i>	Schedule of revenues - budget and actual - governmental funds and discretely presented component unit - School Board	97 - 103
<i>Exhibit 27</i>	Schedule of expenditures - budget and actual - governmental funds and discretely presented component unit - School Board	104 - 108

STATISTICAL SECTION

Tables

1	Net position/assets by component	109 - 110
2	Changes in net position/assets	111 - 112
3	Fund balances - governmental funds	113 - 114
4	Changes in fund balances - governmental funds	115 - 116
5	Tax revenues by source - governmental funds	117 - 118
6	Assessed and estimated value of property	119 - 120
7	Property tax rates	121
8	Principal taxpayers	122
9	Property tax levies and collections	123
10	Ratios of outstanding debt by type and general bonded debt outstanding	124 - 125
11	Ratio of net general obligation bonded debt to assessed value and net general obligation bonded debt per capita	126 - 127
12	Computation of direct and overlapping bonded debt	128
13	Demographic and economic statistics	129
14	Principal employers	130
15	Full-time equivalent County government employees by function	131 - 132
16	Operating indicators by function/activity	133 - 134
17	Capital asset statistics by function	135 - 136

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards	137 - 139
Notes to Schedule of Expenditures of Federal Awards	140 - 141
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	142 - 143
Independent Auditor's Report on Compliance With Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	144 - 146
Schedule of Findings and Questioned Costs	147 - 151
Corrective Action Plan	152 - 153
Summary Schedule of Prior Audit Findings	154 - 155

2015 King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2015

www.kingwilliamcounty.us

INTRODUCTORY SECTION

Letter of Transmittal

Directory of Principle Officials

Organization of the County Government

Certificate of Achievement for Excellence in
Financial Reporting—2014

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INTRODUCTORY SECTION

King William County Government and Public Schools



FINANCE DEPARTMENT
180 Horse Landing Road
King William, VA 23086

Telephone (804) 769-4929

Fax (804) 769-4964

December 16, 2015

To the Honorable Chairman and Members of the King William County Board of Supervisors, Chairman and Members of the King William County School Board, and Citizens of King William County, Virginia:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of King William County (the County) for the fiscal year ended June 30, 2015. The *Code of Virginia* requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of audited financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) as established by the Governmental Accounting Standards Board.

This report consists of management's representations concerning the finances of the County. Consequently, responsibility for both the accuracy of the data, and the completeness and reliability of the information presented in this report rests with management. To the best of our knowledge and belief, this financial report is complete and accurate in all material respects.

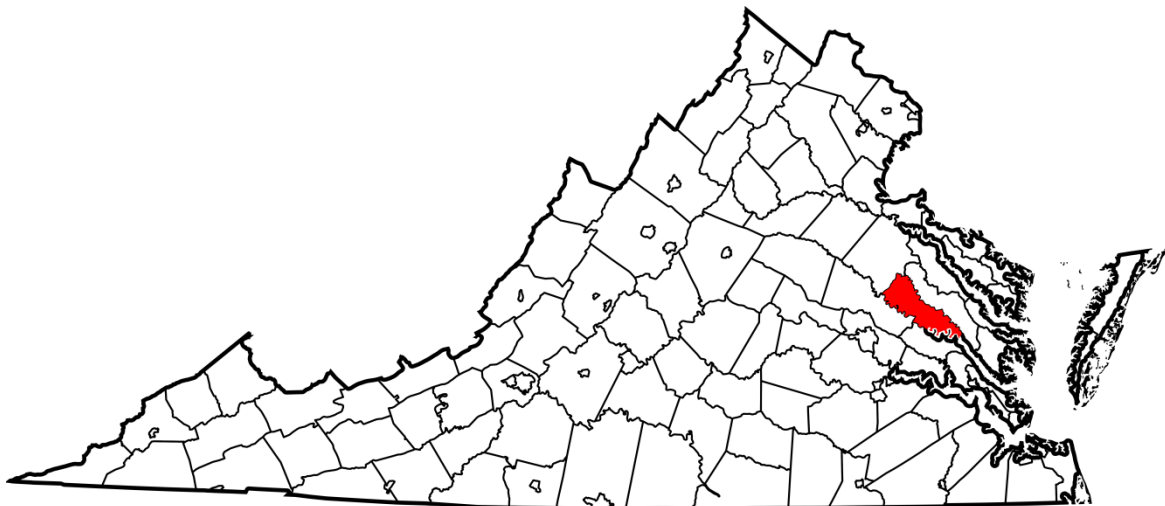
The County's financial statements have been audited by the firm of PBMares, LLP, a firm of licensed certified public accountants, as required by the *Code of Virginia*. The audit was conducted in accordance with generally accepted auditing standards and the Independent Auditor's Report is included as the first component in the Financial Section of this report. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2015 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements are fairly presented in conformity with GAAP.

The independent audit of the financial statements of the County was part of a broader federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The reports are presented in the Compliance Section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A is included in the Financial Section of this report immediately following the report of the independent auditors.

Profile of King William County, Virginia

King William County (the County), incorporated in 1702, is located in the Middle Peninsula region of Virginia, approximately 35 miles northeast of Richmond, Virginia, and encompasses approximately 286 square miles. Based on estimates calculated by the Weldon Cooper Center for Public Policy, King William County's population is estimated at 16,354 as of July 1, 2014. This is a 2.6% increase in population since the 2010 census was completed. Despite population growth, the County remains primarily rural in nature. US Highway 360 runs north-south through the eastern portion of the County. Additionally, State Route 30 traverses through the County from east to west, and State Route 33 traverses through the town of West Point.



The County seat is located in central King William County. King William County includes the town of West Point. The County provides certain governmental services, such as court and social services to the town residents pursuant to general provisions of the *Code of Virginia*. Properties in the Town are subject to both Town and County taxation.

Government

King William County operates under the traditional (modified) Board of Supervisors/County Administrator form of government as defined under Virginia law. The governing body of the County is the Board of Supervisors, which establishes policies for the administration of the County. The Board of Supervisors consists of five members representing the five magisterial districts in the County: Aylett, Manquin, Mangohick, Courthouse/Sweethall, and West Point. The Chairman of the Board of Supervisors is elected from within the Board of Supervisors and serves generally for a term of one year in addition to being a District Supervisor. The Board of Supervisors appoints a County Administrator to serve as the administrative manager of the County. The County Administrator serves at the pleasure of the Board of Supervisors, carries out the policies established by the Board of Supervisors and directs business and administrative procedures within the County government.

In addition to the elected Board of Supervisors, five constitutional officers are elected. These officers include the Sheriff, the Commonwealth's Attorney, the Clerk of the Circuit Court, the Treasurer, and the Commissioner of the Revenue.

The County provides a full range of services to its residents, including education, public safety, court services, solid waste disposal, community and economic development, parks and recreational activities, public libraries, social services, and general administration. All resources required to support these services are reflected in this report.

School Board

King William County is financially accountable for a legally separate school district, which is reported as a component unit. The King William County Public Schools (KWCPs or District) is the single largest service provided by the County. The mission of King William County Public Schools is to "provide rigorous instruction in a challenging atmosphere to meet the educational needs of all students by supporting the efforts of the professional team and encouraging community involvement."

The 21st century vision for King William County Schools is outlined in its comprehensive six-year plan, Moving Into the 21st Century: Critical Thinking, Communicating, Collaborating, Creativity. Based upon the research of what works in schools and school divisions and best instructional practices, six principle goals have been developed to guide student academic growth and achievement. King William County Public Schools priorities are as follows:

- Ensure successful student performance on Standards of Learning assessments
- Implement an articulated K-12 program of instruction including career education, special education, gifted education, and a program of alternative education
- Continuously assess and plan for the environmental and safety issues affecting student achievement
- Emphasize the importance of parent involvement and community partnerships in our community education
- Pursue professional development opportunities for all faculty, administration, and staff to enhance the quality of student learning

The Division is on par or exceeds the state pass rates in standard of learning assessments for the 2014 – 2015 school year. The school division's on-time graduation rate is 87% with 99.31% of students continuing with some form of secondary education, joining the military or securing employment.

The elected School Board is comprised of five members who represent four magisterial districts and one at-large district. The School Board members serve a term of four years, with the chairman and vice chairman of the board selected annually by the members.

The School Board appoints a superintendent to administer the policies of the school board. The school system is comprised of a high school, a middle school, an elementary school, and a primary school.

Budget

Virginia law requires the County to maintain a balanced budget in each fiscal year. The annual budget serves as the foundation for the County's financial planning and control. County departments and agencies begin their budget preparation each year in November. In January, all agencies submit their appropriation requests for the fiscal year commencing the following July 1st. The County Administrator submits a proposed capital improvement program in March and the proposed operating and capital budgets in April. The operating and capital budgets include proposed expenditures and the means of financing such expenditures. Public hearings are conducted to obtain citizen comments. Prior to April, the budget is legally enacted through passage of an Appropriations Resolution. The Appropriations Resolution places legal restrictions on expenditures at the fund level and sets budgetary limits for all departments. All budgets are adopted on a basis consistent with GAAP. A budget-to-actual comparison for the General Fund is provided in this report in Exhibits 26 and 27.

The *Code of Virginia* requires the appointed Superintendent of the KWCPS to submit a budget to the County Board of Supervisors with approval of the School Board. The Superintendent submits a budget plan to the School Board for review in February and the School Board discusses the budget plan in a series of work sessions and public hearings. In February, the School Board adopts its requested budget and forwards it to the County for inclusion in the County Administrator's proposed budget plan. The County Board of Supervisors reviews the School Board's budget during the month of March, and determines the level of funding for the Schools by the end of the month. If the requested level of funding is less than requested, the budget is reworked by the KWCPS staff in coordination with the School Board to develop and adopt a revised budget. The approved budget is the basis for operating KWCPS in the next fiscal year.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which King William County operates.

Local Economy

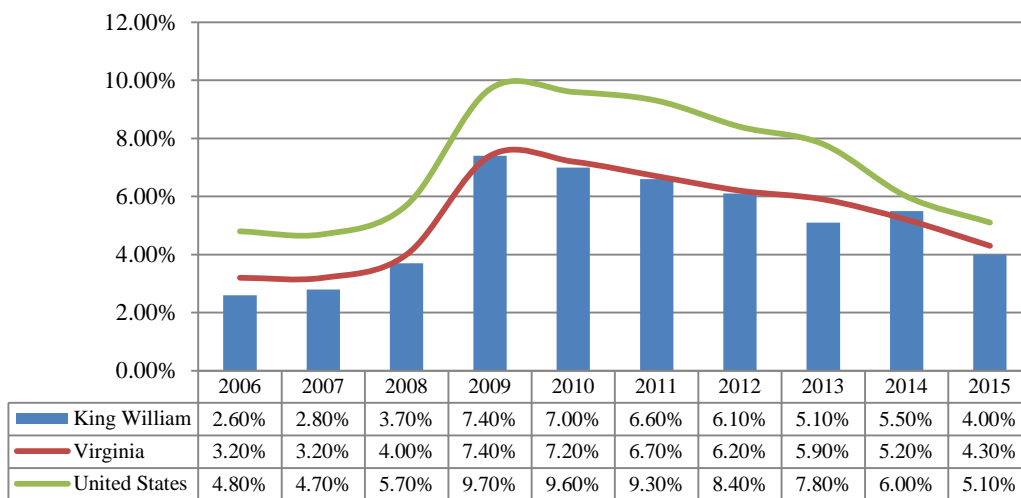
King William County's housing economy has been significantly impacted by the turmoil in the national housing market in comparison to the unprecedented growth that has characterized the region in past years. After witnessing double-digit annual increases in home values, the local real estate housing market today continues to be impacted by the challenging economic environment.

The County's real estate valuation is reassessed on a quadrennial basis. The most recent reassessment was conducted in 2014, effective January 1, 2015. The assessment declined greatly with a total loss of value around 11% when considering all categories of property both commercial and residential. In 2015 the general property taxes of the County were derived from real estate (including mobile homes and mines & minerals), personal property (including airplanes), machinery and tools, and public service.

Several key economic indicators show that the County's economy has shown signs of improvement from the recent downturn. Local sales tax has increased 14.2% over the prior year which is a positive sign for the King William economy. An increase spending in the County shows our citizens and visitors are feeling more confident as consumers of goods. Business licenses have increased 20.0% from 2014. New residential construction permits continued to improve during 2015.

The County's unemployment rate trends mirror the state and national rate trends; however, the County's rates generally tend to be lower. During calendar year 2015, unemployment in King William County has consistently posted a downward trend. Historical patterns show unemployment peaks in the month of January and falls throughout the year with a very low rate in April that goes up to a normal range in May each year. The County's unemployment rate is 4.0% as of September 2015. Unemployment rates are down in the Commonwealth of Virginia and nationwide. While the county has a slightly lower rate of unemployment compared to the larger workforce pools, it is on par with that trend.

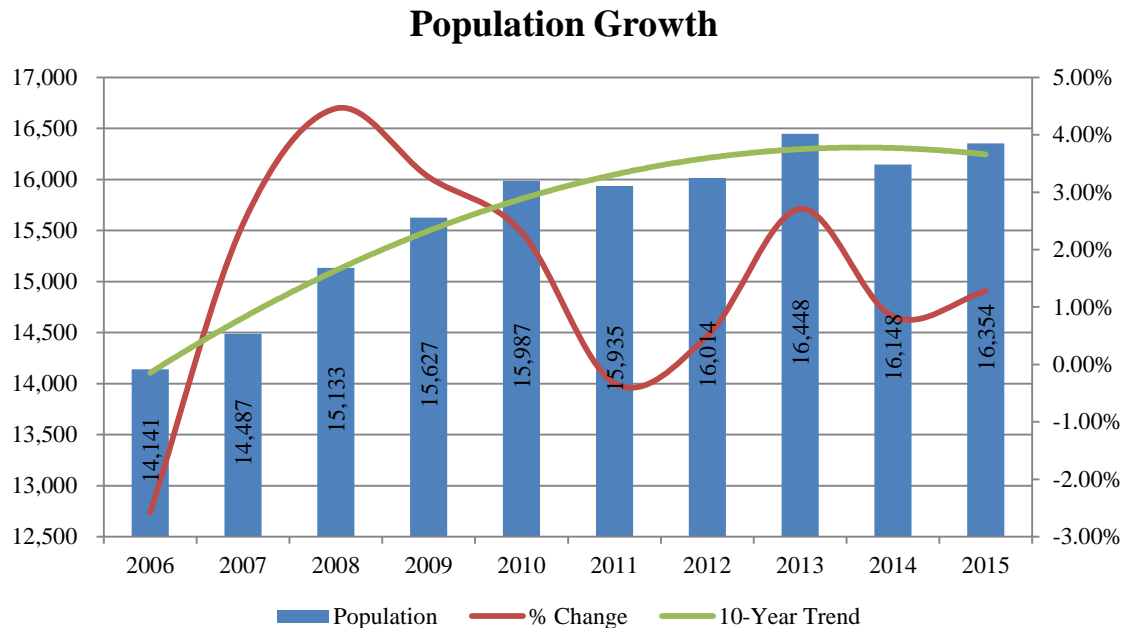
Unemployment Rates



Source: U.S. Bureau of Labor Statistics - September, 2015 (not seasonally adjusted)

Economic Development and Industries

King William County's Board of Supervisors has placed an emphasis on the fact that King William County is a rural community. Preserving the rural nature of the County has resulted in slower population growth. Over the past ten years, King William County's population has increased by approximately 15.6%, with an average annual growth rate of about 1.5%, though there is a high degree of fluctuation in the rate from year to year. These population trends are reflective of the County's stabilizing focus on long-term planning through land use policies that have been in place since the 1970's. The County manages growth by directing residential, commercial, and industrial zoning in the County.



Source: Statistical Table 13

The primary goal of the County's economic development efforts is to assist the existing businesses as they grow and expand within the County. The majority of businesses in King William County are small, with 89.9% having fewer than 20 employees.

The County's commitment to maintaining the rural character of King William is captured in the Comprehensive Plan where the "industrial and commercial zoned" acreage amounts to slightly more than 1.5% of total County acreage.

Long-term Financial Planning

County policies balance the need for public facilities, as expressed by the countywide land use plan, with the fiscal capabilities of the County to provide for those needs. The six-year Capital Improvement Program (CIP) submitted annually to the Board of Supervisors is the vehicle through which stated need for public facilities is analyzed against the County's ability to pay.

The CIP is a planning document intended to provide an analysis of potential long-range funding needs for the acquisition, construction or total replacement of physical facilities. The fiscal year 2015-2019 capital budget for new County and School projects totals \$32 million. These projects include:

- \$28.4 million for school system projects
 - \$23.0 million for new school and auditorium in FY 2018
- \$3.5 million for the county government

The current CIP defers expenditures where possible and recommends funding consistent with the Board of Supervisors' financial policies. The FY 2015 Capital Improvement Fund budget totals \$720,000 for the plan, which included a vehicle replacement program, school bus replacement, as well as school building, park and road improvements.

The Planning Commission of King William County is currently revising the Comprehensive Plan to ensure adequate planning as the County continues to grow. The plan will acknowledge the importance of balancing agriculture, urban development, and conservation uses.

Relevant Financial Policies

The County recognizes the need to monitor revenue estimates to identify any shortfalls and potential trends that would significantly affect the various revenue sources in the current budget.

During fiscal year 2015 the County began to improve financial practices by implementing best practice measures recommended by our audit firm. King William County now has a formally adopted purchasing policy, has made improvements in documenting payroll information that relates to part-time employees, and made some improvements in segregation of duties to have stronger internal controls. County staff is currently working to implement all of the best practices recommended by our auditors and will present them for adoption in FY 2016.

Implementation of New Accounting Requirements

In fiscal year 2015, the County implemented GASB Statements No. 68 and No. 71, as applicable. Additional information relative to the Statements is contained in Note 12 to the Financial Statements.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to King William County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. This was the seventeenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one (1) year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements

This report was prepared by the staff of the Finance Department. Their hard work, dedication, and continuing efforts to improve the quality of this report directly benefit all who read and use it. We also acknowledge the cooperation and assistance of the staff of the School Board, County Treasurer, the Commissioner of the Revenue, and the many other County departments and agencies that contributed to the preparation of this report.

The Comprehensive Annual Financial Report reflects the commitment of the Board of Supervisors and County administration to the citizens of King William County and the financial community to provide information in conformance with the highest standards of financial accountability.

Respectfully submitted,



Dr. K. Charles Griffin
County Administrator



Amanda Lickey Six
Director of Financial Services

COUNTY OF KING WILLIAM, VIRGINIA

Directory of Principal Officials
June 30, 2015

Board of Supervisors

Terry S. Stone, Chairman

Stephen K. Greenwood
C. T. Redd, III

Otto O. Williams
Travis J. Moskalski

County Administrator

K. Charles Griffin

School Board

Lindsay M. Robinson, Chair
Kathy H. Morrison, Vice Chair

Bryan K. Major

Donald B. Longest, Jr.

Steven M. Tupponce

Superintendent of Schools

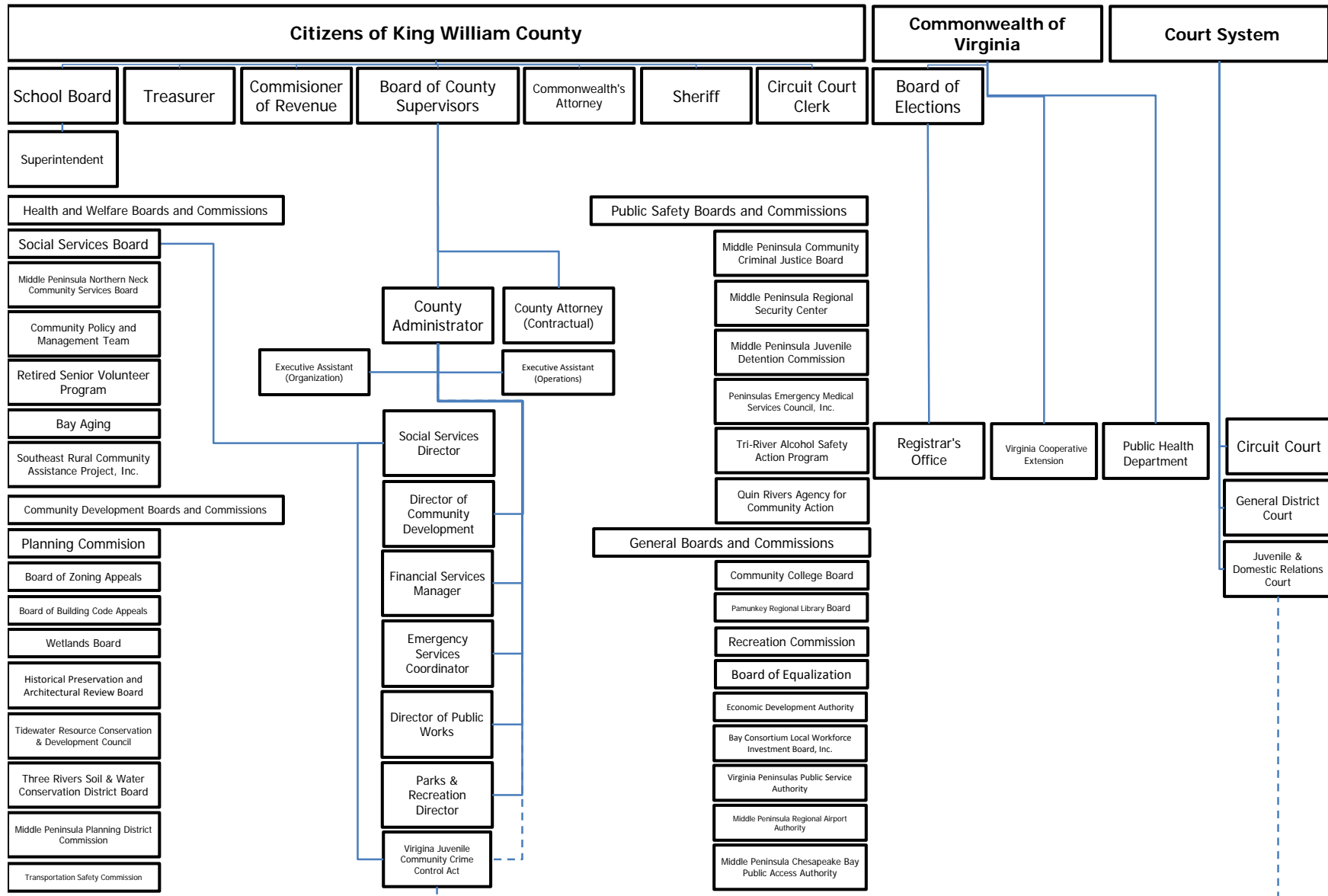
Dr. Mark R. Jones

Other Officials

Daniel M. Stuck
Sally W. Pearson
J. S. "Jeff" Walton
Harry L. Whitt
Matthew R. Kite
Michael E. McGinty
Stephen Ashton Hudgins
George C. Fairbanks, IV
Patricia M. Norman
Anne Mitchell

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

County of King William Organization Chart FY15





Government Finance Officers Association

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

Presented to

**County of King William
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

2015 King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2015

www.kingwilliamcounty.us

FINANCIAL SECTION

Report of Independent Auditors

Management's Discussion And Analysis

Basic Financial Statements

Required Supplementary Information

Supplemental Information

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Supervisors
County of King William, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia (County), as of and for the year ended June 30, 2015, 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.

Auditor's 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 and specifications require 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 auditor's 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 County'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 County'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 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 12 to the financial statements, the County restated net position in the Governmental Activities and component unit - School Board to record the net pension liability and related components in accordance with the implementation of GASB Statement No. 68.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-16 and 76-82, respectively, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financials. The accompanying schedules listed in the table of contents as supplementary information, supplemental schedules, introductory section, 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, supplementary information, and supplemental schedules 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 Schedule of Expenditures of Federal Awards, supplementary information, and supplemental schedules 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 December 16, 2015 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
December 16, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of King William, Virginia (County) presents the following discussion and analysis as an overview of the King William County's financial activities for the fiscal year ended June 30, 2015. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter in the Introductory Section of this report and the County's financial statements, which follow this discussion and analysis.

FISCAL YEAR 2015 FINANCIAL HIGHLIGHTS

- The reporting entity, which includes the School Board component unit, has positive net position of \$14.1 million at June 30, 2015.
- The total cost of the County's programs or governmental activities, was \$25.6 million, an increase of \$1.4 million, or 5.8% from the prior year's cost of \$24.2 million. Total revenues for governmental activities increased \$3.3 million to \$27.9 million from the prior year.
- At June 30, 2015, the County has \$24.7 million of long-term debt outstanding. This includes \$9.3 million of general obligation bonds, \$10.6 million of revenue bonds, \$2.9 million of capital leases, including the premium received, and \$1.4 million of state literary fund loans.
- The School Board component unit has positive net position of \$0.6 million at June 30, 2015. Revenues, including the County contribution, totaled \$25.2 million, an increase from the prior year, and expenses totaled \$24.6 million, an increase of 5.1% from the prior year.
- As of June 30, 2015, the County governmental funds reported combined fund balances of \$8.6 million, an increase of \$0.2 million from the prior year. The County's General fund had a total fund balance of \$7.7 million at June 30, 2015. Of the General Fund fund balance, \$1.3 million, or 16.9% is committed for fund balance, \$6.4 million, or 83.1% is unassigned fund balance, and the remaining is non-spendable fund balance.
- General fund revenues were \$252 thousand over the amended budget. Expenditure savings of \$2.1 million were recognized by County Departments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report (CAFR) consists of four sections: introductory, financial, statistical, and compliance.

- The introductory section includes the letter of transmittal, a copy of the fiscal year 2014 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association, the County's organizational chart, and a list of principal officials.
- The financial section includes the Independent Auditor's Report, management's discussion and analysis (this section), the basic financial statements, required supplemental information, and combining and individual fund statements and schedules.
- The statistical section includes selected financial and demographic data related to the County, generally presented on a multi-year basis.
- The compliance section is required under the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of State, Local Governments and Non-profit Organizations;" and includes the auditor's reports on compliance and internal controls. Compliance findings for the current and previous audits along with management plans to rectify future findings are found in the compliance section.

Financial Section Overview

This management discussion and analysis, which is preceded by the Independent Auditor's Report, is intended to serve as an introduction to the Financial Section of the CAFR. It is followed by three additional parts – the basic financial statements, required supplementary information, and the combining and individual fund statements and schedules.

The Independent Auditor's Report reflects the results of the external audit. The auditor expresses an opinion on whether the financial statements have been presented in conformity with Generally Accepted Accounting Principles (GAAP).

The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The government-wide financial statements and the fund financial statements present different views of the County's finances. These two types of statements are discussed in more detail in the following sections.

The required supplementary information includes this discussion and analysis, the Schedule of Funding Progress and Schedule of Employer Contributions for the Other Postemployment Benefits Program (OPEB), and the Schedules of Changes in the Net Pension Liability and Related Ratios and the Schedules of Contributions for the Virginia Retirement System (Exhibits 9 through 15).

Finally, the combining and individual fund statements and schedules are included, which present individual statements for major funds other than the General Fund and combining statements for non-major governmental funds, fiduciary funds, and the component unit as well as other supporting schedules.

Government-wide Financial Statements

The government-wide financial statements (Exhibits 1 and 2) report information about the County as a whole using accounting methods similar to those found in the private sector. They also report the County's net position and how it has changed during the fiscal year. These statements provide both short-term and long-term information about the County's overall financial status.

The Statement of Net Position (Exhibit 1) presents information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including governmental activities and School Board activities. Net position is the residual amount remaining after liabilities and deferred inflows of resources are deducted from the balance of assets and deferred outflows of resources and provides a measure of the County's financial health, or financial condition. Over time, changes in the net position may serve as an indicator of whether the County's financial condition is improving or declining. Other non-financial factors will also need to be considered, such as changes in the County's property tax base and the condition of the County's facilities.

The Statement of Activities (Exhibit 2) presents information using the accrual basis of accounting, and shows how the County's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in this statement, regardless of when cash is received or paid. The Statement of Activities presents expenses before revenues to emphasize that the government's revenues are generated for the express purpose of providing services.

In the government-wide financial statements, the County's activities are divided into two categories:

- **Governmental activities:** Most of the County's basic services are reported here, including general government; judicial administration; public safety; public works; health and welfare; education; parks, recreation and cultural; and community development. These activities are financed primarily by property taxes, other local taxes, and Federal and State grants.
- **Component unit:** The County has one component unit for which it is financially accountable, the King William County Public Schools (School Board). A primary government is accountable for an organization if the organization is fiscally dependent and the organization is capable of imposing financial benefits or burdens on the primary government. The County approves debt issuances to finance School Board assets and provides significant funding for its operation. The School Board is a legally separate entity and is discretely presented in this annual financial report. Additional information on the component unit can be found in Note 1 of the Notes to Financial Statements section of this report.

Fund Financial Statements

These statements focus on individual parts of the County's government, reporting the County's operations in more detail than the government-wide statements. Funds are used to ensure compliance with finance-related legal requirements and are used to keep track of specific sources of revenues and expenses for particular purposes. The County currently has two kinds of funds:

- **Governmental Funds** – Most of the County's basic services are included in governmental funds, which focus on (1) inflows and outflows of cash and other financial assets that can be readily converted to cash and (2) the balances remaining at year-end that are available for spending. The governmental funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with the fund financial statements to explain the relationship (or differences). The County has two major funds, the General Fund and the Capital Projects Fund. The General Fund is the main operating account of the County and, therefore, the largest of the governmental funds. The Capital Projects Fund is used to account for major capital projects, primarily construction related. It provides control over resources that have been segregated for specific capital projects.
- **Fiduciary Funds** – Fiduciary funds are used to account for resources held by the County for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide statements because the funds are not available to support the County's programs. The County's fiduciary funds consist of the special welfare fund, Virginia Juvenile Community Crime Control Act (VJCCCA) fund, Project Lifesaver fund, Drug Abuse Resistance Education (D.A.R.E.) fund, and donations to the Sheriff's Office fund. The funds are used to account for monies received, held, and disbursed on behalf of special welfare children, and other local governments and specific programs.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

King William County Summary of Net Position (\$ in millions)						
Table 1	Primary Government		Component Unit		Total	
	Governmental		School Board		Reporting Entity	
	Activities				Including	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 17.9	\$ 17.8	\$ 6.3	\$ 5.4	\$ 24.2	\$ 23.2
Capital assets	30.3	31.3	17.2	16.8	47.5	48.1
Total assets	48.2	49.1	23.5	22.2	71.7	71.3
Deferred outflows of resources	0.7	0.4	2.8	-	3.5	0.4
Total assets and deferred outflows of resources	48.9	49.5	26.3	22.2	75.2	71.7
Liabilities:						
Current liabilities	4.6	4.5	3.8	3.4	8.4	7.9
Long-term liabilities	23.6	25.0	19.0	0.4	42.6	25.4
Total liabilities	28.2	29.5	22.8	3.8	51.0	33.3
Deferred inflows of resources	7.2	7.1	2.9	-	10.1	7.1
Total liabilities and deferred inflows of resources	35.4	36.6	25.7	3.8	61.1	40.4
Net position:						
Net investment in capital assets	6.0	4.8	17.2	16.7	23.2	21.5
Restricted	1.0	1.9	-	-	1.0	1.9
Unrestricted	6.5	6.2	(16.6)	1.7	(10.1)	7.9
Total net position	\$ 13.5	\$ 12.9	\$ 0.6	\$ 18.4	\$ 14.1	\$ 31.3

Table 1 may differ from Exhibit 1 due to rounding.

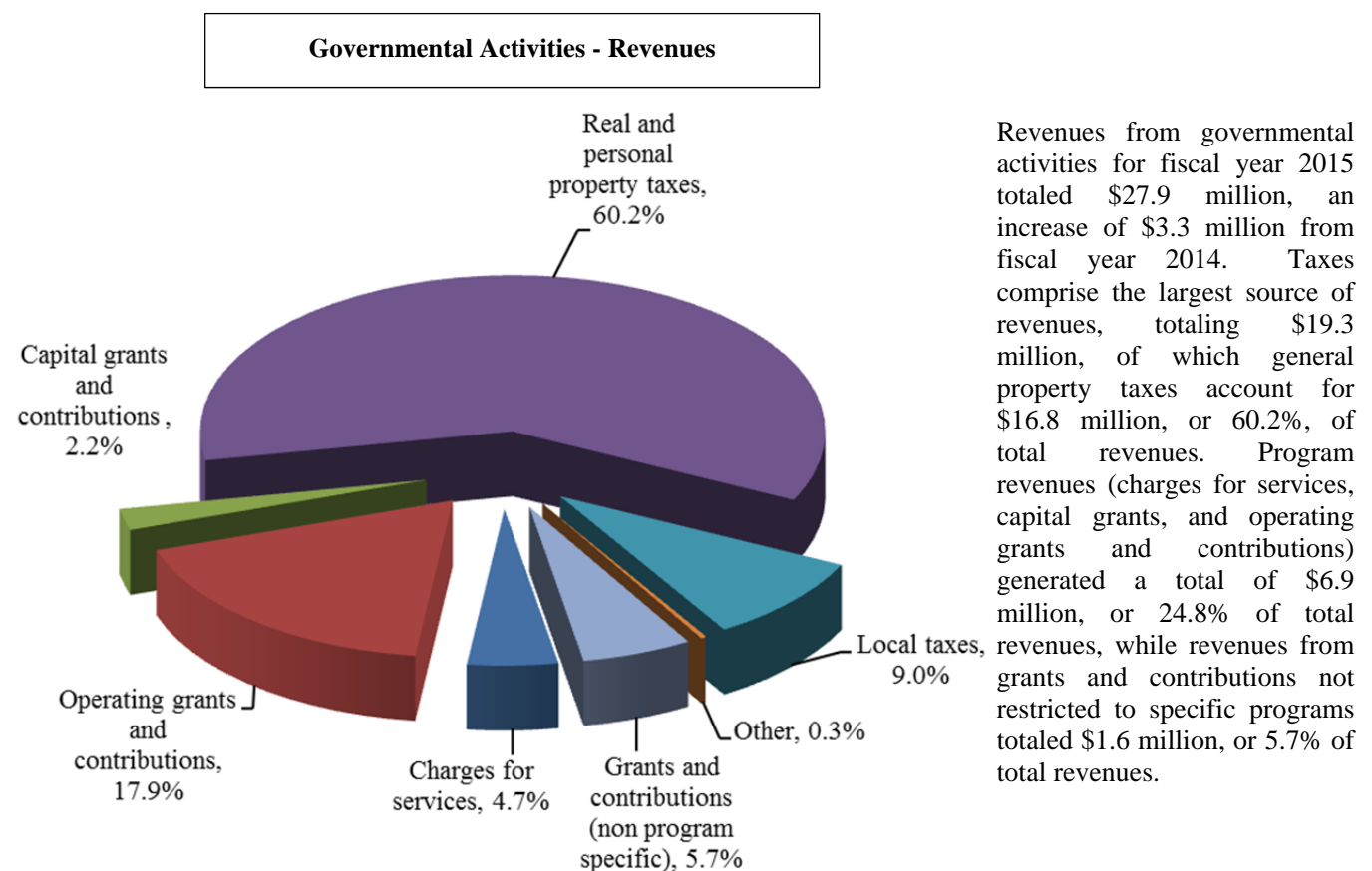
The Reporting Entity: The Commonwealth of Virginia requires that counties, as well as their financially dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. GASB Statement No. 61, *Financial Reporting Entity, Omnibus*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements.

The total reporting entity, which includes the School Board component unit, had positive net position of \$14.1 million at June 30, 2015. Net position decreased from the prior year, which reflects the impact of the implementation of GASB Statement No. 68, which required the reporting of the VRS net pension liability and related components.

The Primary Government: The primary government had net position of \$13.5 million at June 30, 2015, which reflects an increase of \$2.3 million from the prior year after the affect of implementation of GASB Statement No. 68. A portion of net position, \$6.0 million, represents the County's investment in capital assets (e.g., land, buildings, and equipment) less the depreciation and outstanding debt associated with asset acquisitions. Total restricted and unrestricted net position of the primary government combine for \$7.5 million, and is mainly the result of the primary government issuing debt in past years to finance assets rather than paying as they acquire assets. These debts include: moral obligation commitments the County provided to the issuance of two bonds in support of utility projects undertaken and capitalized by the County, and debt the primary government has issued on behalf of the School Board component unit. The County's liability for these debts at June 30, 2015 totaled \$24.7 million. Refer to Note 6 for further details regarding long-term obligations and commitments.

CHANGE IN NET POSITION

Governmental Activities: Total governmental net position increased by \$2.3 million from the prior year.



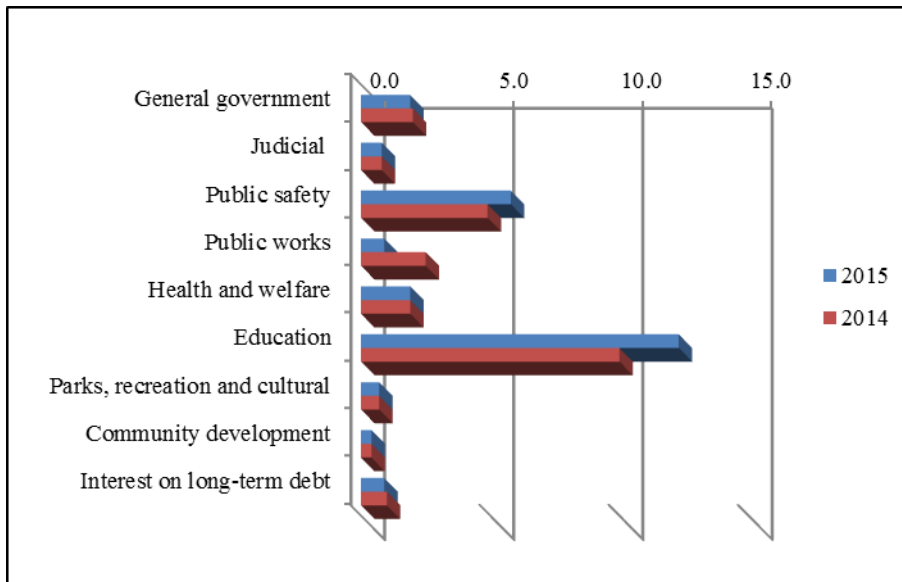
Local sales and use tax revenue increased over the prior year with collections at \$918 thousand. Business license tax exceeded prior year collections due to a strong effort to improve compliance and collect prior year past due amounts. Collections totaled \$424 thousand and exceeded original budgeted projections by \$148 thousand.

Table 2 summarizes the changes in net position from Exhibit 2 in the Financial Section for the primary government and its component unit for the years ended June 30, 2015 and 2014.

King William County Change in Net Position (\$ in millions)							
Table 2	Primary Government		Component Unit		Total Reporting Entity		
	Governmental Activities		School Board		Including School Board		
	2015	2014	2015	2014	2015	2014	
Revenues							
Program revenues:							
Charges for services	\$ 1.3	\$ 1.4	\$ 0.6	\$ 0.6	\$ 1.9	\$ 2.0	
Operating grants and contributions	5.0	2.8	14.1	13.0	19.1	15.8	
Capital grants and contributions	0.6	0.4	-	-	0.6	0.4	
General revenues:							
Real and personal property taxes	16.8	15.9	10.5	10.5	27.3	26.4	
Other taxes	2.5	1.9	-	-	2.5	1.9	
Other	0.1	0.6	-	-	0.1	0.6	
Grants and contributions (non program specific)	1.6	1.6	-	-	1.6	1.6	
Total revenues	27.9	24.6	25.2	24.1	53.1	48.7	
Expenses							
General government	1.9	2.0	-	-	1.9	2.0	
Judicial	0.8	0.8	-	-	0.8	0.8	
Public safety	5.8	4.9	-	-	5.8	4.9	
Public works	0.9	2.5	-	-	0.9	2.5	
Health and welfare	1.9	1.9	-	-	1.9	1.9	
Education	12.3	10.0	24.6	23.4	36.9	33.4	
Parks, recreation and cultural	0.7	0.7	-	-	0.7	0.7	
Community development	0.4	0.4	-	-	0.4	0.4	
Interest on long-term debt	0.9	1.0	-	-	0.9	1.0	
Total expenses	25.6	24.2	24.6	23.4	50.2	47.6	
Change in net position	2.3	0.4	0.6	0.7	2.9	1.1	
Beginning net position, as restated	11.2	12.5	-	17.7	11.2	30.2	
Ending net position	\$ 13.5	\$ 12.9	\$ 0.6	\$ 18.4	\$ 14.1	\$ 31.3	
Table 2 may differ from Exhibit 2 due to rounding.							

Ending net position at June 30, 2014 does not match beginning net position as of July 1, 2014 due to implementation of GASB Statement No. 68. Information to restate fiscal year 2014 is not available.

Governmental Activities - Expenses



Total expenses for governmental activities for this fiscal year were \$25.6 million, an increase of 5.8% from \$24.2 million in fiscal year 2014. The increase of \$1.4 million is due to increase in expenses for public safety, and education. These increases are attributed to the following:

- Increase in Public Safety expenses was due to increased cost of additional aid for an ailing volunteer fire department that continued from fiscal year 2014 with the addition of contracted emergency medical transport services.
- Increase in Education was due to an increase in the General Fund contributions to schools.

Education continues to be the County's largest program and highest priority with the County's contribution totaling \$12.3 million, or 48.0%, of total expenses. Public safety expenses, which total \$5.8 million or 22.7%, represent the second largest expense category for governmental activities.

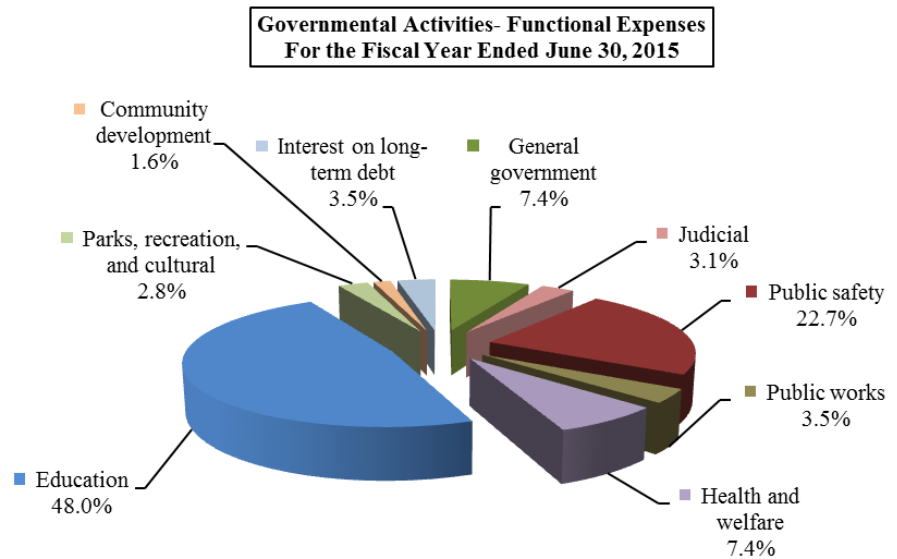


Table 3 illustrates the net cost (total expenses less fees generated by the activities and program-specific governmental aid) for the County's governmental activities. Fees, such as charges for services and program specific aid from other governmental or outside entities, help offset the cost of the government services, thereby lessening the burden on the County's taxpayers. The County generates charges for services primarily from fees for certain court services, public safety fees, community development services, and parks and recreation activities. The County obtains grants primarily for public safety, health and welfare, and judicial administration. Net costs reflect the cost for which tax revenues support the services provided by the County government.

Table 3 Net Cost of Governmental Activities For the Fiscal Years Ended June 30, 2015 and 2014 (\$ in millions)				
	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
General government	\$ 1.9	\$ 2.0	\$ 1.7	\$ 1.8
Judicial	0.8	0.8	0.4	0.4
Public safety	5.8	4.9	4.3	3.2
Public works	0.9	2.5	(0.1)	1.8
Health and welfare	1.9	1.9	0.8	0.8
Education	12.3	10.0	10.0	10.0
Parks, recreation and cultural	0.7	0.7	0.5	0.4
Community development	0.4	0.4	0.1	0.2
Interest on long-term debt and other	0.9	1.0	1.0	1.0
Total	<u>\$ 25.6</u>	<u>\$ 24.2</u>	<u>\$ 18.7</u>	<u>\$ 19.6</u>

Table 3 may differ from Exhibit 2 due to rounding.

After recognizing the effect of revenue from these fees, grants, and contributions of \$6.9 million, the net cost of governmental activities was \$18.7 million, compared to a total cost of \$25.6 million.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

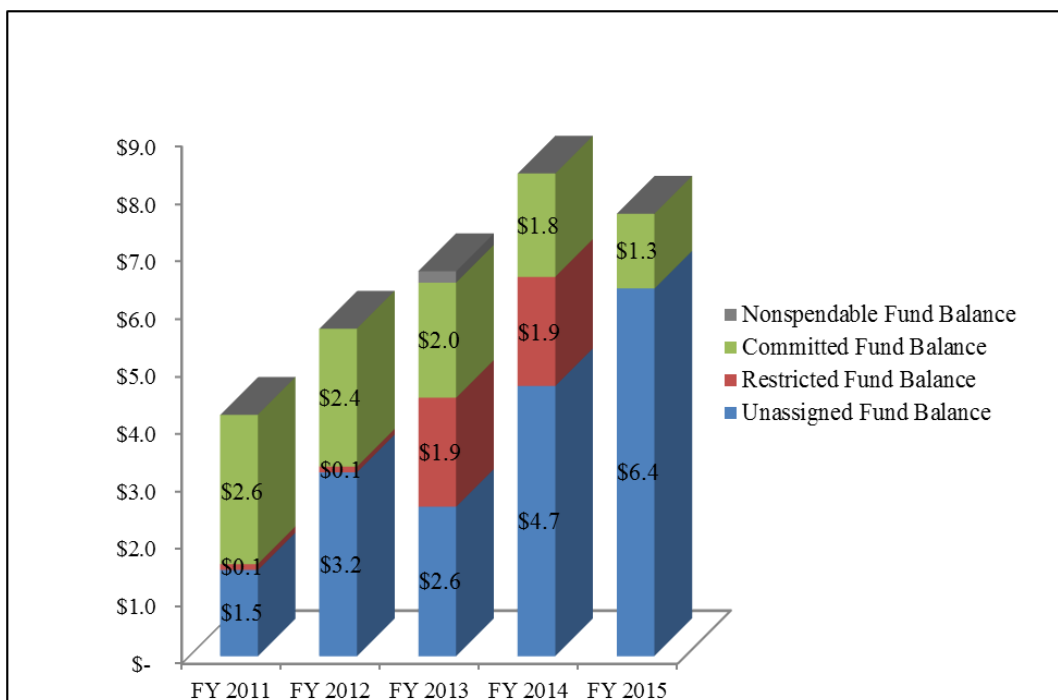
Governmental Funds: As of June 30, 2015, the County's governmental funds reported a combined ending fund balance of \$8.6 million (Exhibit 3), an increase of \$0.2 million as compared with the prior year. The increase is primarily associated with a strong year in revenue collection combined with strong expense management by departments which offset any planned uses of fund balance.

Other significant outlays in fiscal year 2015 included the following:

- The General Fund contributed \$10.5 million in operating funds to finance the Schools operations and debt service.
- The Capital Project Fund incurred \$0.4 million in capital outlay for the completion of the McCauley Park Well house.

The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund revenues. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$6.4 million (Exhibit 3). This represents 27.5% of general operating revenues budgeted for the coming year in the General Fund. At this level, when combined with committed and nonspendable fund balances, the County has sufficient funds to operate approximately four months without interrupting service levels. The chart below depicts the composition of the County's General Fund balance for the last five fiscal years.

Composition of General Fund Balance



GENERAL FUND BUDGETARY HIGHLIGHTS

Table 4 provides a comparison of original budget, final amended budget, and actual revenues and expenditures in the General Fund.

Budgetary Comparison General Fund For the Fiscal Year Ended June 30, 2015 (\$ in millions)			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
<u>Revenues</u>			
Taxes	\$ 18.2	\$ 18.2	\$ 19.2
Other	1.4	1.4	1.3
Intergovernmental	4.4	4.8	4.1
Total revenues	<u>24.0</u>	<u>24.4</u>	<u>24.6</u>
<u>Expenditures</u>			
Expenditures	<u>23.2</u>	<u>24.1</u>	<u>22.0</u>
Revenues over expenditures	<u>0.8</u>	<u>0.3</u>	<u>2.6</u>
<u>Other financing uses</u>			
Transfers out	<u>(1.6)</u>	<u>(2.2)</u>	<u>(2.1)</u>
Change in fund balance	\$ <u>(0.8)</u>	\$ <u>(1.9)</u>	\$ <u>0.5</u>
<i>Table 4 may differ from Exhibit 7 due to rounding.</i>			

During the year, budget amendments approved by the Board of Supervisors could be classified in the following key categories:

- Amendments for operating and capital projects that were incomplete in the prior fiscal year and subsequently re-appropriated in the new fiscal year.
- Amendments for supplemental appropriation for new projects and/or change orders for prior approved projects.
- Amendments for transfers and adjustments to support revised priorities and account code restructuring.

Final amended budget revenues increased was \$0.4 million to offset the \$0.9 million increase for the expenditure budget. The amended revenue budget increase related to increase expectations on charges for services in the water system and federal grant revenues carried forward from fiscal year 2014 for volunteer retention and recruitment efforts. Actual expenditures for the General Fund totaled \$22.0 million or \$2.1 million less than the amended budget. Savings are due to County departmental efforts to control spending on contracts and regional partners charging less than expected for services.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County's capital assets include items such as public safety equipment, buildings, parks and recreation facilities, libraries, and public works vehicles, and equipment.

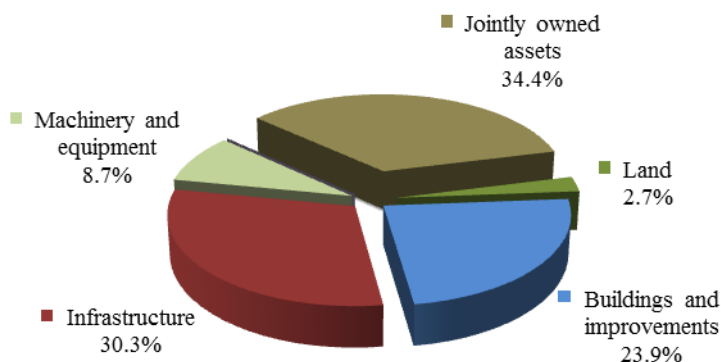
King William County							
Table 5	Capital Assets						
	(\$ in millions)						
	Primary Government		Component Unit		Total Reporting Entity		
	Governmental Activities		School Board		Including School Board		
	2015	2014	2015	2014	2015	2014	
Land	\$ 0.8	\$ 0.8	\$ 0.1	\$ 0.1	\$ 0.9	\$ 0.9	
Buildings and improvements	10.8	10.8	5.3	5.3	16.1	16.1	
Equipment	4.9	4.3	3.6	3.5	8.5	7.8	
Jointly owned assets	13.8	15.4	24.9	23.2	38.7	38.6	
Land improvements	-	-	0.3	0.3	0.3	0.3	
Infrastructure	13.3	12.1	0.3	0.3	13.6	12.4	
Construction in progress	-	0.3	-	-	-	0.3	
Total Capital Assets	43.6	43.7	34.5	32.7	78.1	76.4	
Less: Accumulated depreciation/ amortization	(13.3)	(12.4)	(17.3)	(15.9)	(30.6)	(28.3)	
Net Capital Assets	\$ 30.3	\$ 31.3	\$ 17.2	\$ 16.8	\$ 47.5	\$ 48.1	
Table 5 may differ from Note 5 due to rounding.							

Table 5 may differ from Note 5 due to rounding.

As of June 30, 2015, the total reporting entity had net capital assets of \$47.5 million, a decrease of \$0.6 million from the prior year. This decrease is due to capital investment project costs being less than depreciation expense this year.

For governmental activities, the County's investment in non-depreciable assets totaled \$0.8 million, while depreciable assets totaled \$29.5 million (net of depreciation). Total net capital assets for governmental activities decreased \$1.0 million when compared to the prior year. Additions to the capital assets were mainly negated by the increase in the total amount of depreciation and transfer to schools for jointly owned assets.

Governmental Activities - Net Capital Assets at June 30, 2015



During fiscal year, the following additions were made to capital assets:

- The School Board component unit paid off \$ 1.7 million in debt on jointly owned assets which resulted in transfer from the capital assets governmental activities to capital assets of the school board. The School Board also added new buses for \$0.2 million in machinery and equipment.
- Governmental activity additions include \$0.4 million in additions to equipment for the public safety radio hardware project, generators, and vehicles and \$1.2 million in infrastructure associated with the McCauley Pump house project and radio tower project completion.

More information on the capital assets can be found in Note 5 in the Notes to Financial Statements Section of this report.

Long-Term Obligations

Table 6 provides an overview of the long term obligations for the primary government.

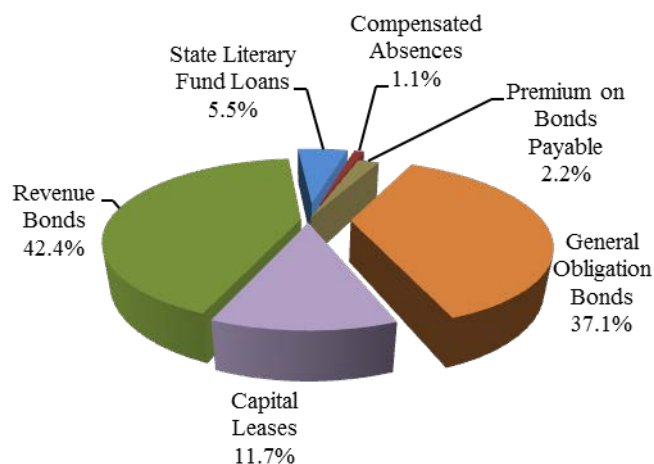
Table 6 Summary of Changes in Long-Term Obligations (\$ in millions)			
	July 1, 2014	Net Increase (Decrease)	June 30, 2015
Governmental Activities:			
General obligation bonds	\$ 10.4	\$ (1.1)	\$ 9.3
Revenue bonds	10.9	(0.3)	10.6
State literary fund loans	1.8	(0.4)	1.4
Capital leases	3.2	(0.3)	2.9
Premium on bonds	0.6	(0.1)	0.5
Subtotal	<u>26.9</u>	<u>(2.2)</u>	<u>24.7</u>
Compensated absences	<u>0.3</u>	<u>(0.1)</u>	<u>0.2</u>
Total long-term obligations	<u>\$ 27.2</u>	<u>\$ (2.3)</u>	<u>\$ 24.9</u>

Table 6 may differ from Note 6 due to rounding.

As of June 30, 2015, the County's governmental activities had long-term obligations totaling \$24.9 million, of which \$24.7 million represents indebtedness related to capital leases, long term commitments, and issuances of bonds on behalf of the County and the School Board component unit. This represents a decrease of \$2.3 million, or 8.5% in long-term obligations from the prior year. The decrease is due primarily to the following activities during the fiscal year:

- No new debt being issued.
- The County continually paying on the balances of existing debt.
- Compensated absences decreased slightly from prior year.

Governmental Activities – Long-Term Obligations As of June 30, 2015



More information on the County's long-term obligations is presented in Note 6, Notes to Financial Statements Section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

- The average six-month unemployment rate for King William County in June 2015 was 4.0%, down 1.5% from June 2014. This still compares favorably to the National average rate of 5.10%.
- According to the Weldon Cooper Center for Public Service, King William County's population was estimated to be 16,354, an increase of 1.3% over the prior year. Population estimates for the last ten years are provided in Table 13 of the Statistical Section of this report.
- The enrollment in public schools increased in fiscal year 2015 from 2,193 to 2,195. School enrollment for the last ten years is provided in Table 13 of the Statistical Section of this report.
- The latest available per capita personal income for King William County was \$40,690 as of 2013, compared to \$44,491 for the Richmond Metropolitan Area, as reported by Governing.com. Per capita personal income for the last ten years is provided in Table 13 of the Statistical Section of this report.

Fiscal Year 2016 Budget and Rates

- For fiscal year 2016, the adopted budget for the General Fund is \$23.3 million, an increase of 5.4% from fiscal year 2015. Revenues are comprised primarily of general property taxes at 74.0%, other local taxes at 9.7%, permits, privilege fees, regulatory licenses, and fines at 1.0%, State assistance at 13.3%, and other revenues at 2.0%.
- In fiscal year 2016, the County's contribution to the School Board component unit is \$10.6 million which includes the County's contribution to the School Board's operating fund of \$8.4 million and \$2.2 million to the debt service fund on behalf of the Schools. Support to the Schools represents 45.5% of the General Fund appropriations. The percentage of General Fund appropriations supporting Schools is 1.0% more than fiscal year 2015.
- Public safety accounts for 21.0% of appropriations in fiscal year 2016, the second largest component of budgeted expenditures.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of King William County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Director of Financial Services, King William County, 180 Horse Landing Road, PO Box 215, King William, VA 23086 telephone (804) 769-4929, or visit the County's website at www.kingwilliamcounty.us.

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BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2015

	Primary Government Governmental Activities	Component Unit School Board
ASSETS		
Deposits and investments	\$ 7,175,729	\$ 4,301,617
Receivables (net of allowances for uncollectibles)		
Property taxes, including penalties	7,742,225	-
Accounts receivable	119,879	10,743
Due from primary government	-	24,500
Due from other governments	1,100,435	947,858
Due from other funds	-	694,428
Prepaid items	19,159	-
Restricted cash	1,774,527	-
Net pension asset	-	265,389
Capital assets, net of accumulated depreciation and amortization		
Land	825,098	76,340
Buildings and improvements	10,755,631	5,310,684
Equipment	4,935,991	3,645,425
Jointly owned assets	13,758,891	24,897,933
Land improvements	-	310,724
Infrastructure	13,325,752	294,167
Intangibles	9,800	-
Less: accumulated depreciation and amortization	(13,344,583)	(17,315,287)
Total assets	48,198,534	23,464,521
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan	378,880	2,806,547
Deferred charge on refunding	366,999	-
Total deferred outflows of resources	745,879	2,806,547

STATEMENT OF NET POSITION

June 30, 2015

	Primary Government Governmental Activities	Component Unit School Board
LIABILITIES		
Accounts payable	\$ 679,225	\$ 368,693
Accrued liabilities	-	2,274,600
Due to other governments	110,775	-
Due to other funds	-	694,428
Due to component unit - School Board	24,500	-
Deposits	98,800	-
Unearned revenue	776,022	-
Insurance and benefit claims	-	300,000
Accrued interest payable	420,168	-
Noncurrent liabilities:		
Due within one year:		
Bonds payable	1,602,413	-
Literary loans	434,200	-
Capital leases	315,000	-
Compensated absences	179,140	130,809
Due in more than one year:		
Bonds payable, net	18,791,302	-
Literary loans	934,032	-
Capital leases	2,590,000	-
Compensated absences	89,571	65,404
Net pension liability	1,075,207	18,588,000
Other postemployment benefits	142,708	346,253
Total liabilities	28,263,063	22,768,187
DEFERRED INFLOWS OF RESOURCES		
Pension plan	781,202	2,913,952
Deferred revenues - property taxes	5,916,364	-
Deferred revenues - developer agreements	513,168	-
Total deferred inflows of resources	7,210,734	2,913,952
NET POSITION		
Net investment in capital assets	5,966,632	17,219,986
Restricted:		
Debt service	122,891	-
Capital projects	866,723	-
Unrestricted (deficit)	6,514,370	(16,631,057)
Total net position	\$ 13,470,616	\$ 588,929

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government administration	\$ 1,891,619	\$ -	\$ 198,003	\$ -	
Judicial administration	825,326	24,449	373,388	-	
Public safety	5,814,590	473,347	1,013,237	-	
Public works	934,531	439,764	8,229	624,212	
Health and welfare	1,853,888	41,720	1,050,752	-	
Education	12,327,218	32,579	2,309,062	-	
Parks, recreation and cultural	693,945	111,301	13,913	-	
Planning and community development	401,274	226,438	20,650	-	
Interest	926,078	-	-	-	
Total governmental activities	\$ 25,668,469	\$ 1,349,598	\$ 4,987,234	\$ 624,212	

Component Unit:

School Board - education	\$ 24,623,470	\$ 622,160	\$ 14,066,399	\$ 5,461
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General Revenues:

General property taxes
 Grants and contributions not restricted to specific programs
 Local sales and use
 Consumer utility
 Business license taxes
 Motor vehicle license taxes
 Recordation and wills
 Other
 Revenue from use of money and property
 Miscellaneous

Total general revenues

Change in net position

Net position, beginning, as restated

Net position, ending

Exhibit 2

Net (Expense) Revenue and Changes in Net Position

Primary Government	Component Unit
Governmental Activities	School Board
\$ (1,693,616)	\$ -
(427,489)	-
(4,328,006)	-
137,674	-
(761,416)	-
(9,985,577)	-
(568,731)	-
(154,186)	-
(926,078)	-
(18,707,425)	-
-	(9,929,450)
16,779,917	-
1,581,199	10,533,360
918,000	-
235,700	-
423,697	-
377,113	-
148,828	-
371,725	-
93,295	10,487
24,674	32,070
20,954,148	10,575,917
2,246,723	646,467
11,223,893	(57,538)
\$ 13,470,616	\$ 588,929

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Debt Service	General Capital Projects	School Capital Projects	Total Governmental Funds
ASSETS					
Deposits and investments	\$ 7,053,201	\$ 122,528	\$ -	\$ -	\$ 7,175,729
Receivables, net of allowances for uncollectibles:					
Property taxes, including penalties	7,742,225	-	-	-	7,742,225
Accounts receivable	119,879	-	-	-	119,879
Due from other governments	1,100,435	-	-	-	1,100,435
Prepaid items	19,159	-	-	-	19,159
Restricted cash	363	-	1,230,627	543,537	1,774,527
Total assets	\$ 16,035,262	\$ 122,528	\$ 1,230,627	\$ 543,537	\$ 17,931,954
LIABILITIES					
Accounts payable	\$ 364,084	\$ -	\$ 156,407	\$ 158,734	\$ 679,225
Due to other governments	110,775	-	-	-	110,775
Due to component unit - School Board	-	-	-	24,500	24,500
Deposits	98,800	-	-	-	98,800
Unearned revenue	208,222	-	567,800	-	776,022
Total liabilities	781,881	-	724,207	183,234	1,689,322
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	7,603,262	-	-	-	7,603,262
Total deferred inflows of resources	7,603,262	-	-	-	7,603,262
FUND BALANCES					
Nonspendable:					
Prepaid items	19,159	-	-	-	19,159
Restricted:					
Debt service	363	122,528	-	-	122,891
Capital projects	-	-	506,420	360,303	866,723
Committed:					
School operations and capital projects	1,039,012	-	-	-	1,039,012
Regional animal shelter	23,096	-	-	-	23,096
Asset forfeiture- Sheriff	4,298	-	-	-	4,298
Asset forfeiture- Commonwealth Attorney	220	-	-	-	220
Four-for-life programs	10,949	-	-	-	10,949
Fire programs	19,951	-	-	-	19,951
Transportation	26,386	-	-	-	26,386
Water utility	12,825	-	-	-	12,825
Recreation programs	43,206	-	-	-	43,206
EMS billings	85,392	-	-	-	85,392
Unassigned	6,365,262	-	-	-	6,365,262
Total fund balances	7,650,119	122,528	506,420	360,303	8,639,370
Total liabilities, deferred inflows of resources and fund balances	\$ 16,035,262	\$ 122,528	\$ 1,230,627	\$ 543,537	\$ 17,931,954

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2015**

	Governmental Funds	
Total fund balances - total governmental funds	\$ 8,639,370	
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	\$ 43,611,163	
Less: accumulated depreciation and amortization	(13,344,583)	
Net capital assets		30,266,580
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental funds.		
Property taxes	1,686,898	
Developer agreements (long-term credits)	(513,168)	
Pension plan	(781,202)	
		392,528
Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental funds.		
Pension plan	378,880	
Deferred charge on refunding	366,999	
		745,879
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
General obligation and revenue bonds, net	(20,393,715)	
Literary loans	(1,368,232)	
Capital leases	(2,905,000)	
Compensated absences	(268,711)	
Interest payable	(420,168)	
Other postemployment benefits	(142,708)	
Net pension liability	(1,075,207)	
		(26,573,741)
Net position of governmental activities		\$ 13,470,616

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General	Debt Service	General Capital Projects	School Capital Projects	Total Governmental Funds
Revenues:					
General property taxes	\$ 16,738,071	\$ -	\$ -	\$ -	\$ 16,738,071
Other local taxes	2,475,063	-	-	-	2,475,063
Permits, privilege fees, proffers and regulatory licenses	232,517	-	32,579	-	265,096
Fines and forfeitures	78,708	-	-	-	78,708
Revenue from use of money and property	79,695	3,314	9,040	1,246	93,295
Charges for services	724,506	-	-	-	724,506
Miscellaneous	21,423	-	3,251	-	24,674
Reimbursements from component unit	-	2,309,062	-	-	2,309,062
Recovered costs	281,288	-	-	-	281,288
Intergovernmental	4,049,267	-	150,000	60,104	4,259,371
Total revenues	24,680,538	2,312,376	194,870	61,350	27,249,134
Expenditures:					
Current:					
General government administration	1,581,231	-	-	-	1,581,231
Judicial administration	673,888	-	-	-	673,888
Public safety	4,709,621	-	-	-	4,709,621
Public works	1,576,985	-	-	-	1,576,985
Health and welfare	1,899,605	-	-	-	1,899,605
Education	10,541,174	-	-	-	10,541,174
Parks, recreation and cultural	649,921	-	-	-	649,921
Community development	393,600	-	-	-	393,600
Capital outlays	-	-	1,631,736	243,714	1,875,450
Debt service:					
Principal	-	2,147,921	-	-	2,147,921
Interest and fiscal charges	-	1,012,396	-	-	1,012,396
Total expenditures	22,026,025	3,160,317	1,631,736	243,714	27,061,792
Revenues over (under) expenditures	2,654,513	(847,941)	(1,436,866)	(182,364)	187,342
Other financing sources (uses):					
Transfers in	-	970,469	879,180	450,000	2,299,649
Transfers out	(2,144,648)	-	(155,001)	-	(2,299,649)
Other financing sources (uses), net	(2,144,648)	970,469	724,179	450,000	-
Net change in fund balances	509,865	122,528	(712,687)	267,636	187,342
Fund balance, beginning	7,140,254	-	1,219,107	92,667	8,452,028
Fund balance, ending	\$ 7,650,119	\$ 122,528	\$ 506,420	\$ 360,303	\$ 8,639,370

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015**

	Governmental Funds	
Net change in fund balances - total governmental funds	\$	187,342
Amounts reported for governmental activities in the Statement of Activities are different because:		
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 and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period. Details supporting this adjustment are as follows:		
Expenditures for capital assets	\$	1,580,431
Less: depreciation and amortization expense		(1,414,158)
Excess of capital outlay over depreciation and amortization		166,273
Transfer of joint tenancy assets from Primary Government to the Component Unit		(1,198,358)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of these items consist of the change in:		
Deferred taxes		41,846
Deferred developer agreements		624,212
		666,058
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:		
Principal repayments:		
General obligation and revenue bonds		1,404,698
Capital leases		309,023
State literary loans		434,200
		2,147,921
Deferred outflows of resources - pension contributions		378,880
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:		
Change in:		
Interest payable		52,595
Compensated absences		18,859
Other postemployment benefits		(15,000)
Deferred charge on refunding		(25,205)
Amortization of premium on bonds payable		58,928
Pension expense		(191,570)
		(101,393)
Change in net position of governmental activities	\$	2,246,723

COUNTY OF KING WILLIAM, VIRGINIA

Exhibit 7

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenues:				
General property taxes	\$ 16,185,726	\$ 16,185,726	\$ 16,738,071	\$ 552,345
Other local taxes	2,074,715	2,074,715	2,475,063	400,348
Permits, privilege fees and regulatory licenses	177,100	177,100	232,517	55,417
Fines and forfeitures	76,500	76,500	78,708	2,208
Revenue from use of money and property	97,000	97,000	79,695	(17,305)
Charges for services	680,118	680,118	724,506	44,388
Miscellaneous	15,205	15,205	21,423	6,218
Recovered costs	299,895	327,395	281,288	(46,107)
Intergovernmental	4,396,711	4,794,966	4,049,267	(745,699)
Total revenues	24,002,970	24,428,725	24,680,538	251,813
Expenditures:				
Current:				
General government administration	1,625,353	1,666,034	1,581,231	(84,803)
Judicial administration	688,926	849,229	673,888	(175,341)
Public safety	4,502,399	5,715,155	4,709,621	(1,005,534)
Public works	1,604,741	1,606,612	1,576,985	(29,627)
Health and welfare	2,710,590	2,234,323	1,899,605	(334,718)
Education	10,842,454	10,842,454	10,541,174	(301,280)
Parks, recreation and cultural	673,351	675,188	649,921	(25,267)
Community development	377,640	386,710	393,600	6,890
Nondepartmental	149,939	134,024	-	(134,024)
Total expenditures	23,175,393	24,109,729	22,026,025	(2,083,704)
Revenues over expenditures	827,577	318,996	2,654,513	2,335,517
Other financing uses:				
Transfers out	(1,619,611)	(2,198,943)	(2,144,648)	54,295
Total other financing uses	(1,619,611)	(2,198,943)	(2,144,648)	54,295
Change in fund balance	(792,034)	(1,879,947)	509,865	2,389,812
Fund balance, beginning	792,034	1,879,947	7,140,254	5,260,307
Fund balance, ending	\$ -	\$ -	\$ 7,650,119	\$ 7,650,119

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	Agency Funds
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 123,339
Due from other governments	<hr/> 11,568
Total assets	<hr/> \$ 134,907 <hr/>
LIABILITIES	
Amounts held	\$ 6,233
Accounts payable	1,267
Due to other governments	<hr/> 127,407
Total liabilities	<hr/> \$ 134,907 <hr/>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

The County of King William, Virginia (County) was formed in 1702 and is governed by an elected five member Board of Supervisors. The Board of Supervisors is responsible for appointing the County Administrator. The County provides a full range of services for its citizens. These services include police and volunteer fire protection; sanitation services; recreational activities; cultural events; education; and social services.

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

Financial Statement Presentation

Management's Discussion and Analysis

GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of a "management's discussion and analysis" (MD&A).

Government-wide Financial Statements

The reporting model includes financial statements prepared using full accrual accounting for all of the County'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) and deferred outflows/inflows of resources.

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements and reports. Governmental activities are normally supported by taxes and intergovernmental revenues. Likewise, the primary government is reported separately from its legally separate component unit 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 and its discretely presented component unit. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation and amortization expense – the cost of "using up" capital assets – in the Statement of Activities. The net position of a government will be broken down into three categories – 1) net investment in capital assets, 2) restricted, and 3) unrestricted.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Financial Statement Presentation (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 County's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental 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 variety of reasons. Under the current reporting model, governments will continue to provide budgetary comparison information in their annual reports, including the requirement to report the government's original budget in addition to the current 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 general purpose financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the entity's governing body and the ability of the primary government to impose its will on the entity or if there is a financial benefit/burden relationship. In addition, an entity which is fiscally dependent on the County should be included in its reporting entity. These financial statements present the County of King William, Virginia (the County) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the County's operations and so data from these units are combined with data of the County. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

B. Individual Component Unit Disclosures

Blended Component Unit

The County has no blended component units to be included for the fiscal year ended June 30, 2015.

Discretely Presented Component Unit

The School Board members are elected at large and are responsible for the operations of the County's school system. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments, levies taxes, and must approve any debt issuances of the School Board. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County's financial statements for the fiscal year ended June 30, 2015. The School Board is presented as a governmental fund type and consists of the following funds:

School Operating Fund accounts for the general operations of the School Board. Financing is provided by specific allocations from the state and federal governments, by appropriation from the General Fund of the primary government by the Board of Supervisors, and charges for services.

School Cafeteria Fund accounts for the centralized School cafeteria operations.

School Textbook Fund accounts for centralized school textbook operation.

Additionally, the School Board reports three agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds consist of the School Activity Fund, Regional Alternative Education Program, and Regional Adult Education Program.

The School Board also reports one internal service fund, the Self-Insurance Fund. This fund accounts for the costs associated with providing health insurance benefits to employees of the School Board with managing claims pertaining thereto.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

C. Other Related Organizations

The following related organizations meet the requirements for inclusion in the County's Comprehensive Annual Financial Report:

Economic Development Authority

The Economic Development Authority (Authority), formerly the Industrial Development Authority, was created as a political subdivision of the Commonwealth of Virginia (Commonwealth) by King William County in 1972, pursuant to the provisions of the Industrial Development and Revenue Bond Act, Chapter 49 of Title 15.2, *Code of Virginia*. This Act empowers the Authority, among other activities, to issue tax-exempt bonds to acquire, improve, maintain, equip, own, lease or dispose of properties by inducing manufacturing and industrial enterprises to locate or remain in the Commonwealth. The County Board of Supervisors appoints the seven directors of the Authority and provides financial support by making direct payments of debt service expenses on behalf of the Authority. To date, activity of the Authority has been minimal and, as such, has been historically accounted for as part of the County's General Fund.

King William – King and Queen Regional Animal Shelter

The King William – King and Queen Regional Animal Shelter (Shelter) was created under a resolution between King William County and King and Queen County. The two counties share equally in both the cost of construction and operation of the facilities. The County serves as fiscal agent of the Shelter and administers the operation of the Shelter, and receives a fee of 3% of the annual operating expenditures from King and Queen County for managing the Shelter. The Shelter began operations in 2009 and the activity is accounted for as part of the County's General Fund.

Related organizations that are excluded from the County's Comprehensive Annual Financial Report are as follows:

Hampton Roads Sanitation District

The Hampton Roads Sanitation District (HRSD) was created by resolution pursuant to state statute and is governed by an eight member board appointed by the Governor from the localities comprising HRSD's service area. The County currently has no representation on the board, but has agreements with HRSD to provide wastewater treatment services. In 1999, operation of the King William County Wastewater Treatment Plan and Wastewater Collection System, and all wastewater pumping stations owned by the County at that time were transferred to HRSD. The County still owns the Mount Olive Area 1 and Wastewater Treatment Facilities and associated Wastewater Collection Systems, which are operated by HRSD for an annual fee. The County has obtained an allocation of expanded treatment capacity at HRSD, the cost of which is being subsidized until which time actual flows reach at least 50% of the allocated expanded capacity.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

C. Other Related Organizations (Continued)

Math and Science Innovation Center

The Math and Science Innovation Center (Center) is comprised of eight school divisions: the Counties of Chesterfield, Hanover, Henrico, King William, and Powhatan, and the Cities of Colonial Heights, Petersburg, and Richmond. Through abbreviated memberships, other divisions also participate: the Counties of Charles City and Prince George, the City of Hopewell, and The Steward School. The Center is governed by a 19-member board consisting of the superintendent and school board member from each consortium division and several at-large members. The School Board makes annual contributions to the Center which is determined each year based on the size of the locality and membership. The School Board's contribution for fiscal year 2015 was approximately \$56,000.

Middle Peninsula Juvenile Detention Commission

The Middle Peninsula Juvenile Detention Commission is considered a jointly governed organization and, therefore, its operations are not included in the County's financial statements. The Commission serves numerous localities and is funded through a per diem charge for each juvenile committed to the member jurisdictions, as well as by funding provided by the Commonwealth.

Middle Peninsula Planning District Commission

The Middle Peninsula Planning District Commission is considered a jointly governed organization and, therefore, its operations are not included in the County's financial statements. The counties of Essex, Gloucester, King and Queen, Middlesex, Mathews, and the County provide the financial support for the Commission and appoint its governing board. The majority of directors consist of elected officials of the governmental subdivisions within the planning district.

Middle Peninsula Northern Neck Community Services Board

The Middle Peninsula Northern Neck Community Services Board (Board) was created by resolution pursuant to state statute and is considered a jointly governed organization and, therefore, its operations are not included in the County's financial statements. The County appoints one of the board members; however, the County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. The County does, however, pay dues to the Board in the amount of approximately \$12,600 per quarter (\$50,400 annually).

Middle Peninsula Regional Airport Authority

The Middle Peninsula Regional Airport Authority is considered a jointly governed organization and, therefore, its operations are not included in the County's financial statements. King and Queen County contributes 50% of the annual local tax revenue received from personal property at the airport to support operations, and the remaining expenses, net of revenues, are shared equally between the Town of West Point and the counties of Gloucester, King and Queen, and the County. Each member jurisdiction appoints one of the directors.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

C. Other Related Organizations (Continued)

Middle Peninsula Regional Security Center

The Middle Peninsula Regional Security Center (Center) is considered a jointly governed organization and, therefore, its operations are not included in the County's financial statements. The counties of Essex, Mathews, Middlesex, King and Queen, and the County provide the financial support for the Center and appoint its governing Board, which has the ability to execute contracts and to budget and expend funds. The County appoints two of the nine members to the board. No one locality contributes more than 50% of the Center's funding.

Pamunkey Regional Library

The Pamunkey Regional Library (Library) is considered a jointly governed organization and, therefore, its operations are not included in the County's financial statements. The counties of Goochland, Hanover, King and Queen, and the County provide the financial support for the Library and appoint its governing board, which has the ability to execute contracts and to budget and expend funds. The County appoints two of the seven members of the board. No one locality contributes more than 50% of the Library's funding.

Virginia Peninsulas Public Service Authority

The Virginia Peninsulas Public Service Authority (Authority) is considered a jointly governed organization and, therefore, its operations are not included in the County's financial statements. The board consists of 12 members who represent each of the member jurisdictions consisting of numerous localities. The member jurisdictions share in administrative costs on a per capita basis. The County has lease and operating agreements with the Authority to provide solid waste services for the County, which are billed monthly to the individual users of the Authority or to the County.

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 (GASB). 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. 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 and amortization) 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.).

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

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. Property taxes, sales taxes, consumer utility taxes, meals taxes, and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The County reports the following major governmental funds:

a. General Fund

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

b. Capital Projects Funds

The General Capital Projects Fund and School Capital Projects Fund account for all financial resources used for the acquisition or construction of major capital facilities. These funds have been judgmentally determined to be major for public interest reasons, in that the presentation is of particular importance to the financial statement users.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

1. Governmental Funds (Continued)

c. Debt Service Fund

The Debt Service Fund accounts for and reports the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

2. Fiduciary Funds (Agency Funds)

Fiduciary Funds (Agency Funds) account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Agency Funds include the Special Welfare Fund, Virginia Juvenile Community Crime Council Act (VJCCCA) Fund, Project Lifesaver Fund, D.A.R.E. Fund, and Donation to Sheriff's Office Fund.

E. Budgets and Budgetary Accounting

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

1. Prior to March 30, 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 level 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 and the School Board is authorized to transfer budgeted amounts within the school systems categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, the School Fund, and the School Cafeteria Funds of the School Board.
6. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Appropriations lapse on June 30 for all County units.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

F. Cash and Cash Equivalents

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

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

Investments for the County, as well as for its component unit, are reported at fair value. The Local Government Investment Pool (LGIP) operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The LGIP maintains a stable net asset value of \$1 per share. The maturity of the LGIP is less than one year.

G. Receivables

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 \$87,000 at June 30, 2015 and is comprised solely of property taxes.

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable June 5th and December 5th. The County bills and collects its own property taxes.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements using the consumption method.

I. Restricted Cash

In accordance with the agreements resulting in the issuance of debt, the General Fund has a portion of its cash balance restricted due to the intended use, as prescribed in the applicable bond covenants. The School Capital Projects Fund has restricted its cash balances in accordance with debt agreements. The restriction relates to the intended use of these funds, as prescribed in these agreements. The General Capital Projects Fund has restricted a portion of its balance, in accordance with the intended use of funds received by the County as developer proffers, and an additional portion has been restricted as prescribed in applicable bond covenants. These restrictions are shown as "Restricted Cash" on the Governmental Funds' Balance Sheet and the Statement of Net Position.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

J. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 and so will not be recognized as an outflow of resources (expenditure) until then. The County has two types of items that qualify for reporting in this category. The first item is the deferred charge on refunding reported in the government-wide Statement of Net Position which arises under the full accrual basis of accounting. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is the employer's fiscal year 2015 Virginia Retirement System contributions and is reported in the government-wide Statement of Net Position.

In addition to liabilities, the Statement of Net 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 and so will not be recognized as an inflow of resources (revenue) until that time. The County has three types of items that qualify for reporting in this category. The first item, which arises under the modified accrual basis of accounting, is unavailable revenues from property taxes. Accordingly, the item, unavailable revenue – property taxes, is reported only in the Governmental Funds' Balance Sheet. The second item, which arises under the full accrual basis of accounting, is deferred revenue from developer agreements. This deferred revenue is the result of the County entering into various agreements with developers for connection fee credits to be applied to future water and sewer connections. Accordingly, the item, deferred revenue – developer agreements, is reported in the government-wide Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The third item, the net difference between projected and actual earnings on the Virginia Retirement System's plan investments, is reported in the government-wide Statement of Net Position.

K. 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 of King William and its component unit, the King William County School Board, retirement plans and the additions to/deductions from the County, and the King William County School Board's retirement plans net fiduciary positions have been determined on the same basis as they were reported by the 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.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

L. Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental or component unit columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings and improvements, infrastructure, and equipment with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Buildings and improvements	5 to 40 years
Furniture and equipment	3 to 5 years
Infrastructure	40 years
Land improvements	15 years
Intangibles	10 years

M. 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 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 receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as “terminal leave” prior to retirement. The General Fund is responsible for paying the liability for compensated absences for the general government employees, and has been used in prior years to liquidate the governmental funds’ liability.

County employees earn vacation and sick leave at various rates. No benefits or pay is received for unused sick leave upon termination.

The School Board compensates eligible retiring employees at an approved rate for their unused accumulated sick leave. The retiring employee must retire under the regulations of the VRS and have been under contract in the school division for five consecutive years preceding retirement. The maximum number of allowable days is 150 days. The rate is 16% of the daily rate, or \$20 per day, whichever is greater.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

N. Long-Term Obligations

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

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

O. Fund Equity

In the fund financial statements, governmental funds report classifications of fund balance as follows:

Nonspendable fund balance – amounts that are not in a spendable form or are required to be maintained intact (such as prepaid items).

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantor, creditors, or laws and regulations of other governments), or by law through constitutional provisions or enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the Board of Supervisors. To be reported as committed, amounts cannot be used for any other purpose unless the Board of Supervisors takes the action to remove or change the constraint. The Board of Supervisors, as the highest level of authority within the County, establishes the commitment of fund balance to purposes through the approval of the annual budget plan by resolution, in conjunction with the resolutions associated with the establishment of fee and tax rates, and acceptance or appropriation of funds. All subsequent changes to the budget plan to add, reduce, or redirect resources to other purposes are also accomplished by Board resolution. As a result, all unrestricted amounts directed toward a purpose are shown as committed.

Unassigned fund balance – deficit balances in governmental funds other than the General Fund and the residual balance of the General Fund that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The County will consider the use of restricted or committed funds prior to the use of unassigned fund balance.

P. Use of Estimates

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Q. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. “Net investment in capital assets” represents capital assets, less accumulated depreciation and amortization less any outstanding debt and deferred inflows and deferred outflows related to the acquisition, construction or improvement of those assets. Restricted net position represents the restricted cash to be used for future debt service or purchase or construction of capital assets or other outlays.

R. Component Unit – School Board Capital Asset and Debt Presentation (Jointly Owned Assets)

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement of its capital assets. That responsibility lies with the County who issues the debt on behalf of the School Board. However, the *Code of Virginia* requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the assets.

The Virginia General Assembly amended the *Code of Virginia* to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit for the primary government due to financing School Board capital assets with debt.

Note 2. 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.

Custodial Credit Risk (Deposits). This is the risk that in the event of a bank failure, the County’s deposits may not be returned to it. The County requires all deposits to be insured under FDIC or comply with the Virginia Security for Public Deposits Act. At year end, none of the County’s deposits were exposed to custodial credit risk.

Investments. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share. The maturity of the LGIP is less than one year.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investment Policy

State statutes authorize local governments and other public bodies to invest in obligations of the United States or its 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, bankers' acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

The goal of the County is to obtain the highest possible yield on available financial assets invested consistent with state law, while observing the primary goal of preservation of principal and providing necessary liquidity to meet cash flow needs.

As of June 30, 2015, the County's investment policy establishes the maximum percentages of the portfolio permitted in each of the following instruments:

Permitted Investment	Portfolio Limit	Issuer Limit
U.S. Treasury Obligations	70%	-
U.S. Government and Agency Securities and instruments of Government Sponsored Corporations	70%	-
Bankers' Acceptances	40%	40%
Repurchase Agreements over 30 days	25%	25%
Repurchase Agreements under 30 days	100%	25%
Certificates of Deposit – Commercial Banks	100%	100%
Certificates of Deposit – Savings and Loan Associations	\$100,000	\$100,000
Commercial Paper	35%	5%
LGIP	100%	-
State Arbitrage Investment Funds	100% of Arbitrage Funds	-
Savings Account (Passbook)	100%	-
MasterNote – Industrial Development Funds	\$100,000 Limit	-
Automated Government Money Trust	50%	50%

Credit Risk

As of June 30, 2015, as required by state statute, the policy requires commercial paper have a debt rating of no less than "A-1" by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, and be approved by the Treasury Board. Bankers' Acceptances (with investments in the Bankers' Acceptances top 50 U.S. Banks), with a maturity of 270 days or less, must have a debt rating of no less than "A-1" by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record. The County's investment policy does not address credit risk for any other investment instruments.

As of June 30, 2015, 100% was invested in LGIP with a "AAAm" credit rating, as rated by Standard & Poor's.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2015, all investments were in the LGIP.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

The County's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Interest rate risk does not apply to the LGIP since it is a 2a7-like pool.

In accordance with the agreements resulting in the issuance of debt, the General Fund, General Capital Projects Fund, and School Capital Project Fund have a portion of their cash balance restricted on the Governmental Funds' Balance Sheet and the Statement of Net Position. This restriction on cash balances is due to the intended use, as prescribed in the applicable bond covenants.

Note 3. Receivables and Unearned Revenues

Receivables at June 30, 2015 for the County, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund
Property taxes	\$ 7,829,180
Trade and other accounts	119,879
Gross receivables	7,949,059
Less allowance for uncollectible accounts	86,955
Net receivables	\$ 7,862,104

The County determines its allowance for uncollectible accounts using historical collection data and specific account analysis. The total allowance for uncollectible accounts amounted to \$86,955 as of June 30, 2015.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables and Unearned Revenue (Continued)

Governmental funds report unavailable revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 1,686,898	\$ -
Advance collection of 2015-2016 taxes	-	207,652
2015-2016 property tax receivable	5,916,364	-
Developer agreements – long-term	513,168	-
Developer proffers	-	567,800
Equitable sharing program	-	570
	<hr/>	<hr/>
	\$ 8,116,430	\$ 776,022

Note 4. Due To/From Other Governments

At June 30, 2015, the County has receivables from other governments as follows:

	Primary Government	Component Unit
Commonwealth of Virginia:		
School funds	\$ -	\$ 150,403
Public assistance	20,788	-
Comprehensive services	68,906	-
Shared costs	105,105	-
Communications tax	58,667	-
Sales and use tax	709,563	-
Other	25,318	-
Federal government:		
School funds	-	797,455
Public assistance	56,056	-
Other governments:		
County of King and Queen	56,032	-
	<hr/>	<hr/>
Total	\$ 1,100,435	\$ 947,858

At June 30, 2015, the County has payables from the Primary Government to other governments as follows:

Other governments:	
Town of West Point	<u>\$ 110,775</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2015 is as follows:

Primary Government - Governmental Activities

	Beginning Balance	Increases	(Deletions)/ Transfers	Ending Balance
Capital assets, not being depreciated or amortized:				
Land	\$ 825,098	\$ -	\$ -	\$ 825,098
Construction in progress	269,997	-	(269,997)	-
Total capital assets, not being depreciated or amortized	1,095,095	-	(269,997)	825,098
Capital assets, being depreciated or amortized:				
Buildings and improvements	10,755,631	-	-	10,755,631
Equipment	4,317,753	357,301	260,937	4,935,991
Intangibles	9,800	-	-	9,800
Infrastructure	12,093,562	1,223,130	9,060	13,325,752
Jointly owned assets	15,434,378	-	(1,675,487)	13,758,891
Total capital assets being depreciated or amortized	42,611,124	1,580,431	(1,405,490)	42,786,065
Less accumulated depreciation or amortization for:				
Buildings and improvements	(3,244,300)	(266,235)	-	(3,510,535)
Equipment	(1,886,786)	(416,493)	-	(2,303,279)
Intangibles	(8,820)	(980)	-	(9,800)
Infrastructure	(3,775,181)	(386,478)	-	(4,161,659)
Jointly owned assets	(3,492,467)	(343,972)	477,129	(3,359,310)
Total accumulated depreciation or amortization	(12,407,554)	(1,414,158)	477,129	(13,344,583)
Total capital assets being depreciated or amortized, net	30,203,570	166,273	(928,361)	29,441,482
Governmental activities capital assets, net	\$ 31,298,665	\$ 166,273	\$ (1,198,358)	\$ 30,266,580

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government administration	\$ 306,270
Judicial administration	173,255
Public safety	374,338
Public works	163,427
Health and welfare	5,213
Education	343,972
Parks, recreation and cultural	45,383
Community development	2,300
Total depreciation and amortization expense – governmental activities	\$ 1,414,158

Discretely Presented Component Unit – School Board

	Beginning Balance	Increases	(Deletions)/ Transfers	Ending Balance
Capital assets, not being depreciated or amortized:				
Land	\$ 76,340	\$ -	\$ -	\$ 76,340
Total capital assets, not being depreciated or amortized	76,340	-	-	76,340
Capital assets, being depreciated or amortized:				
Buildings and improvements	5,310,684	-	-	5,310,684
Equipment	3,459,444	185,981	-	3,645,425
Infrastructure	294,167	-	-	294,167
Land improvements	310,724	-	-	310,724
Jointly owned assets	23,222,446	1,675,487	-	24,897,933
Total capital assets being depreciated or amortized	32,597,465	1,861,468	-	34,458,933
Less accumulated depreciation or amortization for:				
Buildings and improvements	(4,232,056)	(8,575)	-	(4,240,631)
Equipment	(2,470,985)	(170,209)	-	(2,641,194)
Infrastructure	(412,222)	(99,383)	-	(511,605)
Land improvements	(22,960)	(24,031)	-	(46,991)
Jointly owned assets	(8,775,289)	(1,099,577)	-	(9,874,866)
Total accumulated depreciation or amortization	(15,913,512)	(1,401,775)	-	(17,315,287)
Total capital assets being depreciated or amortized, net	16,683,953	459,693	-	17,143,646
Governmental activities capital assets, net	\$ 16,760,293	\$ 459,693	\$ -	\$ 17,219,986

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

School Board capital assets are jointly owned by the County and the Component Unit – School Board. The County’s share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system. For the year ended June 30, 2015, the County transferred assets with costs of \$1,675,487 and accumulated depreciation of \$477,129 to the Component Unit - School Board.

Component Unit – School Board:

Depreciation expense	\$ 924,646
Accumulated depreciation on joint-tenancy asset transfer	477,129
Total depreciation and amortization – School Board	\$ 1,401,775

Note 6. Long-Term Obligations

Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations of the County for the year ended June 30, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 10,356,946	\$ -	\$ (1,093,287)	\$ 9,263,659	\$ 1,093,662
Revenue bonds	10,884,239	-	(311,411)	10,572,828	508,751
State Literary Fund loans	1,802,432	-	(434,200)	1,368,232	434,200
Capital leases	3,214,023	-	(309,023)	2,905,000	315,000
Premiums on bonds payable	616,156	-	(58,928)	557,228	-
	26,873,796	-	(2,206,849)	24,666,947	2,351,613
Compensated absences	287,570	324,372	(343,231)	268,711	179,140
Governmental activities long-term liabilities	\$ 27,161,366	\$ 324,372	\$ (2,550,080)	\$ 24,935,658	\$ 2,530,753

Annual requirements to amortize long-term debt other than compensated absences are as follows:

Year Ending June 30,	Capital Leases		Revenue Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 315,000	\$ 66,457	\$ 508,751	\$ 386,543
2017	320,000	56,110	522,244	366,881
2018	330,000	45,463	545,733	346,583
2019	225,000	37,869	467,000	325,723
2020	230,000	33,477	482,000	308,368
2021-2025	1,225,000	98,088	3,297,800	1,245,680
2026-2030	260,000	5,075	4,187,300	519,199
2031-2033	-	-	562,000	34,050
	\$ 2,905,000	\$ 342,539	\$ 10,572,828	\$ 3,533,027

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Obligations (Continued)

Year Ending June 30,	General Obligation Bonds		State Literary Fund Loans	
	Principal	Interest	Principal	Interest
2016	\$ 1,093,662	\$ 426,996	\$ 434,200	\$ 41,047
2017	1,099,318	371,403	434,032	28,021
2018	1,105,269	315,076	250,000	15,000
2019	1,111,533	258,875	250,000	7,500
2020	1,083,124	204,551	-	-
2021-2025	3,730,753	312,373	-	-
2026-2027	40,000	-	-	-
	<u>\$ 9,263,659</u>	<u>\$ 1,889,274</u>	<u>\$ 1,368,232</u>	<u>\$ 91,568</u>

General Fund revenues are used to liquidate liabilities for compensated absences and other long-term obligations.

Details of Long-Term Obligations

Revenue Bonds:

\$1,100,000 revenue bond, issued July 1998, due in annual maturities of \$76,751 to \$83,895 through July 2018, interest at 4.55%	\$ 240,728
\$1,050,000 EDA lease revenue bond, issued December 2005, due in annual maturities of \$35,000 to \$70,000 through August 2030, interest ranging from 4% to 5.125%	795,000
\$1,490,000 EDA lease revenue bond, issued July 2006, due in annual maturities of \$35,000 through August 2016, interest at 4.3%	70,000
\$1,460,000 VRA refunding bond, issued December 2006, due in annual maturities of \$60,000 to \$110,000 through October 2029, interest ranging from 4.6% to 5%	1,190,000
\$2,055,000 EDA lease revenue bond, issued August 2007, due in annual maturities of \$60,000 to \$140,000 through August 2032, interest at 5%	1,735,000
\$5,220,100 IDA lease revenue refunding bond, issued September 2011, due in annual maturities beginning January 2016 of \$190,000 to \$632,700 through January 2029, interest at 3%	5,220,100
\$1,375,000 revenue refunding bond, issued September 2013, due in annual maturities beginning August 2014 of \$52,000 to \$87,000 through August 2031, interest at 3.175%	1,322,000
Total revenue bonds	<u>\$ 10,572,828</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Obligations (Continued)

Details of Long-Term Obligations (Continued)

General Obligation Bonds:

\$6,513,732 issued November 2002, due in annual maturities of \$328,662 to \$371,613 through July 2022, plus interest payable semi-annually at 4.6% to 5.1%	\$ 2,798,659
\$715,000 issued November 1998, due in annual maturities of \$35,000 through July 2018, plus interest payable semi-annually at 5.1%	140,000
\$6,750,000 issued November 2002, due in annual maturities of \$335,000 through July 2022, plus interest payable semi-annually ranging from 4.6% to 5.1%	2,680,000
\$7,055,000 issued November 2003, due in annual maturities of \$350,000 through July 2023, plus interest payable semi-annually ranging from 4.6% to 5.35%	3,150,000
\$605,000 issued November 2004, due in annual maturities of \$30,000 through July 2024, plus interest payable semi-annually at 4.1% to 5.1%	300,000
\$270,000 issued July 2010, due in annual maturities of \$15,000 to \$20,000 through June 2027, interest free	195,000
Total general obligation bonds	<u>9,263,659</u>

State Literary Fund Loans:

\$5,000,000 issued December 1998, due in annual maturities of \$250,000 through December 2018, interest at 3%	1,000,000
\$3,131,232 issued August 1996, due in annual maturities of \$184,032 to \$184,200 through September 2016, interest at 3%	368,232
Total State Literary Fund loans	<u>1,368,232</u>

Capital Leases:

\$1,395,000 capital lease agreement, due in annual maturities of \$100,000 to \$110,000 through August 2017, interest at 6.0%. This lease was obtained to provide financing for the Human Services building, which houses Social Services, Health Department and CSB counseling offices, and to provide funding for the wastewater treatment facility and design costs for a middle school renovation. The total cost of assets acquired under this obligation was \$1,395,000.	315,000
\$3,000,000 capital lease agreement, due in annual maturities of \$215,000 to \$260,000 through January 2026, interest at 1.952%. This lease was obtained to provide financing for the acquisition and installation of emergency 911 communications equipment and facilities and improvements to the County's water utility system.	2,590,000
Total capital leases	<u>2,905,000</u>
Premiums on bonds payable	557,228
Total long-term obligations	<u>\$ 24,666,947</u>

A rate covenant exists with respect to the 2006 revenue bond. The County has agreed that it will fix and collect rates, fees, and other charges to satisfy the required debt service in each fiscal year.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Obligations (Continued)

Details of Long-Term Obligations (Continued)

Component Unit - School Board:

The following is a summary of changes in long-term obligations for the year ended June 30, 2015.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 215,426	\$ 163,509	\$ (182,722)	\$ 196,213	\$ 130,809

Note 7. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plans

Administering Entity: Virginia Retirement System (System)

A. Plan Description

All full-time, salaried permanent employees of the County of King William and its component unit, the King William County School Board (School Board), are automatically covered by the VRS Retirement Plan or the VRS Teacher Retirement Plan upon employment. These plans are 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 a 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:

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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members") <ul style="list-style-type: none">The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Eligible Members <p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	Eligible Members <p>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	About the Hybrid Retirement Plan (Continued) <ul style="list-style-type: none">• 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.• 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.
Hybrid Opt-In Election <p>Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	Hybrid Opt-In Election <p>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	Eligible Members <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none">• Political subdivision employees.*• School division employees (teachers).• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none">• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution, but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016.	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.
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.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (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.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
		Vesting (Continued) <u>Defined Contribution Component</u> (Continued) <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70 1/2.</p>
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. 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 KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	Service Retirement Multiplier Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier <u>Defined Benefit Component</u> The retirement multiplier for the defined benefit component is 1.0%. For members that 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: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	Sheriffs and regional jail superintendents: Same as Plan 1.	Sheriffs and regional jail superintendents: Not applicable.
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.	Political subdivision hazardous duty employees: Same as Plan 1.	Political subdivision hazardous duty employees: Not applicable.
Normal Retirement Age Age 65.	Normal Retirement Age Normal Social Security retirement age.	Normal Retirement Age <u>Defined Benefit Component</u> Same as Plan 2.
Political subdivisions hazardous duty employees: Age 60.	Political subdivisions hazardous duty employees: Same as Plan 1.	Political subdivisions hazardous duty employees: Not applicable.
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	Earliest Unreduced Retirement Eligibility Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component</u> Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.
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.	Political subdivisions hazardous duty employees: Same as Plan 1.	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 KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component</u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component</u> Same as Plan 2.</p> <p><u>Defined Contribution Component</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1		Plan 2		Hybrid Retirement Plan	
Cost-of-Living (COLA) in (Continued)	Adjustment Retirement	Cost-of-Living (COLA) in (Continued)	Adjustment Retirement	Cost-of-Living (COLA) in (Continued)	Adjustment Retirement
<u>Exceptions to COLA Effective Dates:</u> School Division (Teachers) and Political Subdivision Employees: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • 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. • Political Subdivision Employees: The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). 		<u>Exceptions to COLA Effective Dates:</u> School Division (Teachers) and Political Subdivision Employees: Same as Plan 1.		<u>Exceptions to COLA Effective Dates:</u> School Division (Teachers) and Political Subdivision Employees: Same as Plan 1 and Plan 2.	

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Disability Coverage Political subdivision employees: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Political subdivision employees: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.</p> <p>Virginia Sickness and Disability Program (VSDP) members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions and school divisions (teachers), including Plan 1 and Plan 2 opt-ins, participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service Defined Benefit Component Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. <p>Defined Contribution Component Not applicable.</p>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

County (Agent Plan)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	39
Inactive members:	
Vested	17
Non-vested	13
Active elsewhere in VRS	52
Total inactive members	82
Active members	82
Total covered employees	203

Contributions

The contribution requirement for active employees is governed by Section 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 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The County's contractually required contribution rate for the year ended June 30, 2015 was 10.53% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$378,880 and \$393,290 for the years ended June 30, 2015 and 2014, respectively.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

School Board Non-Professional (Agent Plan)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	9
Inactive members:	
Vested	-
Non-vested	12
Active elsewhere in VRS	3
Total inactive members	15
Active members	66
Total covered employees	90

Contributions

The contribution requirement for active employees is governed by Section 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 5.00% 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 School Board non-professional's contractually required contribution rate for the year ended June 30, 2015 was 6.43% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the non-professional plan were \$89,488 and \$112,627 for the years ended June 30, 2015 and 2014, respectively.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

School Board Professional (Cost-Sharing Plan)

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% 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 School Board Professional's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of Section 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board for the professional plan were \$1,690,059 and \$1,311,578 for the years ended June 30, 2015 and 2014, respectively.

B. Net Pension Liability

The County and the School Board's non-professional plan net pension liabilities were measured as of June 30, 2014. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

At June 30, 2015, the School Board reported a liability for the professional plan of \$18,588,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the School Board's proportion was 0.15381% as compared to 0.14471% at June 30, 2013.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employee's in the County's retirement plan and the total pension liability for the General Employees in the School Board non-professional retirement plan were based on an actuarial valuation as of June 30, 2013, 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, 2014.

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 benefits.

Mortality Rates:	14% of deaths are assumed to be service related.
– Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years.
– Post-retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
– Post-disablement:	RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the County's retirement plan was based on an actuarial valuation as of June 30, 2013, 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 as of June 30, 2014.

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

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

Mortality Rates:	60% of deaths are assumed to be service related.
– Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.
– Post-retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
– Post-disablement:	RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – School Board Professional Plan

The total pension liability for the VRS Teacher retirement plan was based on an actuarial valuation as of June 30, 2013, 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 as of June 30, 2014.

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

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

Mortality Rates:

- Pre-retirement: RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years.
- Post-retirement: RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years.
- Post-disablement: RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

B. Net Pension Liability (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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Discount Rate

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

C. Changes in the Net Pension Liability

County

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2013	\$ 13,091,727	\$ 11,033,598	\$ 2,058,129
Changes for the Year:			
Service cost	425,539	-	425,539
Interest	900,618	-	900,618
Contributions – employer	-	393,290	(393,290)
Contributions – employee	-	172,426	(172,426)
Net investment income	-	1,752,531	(1,752,531)
Benefit payments, including refunds of employee contributions	(451,521)	(451,521)	-
Administrative expense	-	(9,260)	9,260
Other changes	-	92	(92)
Net changes	874,636	1,857,558	(982,922)
Balances at June 30, 2014	\$ 13,966,363	\$ 12,891,156	\$ 1,075,207

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

C. Changes in the Net Pension Liability (Continued)

School Board Non-Professional

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2013	\$ 2,114,569	\$ 2,148,213	\$ (33,644)
Changes for the Year:			
Service cost	148,866	-	148,866
Interest	146,068	-	146,068
Contributions – employer	-	112,627	(112,627)
Contributions – employee	-	67,436	(67,436)
Net investment income	-	348,354	(348,354)
Benefit payments, including refunds of employee contributions	(55,770)	(55,770)	-
Administrative expense	-	(1,757)	1,757
Other changes	-	19	(19)
Net changes	239,164	470,909	(231,745)
Balances at June 30, 2014	\$ 2,353,733	\$ 2,619,122	\$ (265,389)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liabilities (assets) of the County and School Board non-professional plan, and the School Board professional plan, using the discount rate of 7.00%, as well as what the County and School Board non-professional plan, and the School Board professional plan's net pension liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County net pension liability (asset)	\$ 3,037,865	\$ 1,075,207	\$ (545,014)
School Board non-professional net pension liability (asset)	49,501	(265,389)	(528,797)
School Board professional net pension liability	27,294,000	18,588,000	11,419,000

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

C. Changes in the Net Pension Liability (Continued)

Detailed information about the pension plans' fiduciary net position are available in the separately issued VRS financial report. Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules and the VRS Teacher Retirement Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR is publicly available through the About VRS link on the VRS website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

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

County

For the year ended June 30, 2015, the County recognized pension expense of \$191,570. The County also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 781,202
Employer contributions subsequent to the measurement date	378,880	-
Total	<u>\$ 378,880</u>	<u>\$ 781,202</u>

\$378,880 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	\$ 195,301
2017	195,301
2018	195,301
2019	195,299
	<u>\$ 781,202</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

School Board Non-Professional

For the year ended June 30, 2015, the School Board recognized pension expense related to its non-professional plan of \$35,834. The School Board also reported deferred outflows of resources and deferred inflows of resources related to its non-professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 154,952
Employer contributions subsequent to the measurement date	89,488	-
Total	<u>\$ 89,488</u>	<u>\$ 154,952</u>

\$89,488 reported as deferred outflows of resources related pensions resulting from the School Board non-professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

Amounts reported as deferred inflows of resources related to pensions for the School Board non-professional plan will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	\$ 38,738
2017	38,738
2018	38,738
2019	38,738
	<u>\$ 154,952</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

School Board Professional

For the year ended June 30, 2015, the School Board recognized pension expense related to the professional plan of \$1,697,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2015, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions for the professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 2,759,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,027,000	-
Employer contributions subsequent to the measurement date	1,690,059	-
Total	\$ 2,717,059	\$ 2,759,000

\$1,690,059 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions for the professional plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	\$ 463,000
2017	463,000
2018	463,000
2019	463,000
2020	(120,000)
	\$ 1,732,000

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefits

The County and School Board adopted Government Auditing Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting for Employers of Postemployment Benefits Other Than Pensions*. The Statement establishes standards for reporting the liability for non-pension postemployment benefits; the health care premiums for retirees.

A. Plan Provisions

In addition to providing the pension benefits described in Note 7, the County and School Board provide other postemployment benefits (OPEB) for employees who are eligible for retirement benefits. The benefits, benefit levels, employee contributions and employer contributions are governed by the County and School Board and can be amended through its personnel manuals.

B. Funding Policy

The County and the School Board, as part of the budgetary process each year, establish employer contribution rates for their respective plan participants. The County also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again, this is determined annually as part of the budgetary process. Retirees must pay their entire premium and pay 100% of family premiums if they participate. Coverage ceases when retirees reach the age of 65. Surviving family members of County employees can stay in the plan, but must pay the entire premium. Surviving family members of School Board employees cannot stay in its plan.

C. Plan Description

Individuals who have attained the age of 50 with 10 years of service with the County and prior service through other Virginia agencies or who have attained the age of 55 with 5 years of service with the County and prior service through other Virginia agencies are eligible to receive benefits upon retirement. Health benefits include medical, dental, and vision coverage for retirees and eligible spouses. The retiree must pay the entire premium. Disabled individuals must meet the same eligibility requirements to be eligible for benefits. Participants in the School Board plan must meet the eligibility requirements based on service with the School system and prior service through other Virginia agencies to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are not eligible for the benefit. In addition, participants must meet at least one of the following criteria:

- Have attained age 50 and 10 years of service with the Virginia Retirement System.
- Be disabled with at least 1 day of service with the School system, provided the disability did not exist at the time of employment.
- Be between age 55 and 65.

The plans do not issue stand-alone financial reports.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefits (Continued)

D. Annual OPEB Cost and Net OPEB Obligation

The net OPEB obligation as of June 30, 2015 was calculated as follows:

	County	School Board
Annual required contribution (ARC)	\$ 15,000	\$ 104,800
Interest on net OPEB obligation	5,000	10,126
Adjustment to annual required contribution	(5,000)	(10,698)
Annual OPEB cost	15,000	104,228
Contributions made	-	(47,300)
Increase in net OPEB obligation	15,000	56,928
Net OPEB obligation, beginning of year	127,708	289,325
Net OPEB obligation, end of year	\$ 142,708	\$ 346,253

Trend Information

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Contributed	Net OPEB Obligation
County:			
June 30, 2015	\$ 15,000	00.00%	\$ 142,708
June 30, 2014	28,963	17.61%	127,708
June 30, 2013	27,355	27.41%	103,845
School Board:			
June 30, 2015	\$ 104,228	45.38%	\$ 346,253
June 30, 2014	100,323	52.13%	289,325
June 30, 2013	96,695	62.57%	241,302

E. Actuarial Methods and Assumptions

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefits (Continued)

E. Actuarial Methods and Assumptions (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan are compared with past expectations and new estimates are made for the future. The schedules of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Valuation Methods

The projected unit credit (PUC) actuarial cost method was used to calculate all of the expense amounts and the funded status of the plan. The calculations were performed in accordance with the methodology set forth in GASB Statement No. 45. Under this method, benefits are projected for life and their present value is determined. The present value is divided into equal parts, which are earned over the period from date of hire to the full eligibility date.

Employees Included in the Calculations

All active employees are expected to meet the plan's eligibility requirements on or before the ultimate assumed retirement age are included in the calculations. Retirees, spouses and spouse survivors who are entitled to a benefit under the provisions of the plan are also included.

Actuarial Assumptions

In the June 30, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, a payroll growth rate of 3.0%, inflation rate of 1.5%, and an annual healthcare cost trend rate of 5.2% initially, gradually decreasing over time and increasing in 2023 to 5.9% for Cadillac Tax adjustment. By 2030 the rate of increase is 5.7%. The ultimate trend is 4.0%. The UAAL is being amortized as a level percentage of projected payroll on a closed basis over 30 years.

In the June 2013 School Board actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included calculations based on a discount rate of 3.5%, investment rate of return of 3.5%, payroll growth rate of 3.0%, inflation rate of 1.5%, and a health care trend assumption of 7.0% graded to 4.8% over 70 years using the Getzen Trend Model, and amortized the initial unfunded actuarial liability over 30 years based on a level percent of payroll method on an open basis. The actuarial liability was \$916,000. The remaining amortization period at June 30, 2013 was 30 years.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefits (Continued)

F. Funding Status and Funding Progress

The following table shows the funding status for the County and School Board:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
A. Primary Government:						
June 30, 2015	\$ -	\$ 108,000	\$ 108,000	0.00%	\$ 3,517,082	3.07%
January 1, 2012	-	203,500	203,500	0.00%	3,501,300	5.81%
January 1, 2009	-	157,100	157,100	0.00%	3,657,600	4.30%
B. Component Unit – School Board:						
June 30, 2013	\$ -	\$ 916,000	\$ 916,000	0.00%	\$ 8,594,700	10.66%
June 30, 2011	-	1,048,800	1,048,800	0.00%	11,158,200	9.40%
June 30, 2009	-	907,000	907,000	0.00%	11,209,300	8.09%

Note 9. Other Postemployment Benefits – VRS Health Insurance Credit

A. Plan Description

To assist retirees with the cost of health insurance coverage, the VRS administers a health insurance credit program. Retirees that have a minimum of 15 years of service and are enrolled in a qualified health insurance plan may receive a monthly credit of \$1.50 per year of creditable service. The health insurance credit is funded by the School Board on behalf of its VRS eligible employees. For the years June 30, 2015, 2014, and 2013, the School Board paid \$113,897, \$123,202, and \$108,529, respectively, for employees toward these benefits, which was equal to the required contributions.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950, as amended), to contribute an actuarially determined percentage of their annual reported compensation to the VRS for the retiree health insurance credit. The School Board assumed the member contribution for its employees. The contribution rate of annual covered payroll was 1.06%, 1.11%, and 1.11%, for the School Board's employees for the fiscal years ended June 30, 2015, 2014, and 2013, respectively.

The required contributions for the School Board were determined as part of annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions included (a) a 7.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 3.0% per year. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the market value of the assets. With the June 30, 2013 actuarial valuation, any UAAL is being amortized as a level percentage of the projected payroll on an open basis, over a period of 30 years.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees and others; and natural disasters. To reduce insurance costs and the need for self-insurance, the County has joined with other municipalities in the Commonwealth of Virginia in several public entity risk pools to operate as common risk management and insurance programs for member municipalities. The County is not self-insured.

The County has coverage with the Virginia Association of Counties Risk Pool (VACorp) for all insurable risks identified by the County. Each VACorp member jointly and severally agrees to assume, pay and discharge any liability. The County pays VACorp contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the VACorp and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the VACorp 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 continues to carry commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

Health Insurance – School Board

The School Board retains a portion of the risks through a self-insurance program and have also purchased insurance to transfer other risks to outside parties. There has been no significant reduction in insurance coverage during the past year.

School Board employees, retirees and employee dependents are eligible for medical benefits from a School Board, health insurance internal-service fund. Funding is provided by charges to School Board departments, employees, and retirees. The program is supplemented by stop loss protection, which limits the School Board's annual liability.

Based on the requirements of GASB Statement No. 10, the School Board records an estimated liability for indemnity healthcare claims. The following represents the change in the fund's claims liability for 2015 and 2014:

Fiscal Year Ended	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
June 30, 2015	\$ 125,000	\$ 2,238,677	\$ (2,063,677)	\$ 300,000
June 30, 2014	300,000	1,674,773	(1,849,773)	125,000

Federal and State Assisted Programs

The County and School Board have received proceeds from several federal and state grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. Based upon past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Commitments, Contingencies and Subsequent Events

Operating Leases

The County has numerous operating leases for office equipment. However, total future minimum lease commitments are considered insignificant.

Developer Agreements

Between fiscal years 2003 and 2007, the County entered into multiple development agreements with local developers. According to the agreements, the County was deeded water and wastewater infrastructure in exchange for future connection fee credits. As of June 30, 2015, \$513,168 in connection credits are still available and are recorded on the Statement of Net Position.

Note 12. Restatement

The following adjustments were made to the beginning net position of the Primary Government at July 1, 2014:

	Governmental Activities	Component Unit - School Board
Net position, beginning of year, as previously reported	\$ 12,888,732	\$ 18,419,191
Change in accounting principle for the implementation of GASB Statement No. 68 – to record the VRS net pension liability and related components	(1,664,839)	(18,476,729)
Net position, beginning of year, as restated	\$ 11,223,893	\$ (57,538)

Note 13. Pending GASB Statements

At June 30, 2015, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the County. The statements which might impact the County are as follows:

GASB Statement No. 72, *Fair Value Measurement and Application*, will improve measurement and application by state and local governments for fair value. Statement No. 72 will be effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will improve accounting and financial reporting by state and local governments for pensions. It will also improve the comparability of pension-related information. Statement No. 73 will be effective for fiscal years beginning after June 15, 2015.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Pending GASB Statements (Continued)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will improve financial reporting by state and local governments for OPEB. It also provides information for changes in OPEB liabilities from year to year. Statement No. 74 will be effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will improve accounting and financial reporting by state and local governments for OPEB. It will also require the recognition of the entire OPEB liability and a comprehensive measure of OPEB expense. Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will improve financial reporting for state and local governments by providing greater reporting guidance to provide less variation in financial reporting. Statement No. 76 will be effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires a state or local government to disclose information about tax abatement. Statement No. 77 will be effective for fiscal years beginning after December 15, 2015.

Management has not determined the effects these new Statements may have on prospective financial statements.

Note 14. Subsequent Event

In August 2015, the County and a developer revised a construction agreement, as certain stipulations from the original 2003 agreement had not been met by the developer. In accordance with the revised agreement, the County is required to make a payment in the amount of \$127,313 to the developer after certain improvements have been met. Since it cannot be determined if those improvements will likely be made, a liability is not reported at June 30, 2015.

**REQUIRED SUPPLEMENTARY
INFORMATION**

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
A. Primary Government:						
June 30, 2015	\$ -	\$ 108,000	\$ 108,000	0.00%	\$ 3,517,082	3.07%
January 1, 2012	-	203,500	203,500	0.00%	3,501,300	5.81%
January 1, 2009	-	157,100	157,100	0.00%	3,657,600	4.30%
B. Component Unit - School Board:						
June 30, 2013 *	\$ -	\$ 916,000	\$ 916,000	0.00%	\$ 8,594,700	10.66%
June 30, 2011	-	1,048,800	1,048,800	0.00%	11,158,200	9.40%
June 30, 2009	-	907,000	907,000	0.00%	11,209,300	8.09%

* June 30, 2015 information is not available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
A. Primary Government:		
2015	\$ 15,000	0.00%
2014	28,400	17.96%
2013	26,900	27.88%
B. Component Unit - School Board:		
2015	\$ 104,800	45.13%
2014	100,800	51.88%
2013	97,100	62.31%

**SCHEDULE OF CHANGES IN THE COUNTY NET PENSION LIABILITY
AND RELATED RATIOS - VIRGINIA RETIREMENT SYSTEM**

	June 30, 2014
Total Pension Liability	
Service cost	\$ 425,539
Interest	900,618
Benefit payments, including refunds of employee contributions	(451,521)
Net change in total pension liability	<u>874,636</u>
Total pension liability - beginning	13,091,727
Total pension liability - ending (a)	<u><u>\$ 13,966,363</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 393,290
Contributions - employee	172,426
Net investment income	1,752,531
Benefit payments, including refunds of employee contributions	(451,521)
Administrative expense	(9,260)
Other	92
Net change in plan fiduciary net position	<u>1,857,558</u>
Plan fiduciary net position - beginning	11,033,598
Plan fiduciary net position - ending (b)	<u><u>\$ 12,891,156</u></u>
County net pension liability - ending (a) - (b)	<u><u>\$ 1,075,207</u></u>
Plan fiduciary net position as a percentage of the total pension liability	92.30%
Covered-employee payroll	\$ 3,734,948
County net pension liability as a percentage of covered-employee payroll	28.79%

Notes to Schedule:

- (1) **Changes of benefit terms:** There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.
- (2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ended June 30, 2012:
- | | |
|-----------------------------------------------------------|-------------------------------------------------------|
| LEOS: | NON-LEOS: |
| a. Update mortality table | a. Update mortality table |
| b. Adjustments to rates of service retirement for females | b. Decrease in rates of service retirement |
| c. Increase in rates of withdrawal | c. Decrease in rates of disability retirement |
| d. Decrease in male and female rates of disability | d. Reduce rates of salary increases by 0.25% per year |
- (3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County will present information for those years which information is available.

**SCHEDULE OF CHANGES IN THE SCHOOL BOARD NON-PROFESSIONAL
NET PENSION LIABILITY AND RELATED RATIOS - VIRGINIA RETIREMENT SYSTEM**

	June 30, 2014
Total Pension Liability	
Service cost	\$ 148,866
Interest	146,068
Benefit payments, including refunds of employee contributions	(55,770)
Net change in total pension liability	<u>239,164</u>
Total pension liability - beginning	<u>2,114,569</u>
Total pension liability - ending (a)	<u><u>\$ 2,353,733</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 112,627
Contributions - employee	67,436
Net investment income	348,354
Benefit payments, including refunds of employee contributions	(55,770)
Administrative expense	(1,757)
Other	19
Net change in plan fiduciary net position	<u>470,909</u>
Plan fiduciary net position - beginning	<u>2,148,213</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 2,619,122</u></u>
School Board non-professional net pension asset - ending (a) - (b)	<u><u>\$ (265,389)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	111.28%
Employer's covered-employee payroll	\$ 1,751,586
School Board's non-professional net pension asset as a percentage of covered-employee payroll	15.15%

Notes to Schedule:

- (1) **Changes of benefit terms:** There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.
- (2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ended June 30, 2012:
 - a. Update mortality table
 - b. Adjustments to rates of service retirement for females
 - c. Increase in rates of withdrawal
 - d. Decrease in male and female rates of disability
- (3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

**SCHEDULE OF SCHOOL BOARD SHARE OF NET PENSION LIABILITY -
VRS TEACHER RETIREMENT PLAN (COST-SHARING) - VIRGINIA RETIREMENT SYSTEM**

	June 30, 2014
Employer's proportion of the net pension liability	0.15381%
Employer's proportionate share of the net pension liability	\$ 18,588,000
Employer's covered-employee payroll	\$ 9,045,366
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	205.50%
Plan fiduciary net position as a percentage of the total pension liability	70.88%

Notes to Schedule:

- (1) **Changes of benefit terms:** There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.
- (2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ended June 30, 2012:
 - a. Update mortality table
 - b. Adjustments to rates of service retirement for females
 - c. Decrease in rate of withdrawals for 3 through 9 years of service
 - d. Decrease in rates of disability
 - e. Reduce rates of salary increase by 0.25% per year
- (3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

**SCHEDULE OF COUNTY CONTRIBUTIONS -
VIRGINIA RETIREMENT SYSTEM**

	Fiscal Year June 30, 2014
Contractually required contribution (CRC)	\$ 393,290
Contributions in relation to the CRC	<u>393,290</u>
Contribution deficiency (excess)	<u>\$ -</u>
Employer's covered-employee payroll	\$ 3,734,948
Contributions as a percentage of covered-employee payroll	10.53%

Notes to Schedule:

- (1) Valuation date: June 30, 2014
- (2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
- (3) Methods and assumptions used to determine contribution rates:
- | | |
|-------------------------------|-------------------------------------|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 20-29 years |
| Asset valuation method | 5-year smoothed market |
| Cost-of-living adjustments | 2.50% |
| Projected salary increases | 3.50%-5.35% |
| Investment rate of return | 7.0%, including inflation at 2.50% |
- (4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

**SCHEDULE OF SCHOOL BOARD NON-PROFESSIONAL CONTRIBUTIONS -
VIRGINIA RETIREMENT SYSTEM**

	Fiscal Year June 30, 2014
Contractually required contribution (CRC)	\$ 112,627
Contributions in relation to the CRC	<u>112,627</u>
Contribution deficiency (excess)	<u>\$ -</u>
Employer's covered-employee payroll	\$ 1,751,586
Contributions as a percentage of covered-employee payroll	6.43%

Notes to Schedule:

- (1) Valuation date: June 30, 2014
- (2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
- (3) Methods and assumptions used to determine contribution rates:
- | | |
|-------------------------------|-------------------------------------|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 20-29 years |
| Asset valuation method | 5-year smoothed market |
| Cost-of-living adjustments | 2.50% |
| Projected salary increases | 3.50%-5.35% |
| Investment rate of return | 7.0%, including inflation at 2.50% |
- (4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years for which information is available.

**SCHEDULE OF SCHOOL BOARD CONTRIBUTIONS - VRS TEACHER
RETIREMENT PLAN - VIRGINIA RETIREMENT SYSTEM**

	Fiscal Year June 30, 2014
Contractually required contribution (CRC)	\$ 1,311,578
Contributions in relation to the CRC	<u>1,311,578</u>
Contribution deficiency (excess)	<u>\$ -</u>
Employers covered-employee payroll	\$ 9,045,366
Contributions as a percentage of covered-employee payroll	14.50%

Notes to Schedule:

- (1) Valuation date: June 30, 2014
- (2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
- (3) Methods and assumptions used to determine contribution rates:
- | | |
|-------------------------------|-------------------------------------|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 20-29 years |
| Asset valuation method | 5-year smoothed market |
| Cost-of-living adjustments | 2.50% |
| Projected salary increases | 3.50%-5.95% |
| Investment rate of return | 7.0%, including inflation at 2.50% |
- (4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years for which information is available.

SUPPLEMENTARY INFORMATION

**COMBINING STATEMENT OF NET POSITION -
AGENCY FUNDS
June 30, 2015**

	Agency Funds						
	Special Welfare	VJCCCA	Project Lifesaver	D.A.R.E.	Donations to Sheriff's Office	Totals	
ASSETS							
Cash and cash equivalents	\$ 43	\$ 117,106	\$ 4,894	\$ 377	\$ 919	\$ 123,339	
Due from other governments	-	11,568	-	-	-	11,568	
Total assets	\$ 43	\$ 128,674	\$ 4,894	\$ 377	\$ 919	\$ 134,907	
LIABILITIES							
Amounts held	\$ 43	\$ -	\$ 4,894	\$ 377	\$ 919	\$ 6,233	
Accounts payable	-	1,267	-	-	-	1,267	
Due to other governments	-	127,407	-	-	-	127,407	
Total liabilities	\$ 43	\$ 128,674	\$ 4,894	\$ 377	\$ 919	\$ 134,907	

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
Year Ended June 30, 2015**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<u>SPECIAL WELFARE FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 1,744	\$ 28,988	\$ 30,689	\$ 43
LIABILITIES				
Amounts held for social services clients	\$ 1,744	\$ 28,988	\$ 30,689	\$ 43
<u>VJCCCA FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 58,072	\$ 178,802	\$ 119,768	\$ 117,106
Due from other governments	2,869	11,715	3,016	11,568
Total assets	\$ 60,941	\$ 190,517	\$ 122,784	\$ 128,674
LIABILITIES				
Accounts payable	\$ -	\$ 20,739	\$ 19,472	\$ 1,267
Due to other governments	60,941	169,778	103,312	127,407
Total liabilities	\$ 60,941	\$ 190,517	\$ 122,784	\$ 128,674

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
Year Ended June 30, 2015**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<u>PROJECT LIFESAVER</u>				
ASSETS				
Cash and cash equivalents	\$ 4,453	\$ 931	\$ 490	\$ 4,894
LIABILITIES				
Amounts held for project lifesaver	\$ 4,453	\$ 931	\$ 490	\$ 4,894
<u>D.A.R.E</u>				
ASSETS				
Cash and cash equivalents	\$ 273	\$ 1,440	\$ 1,336	\$ 377
LIABILITIES				
Amounts held for D.A.R.E.	\$ 273	\$ 1,440	\$ 1,336	\$ 377

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
Year Ended June 30, 2015**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
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DONATIONS TO SHERIFF'S OFFICE**ASSETS**

Cash and cash equivalents	\$ 1,141	\$ 106	\$ 328	\$ 919
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LIABILITIES

Amounts held for Sheriff's Office	\$ 1,141	\$ 106	\$ 328	\$ 919
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TOTALS - ALL AGENCY FUNDS**ASSETS**

Cash and cash equivalents	\$ 65,683	\$ 210,267	\$ 152,611	\$ 123,339
Due from other governments	2,869	11,715	3,016	11,568

Total assets

\$ 68,552	\$ 221,982	\$ 155,627	\$ 134,907
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LIABILITIES

Amounts held	\$ 7,611	\$ 31,465	\$ 32,843	\$ 6,233
Accounts payable	-	20,739	19,472	1,267
Due to other governments	60,941	169,778	103,312	127,407

Total liabilities

\$ 68,552	\$ 221,982	\$ 155,627	\$ 134,907
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COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2015

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	Total Component Unit
ASSETS				
Cash and cash equivalents	\$ 1,404,826	\$ 213,190	\$ 780,762	\$ 2,398,778
Accounts receivable	10,743	-	-	10,743
Due from primary government	24,500	-	-	24,500
Due from other funds	474,897	-	219,531	694,428
Due from other governments	947,858	-	-	947,858
Total assets	\$ 2,862,824	\$ 213,190	\$ 1,000,293	\$ 4,076,307
LIABILITIES				
Accounts payable	\$ 368,693	\$ -	\$ -	\$ 368,693
Accrued liabilities	2,274,600	-	-	2,274,600
Due to other funds	219,531	-	474,897	694,428
Total liabilities	2,862,824	-	474,897	3,337,721
FUND BALANCES				
Assigned:				
Cafeteria	-	213,190	-	213,190
Textbook	-	-	525,396	525,396
Total fund balances	-	213,190	525,396	738,586
Total liabilities and fund balances	\$ 2,862,824	\$ 213,190	\$ 1,000,293	\$ 4,076,307
Total fund balances - School Board				\$ 738,586
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Long-term assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.				
Net pension asset				265,389
Capital assets used in governmental activities are not current financial resources and therefore, not reported in the governmental funds.				
Governmental capital assets		\$ 34,535,273		
Less: accumulated depreciation and amortization		(17,315,287)		
Net capital assets				17,219,986
Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental funds.				
				2,806,547
Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.				
				1,602,839
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.				
Compensated absences		(196,213)		
Other postemployment benefits		(346,253)		
Net pension liability		(18,588,000)		
				(19,130,466)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental funds.				
				(2,913,952)
Net position of component unit				\$ 588,929

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2015**

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	Total Component Unit
Revenues:				
Revenue from use of money and property	\$ 5,975	\$ 93	\$ 4,419	\$ 10,487
Charges for services	86,651	453,192	-	539,843
Miscellaneous revenue	16,844	15,226	-	32,070
Recovered costs	82,317	-	-	82,317
Intergovernmental:				
Appropriation from primary government	10,533,360	-	-	10,533,360
Commonwealth	12,635,110	12,317	132,042	12,779,469
Federal	836,801	450,129	-	1,286,930
Total revenues	24,197,058	930,957	136,461	25,264,476
Expenditures:				
Current:				
Education	24,175,771	962,287	-	25,138,058
Excess (deficiency) of revenues over (under) expenditures	21,287	(31,330)	136,461	126,418
Other financing sources (uses):				
Transfers in	-	21,287	-	21,287
Transfers out	(21,287)	-	-	(21,287)
Total other financing sources (uses), net	(21,287)	21,287	-	-
Changes in fund balances	-	(10,043)	136,461	126,418
Fund Balances, beginning	-	223,233	388,935	612,168
Fund Balances, ending	\$ -	\$ 213,190	\$ 525,396	\$ 738,586
Net change in fund balances - total governmental funds				\$ 126,418
Amounts reported for governmental activities in the Statement of Activities are different because:				
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 and amortization expense. This is the amount by which depreciation and amortization were more than capital outlays in the current period.				
Expenditures for capital assets			\$ 180,520	
Less: depreciation and amortization expense			(924,646)	
Excess of depreciation and amortization over capital outlays				(744,126)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net position.				
Donated capital assets				5,461
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.				
Change in other postemployment benefits			(56,928)	
Change in compensated absences			19,213	
Pension expense			(1,732,834)	(1,770,549)
Deferred outflows of resources - pension contributions				1,779,547
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds are reported with governmental activities.				
Total revenues			2,766,951	
Total expenses			(2,715,593)	51,358
Net transfer of joint tenancy capital assets from Primary Government to the Component Unit				1,198,358
Change in net position of governmental activities				\$ 646,467

COUNTY OF KING WILLIAM, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**

Year Ended June 30, 2015

	School Operating Fund			Variance with
	Original	Final	Actual	Final
	Budget	Budget		Budget
				Over (Under)
Revenues:				
Revenue from use of money and property	\$ 400	\$ 400	\$ 5,975	\$ 5,575
Charges for services	73,400	73,400	86,651	13,251
Miscellaneous revenue	-	-	16,844	16,844
Recovered costs	51,000	51,000	82,317	31,317
Intergovernmental:				
Appropriation from primary government	10,834,640	10,834,640	10,533,360	(301,280)
Commonwealth	12,726,570	12,726,570	12,635,110	(91,460)
Federal	921,600	921,600	836,801	(84,799)
Total revenues	24,607,610	24,607,610	24,197,058	(410,552)
Expenditures:				
Education:				
Instruction	16,658,420	16,658,420	16,463,204	(195,216)
Administration, attendance and health	1,380,950	1,380,950	1,347,082	(33,868)
Pupil transportation	1,602,730	1,602,730	1,485,268	(117,462)
Operation and maintenance	1,807,850	1,807,850	1,809,493	1,643
School food service costs	13,100	13,100	-	(13,100)
Technology	836,940	836,940	761,662	(75,278)
Reimbursement to primary government				
for debt service	2,307,620	2,307,620	2,309,062	1,442
Total expenditures	24,607,610	24,607,610	24,175,771	(431,839)
Excess (deficiency) of revenues				
over (under) expenditures	-	-	21,287	21,287
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(21,287)	(21,287)
Changes in fund balances	-	-	-	-
Fund Balances, beginning	-	-	-	-
Fund Balances, ending	\$ -	\$ -	\$ -	\$ -

Exhibit 20

School Cafeteria Fund				School Textbook Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
\$ 100	\$ 100	\$ 93	\$ (7)	\$ -	\$ -	\$ 4,419	\$ 4,419
472,100	472,100	453,192	(18,908)	-	-	-	-
14,800	14,800	15,226	426	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
18,000	18,000	12,317	(5,683)	-	-	132,042	132,042
475,000	475,000	450,129	(24,871)	-	-	-	-
980,000	980,000	930,957	(49,043)	-	-	136,461	136,461
-	-	-	-	144,050	144,050	-	(144,050)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
980,000	980,000	962,287	(17,713)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
980,000	980,000	962,287	(17,713)	144,050	144,050	-	(144,050)
-	-	(31,330)	(31,330)	(144,050)	(144,050)	136,461	280,511
-	-	21,287	21,287	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(10,043)	(10,043)	(144,050)	(144,050)	136,461	280,511
-	-	223,233	223,233	144,050	144,050	388,935	244,885
\$ -	\$ -	\$ 213,190	\$ 213,190	\$ -	\$ -	\$ 525,396	\$ 525,396

**COMBINING STATEMENT OF NET POSITION - SCHOOL BOARD
FIDUCIARY FUNDS
June 30, 2015**

	Agency Funds			Totals
	School Activity Funds	Regional Adult Education Program	Regional Alternative Education Program	
ASSETS				
Cash and cash equivalents	\$ 322,406	\$ -	\$ 118,127	\$ 440,533
Accounts receivable	-	40,574	-	40,574
Total assets	\$ 322,406	\$ 40,574	\$ 118,127	\$ 481,107
LIABILITIES				
Accounts payable	\$ -	\$ 6,092	\$ 63,663	\$ 69,755
Accrued liabilities	-	104	19,570	19,674
Held in trust	322,406	34,378	34,894	391,678
Total liabilities	\$ 322,406	\$ 40,574	\$ 118,127	\$ 481,107

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
SCHOOL BOARD - ALL AGENCY FUNDS
Year Ended June 30, 2015**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<u>SCHOOL ACTIVITY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 299,968	\$ 598,748	\$ 576,310	\$ 322,406
LIABILITIES				
Held in trust	\$ 299,968	\$ 598,748	\$ 576,310	\$ 322,406
<u>REGIONAL ADULT EDUCATION PROGRAM</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 313,360	\$ 313,360	\$ -
Accounts receivable	31,698	40,574	31,698	40,574
Total assets	\$ 31,698	\$ 353,934	\$ 345,058	\$ 40,574
LIABILITIES				
Accounts payable	\$ 1,035	\$ 81,707	\$ 76,650	\$ 6,092
Accrued liabilities	1,994	70,780	72,670	104
Held in trust	28,669	40,574	34,865	34,378
Total liabilities	\$ 31,698	\$ 193,061	\$ 184,185	\$ 40,574

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
SCHOOL BOARD - ALL AGENCY FUNDS
Year Ended June 30, 2015**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
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REGIONAL ALTERNATIVE EDUCATION PROGRAM**ASSETS**

Cash and cash equivalents	\$ 97,570	\$ 456,150	\$ 435,593	\$ 118,127
Total assets	\$ 97,570	\$ 456,150	\$ 435,593	\$ 118,127

LIABILITIES

Accounts payable	\$ 11,317	\$ 131,520	\$ 79,174	\$ 63,663
Accrued liabilities	27,331	86,205	93,966	19,570
Held in trust	58,922	-	24,028	34,894
Total liabilities	\$ 97,570	\$ 217,725	\$ 197,168	\$ 118,127

TOTALS - ALL AGENCY FUNDS**ASSETS**

Cash and cash equivalents	\$ 397,538	\$ 1,368,258	\$ 1,325,263	\$ 440,533
Accounts receivable	31,698	40,574	31,698	40,574
Total assets	\$ 429,236	\$ 1,408,832	\$ 1,356,961	\$ 481,107

LIABILITIES

Accounts payable	\$ 12,352	\$ 213,227	\$ 155,824	\$ 69,755
Accrued liabilities	29,325	156,985	166,636	19,674
Held in trust	387,559	639,322	635,203	391,678
Total liabilities	\$ 429,236	\$ 1,009,534	\$ 957,663	\$ 481,107

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND - SELF-INSURANCE FUND - SCHOOL BOARD
June 30, 2015

	Self- Insurance
<hr/>	
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,902,839
	<hr/>
Total assets	1,902,839
	<hr/>
LIABILITIES	
Current liabilities:	
Insurance and benefit claims	300,000
	<hr/>
Total liabilities	300,000
	<hr/>
NET POSITION	
Unrestricted	1,602,839
	<hr/>
Total net position	\$ 1,602,839
	<hr/>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND - SELF-INSURANCE FUND - SCHOOL BOARD
Year Ended June 30, 2015

	Self- Insurance
Operating revenues:	
Charges for services	\$ 2,766,535
Total operating revenues	2,766,535
Operating expenses:	
Administrative charges	85,279
Risk financing and benefit payments	2,238,677
Reinsurance premium	391,637
Total operating expenses	2,715,593
Operating income	50,942
Nonoperating revenue:	
Interest revenue	416
Total nonoperating revenue	416
Change in net position	51,358
Net position, beginning	1,551,481
Net position, ending	\$ 1,602,839

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND - SELF-INSURANCE FUND - SCHOOL BOARD
Year Ended June 30, 2015

	Self - Insurance
Cash Flows From Operating Activities:	
Receipts from interfund services provided	\$ 2,766,535
Claims and benefits paid	(2,063,677)
Payments to suppliers for goods and services	(476,916)
	<hr/>
Net cash provided by operating activities	225,942
	<hr/>
Cash Flows From Investing Activities:	
Interest received on investment securities	416
	<hr/>
Net increase in cash and cash equivalents	226,358
Cash and Cash Equivalents:	
Beginning	1,676,481
	<hr/>
Ending	\$ 1,902,839
	<hr/> <hr/>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 50,942
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in liabilities:	
Increase in insurance and benefit claims	175,000
	<hr/>
Net cash provided by operating activities	\$ 225,942
	<hr/> <hr/>

SUPPLEMENTAL SCHEDULES

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2015

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property	\$ 11,758,082	\$ 11,758,082	\$ 12,085,630	\$ 327,548
Real and personal public service corporation property	355,984	355,984	368,299	12,315
Personal property	2,702,465	2,702,465	2,652,869	(49,596)
Machinery and tools	1,047,195	1,047,195	1,302,684	255,489
Penalties	172,000	172,000	174,074	2,074
Interest	150,000	150,000	154,515	4,515
Total general property taxes	16,185,726	16,185,726	16,738,071	552,345
Other local taxes:				
Consumer utility	232,000	232,000	235,700	3,700
Business licenses	276,050	276,050	423,697	147,647
Motor vehicle license taxes	370,000	370,000	377,113	7,113
Bank stock	66,500	66,500	83,137	16,637
Recordation and wills	160,000	160,000	148,828	(11,172)
Meals	226,500	226,500	288,588	62,088
Local sales and use	743,665	743,665	918,000	174,335
Total other local taxes	2,074,715	2,074,715	2,475,063	400,348
Permits, privilege fees and regulatory licenses:				
Animal licenses	7,500	7,500	6,724	(776)
Building permits	65,000	65,000	101,122	36,122
Other permits and licenses	104,600	104,600	124,671	20,071
Total permits, privilege fees and regulatory licenses	177,100	177,100	232,517	55,417
Fines and forfeitures	76,500	76,500	78,708	2,208
Revenue from use of money and property:				
Revenue from use of money	50,000	50,000	29,508	(20,492)
Revenue from use of property	47,000	47,000	50,187	3,187
Total revenue from use of money and property	97,000	97,000	79,695	(17,305)

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2015

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Planning and community development	\$ 1,000	\$ 1,000	\$ 645	\$ (355)
Law enforcement and traffic control	250	250	168	(82)
Court costs	10,908	10,908	14,170	3,262
Commonwealth attorney	1,350	1,350	1,435	85
Comprehensive services	-	-	41,720	41,720
Water charges	385,250	385,250	439,764	54,514
Parks and recreation	94,960	94,960	111,301	16,341
Animal shelter	36,400	36,400	22,602	(13,798)
EMS billings	150,000	150,000	92,701	(57,299)
Total charges for services	680,118	680,118	724,506	44,388
Miscellaneous	15,205	15,205	21,423	6,218
Recovered costs:				
JDRC Recovery	3,800	3,800	4,802	1,002
High school resources officer	111,440	111,440	56,718	(54,722)
Other recovered costs	184,655	212,155	219,768	7,613
Total recovered costs	299,895	327,395	281,288	(46,107)
Total revenue from local sources	19,606,259	19,633,759	20,631,271	997,512
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Mobile home titling tax	-	-	150	150
Park conservation funding	-	-	1,770	1,770
Communications sales and use	361,710	361,710	387,926	26,216
Recordation tax	45,000	35,558	39,788	4,230
Motor vehicles carriers' tax	19,660	19,660	18,685	(975)
Motor vehicle rental tax	2,500	2,500	5,656	3,156
Personal property tax relief	1,204,131	1,204,131	1,125,721	(78,410)
Miscellaneous	650	650	1,503	853
Total non-categorical aid	1,633,651	1,624,209	1,581,199	(43,010)

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2015

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared costs:				
Commonwealth attorney	\$ 155,736	\$ 154,947	\$ 152,646	\$ (2,301)
Sheriff	684,753	684,753	678,401	(6,352)
Commissioner of the revenue	86,840	85,640	88,633	2,993
Treasurer	75,000	74,734	77,191	2,457
Registrar/Electoral Board	40,000	35,719	32,179	(3,540)
Clerk of circuit court	186,605	182,796	167,636	(15,160)
Total shared costs	1,228,934	1,218,589	1,196,686	(21,903)
Other categorical aid:				
Welfare administration assistance	339,934	341,751	275,393	(66,358)
Victim witness assistance grant	103,119	103,119	53,106	(50,013)
Emergency services - four for life	17,200	17,200	16,493	(707)
Litter control grant	8,240	8,240	8,229	(11)
Fire program	40,800	40,800	40,011	(789)
Radiological emergency preparedness	10,000	10,000	10,000	-
Wireless E-911 grant	45,000	45,000	44,661	(339)
Miscellaneous public safety grants	3,000	3,000	749	(2,251)
Comprehensive services	410,000	410,000	257,982	(152,018)
Miscellaneous	5,000	5,000	13,913	8,913
Total other categorical aid	982,293	984,110	720,537	(263,573)
Total categorical aid	2,211,227	2,202,699	1,917,223	(285,476)
Total revenue from the Commonwealth	3,844,878	3,826,908	3,498,422	(328,486)
Revenue from the federal government:				
Categorical aid:				
Welfare and administration assistance	551,833	551,833	517,377	(34,456)
Planning and community development	-	-	20,650	20,650
Public safety	-	416,225	12,818	(403,407)
Total categorical aid	551,833	968,058	550,845	(417,213)
Total revenue from the federal government	551,833	968,058	550,845	(417,213)
Total intergovernmental	4,396,711	4,794,966	4,049,267	(745,699)
Total General Fund	\$ 24,002,970	\$ 24,428,725	\$ 24,680,538	\$ 251,813

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2015

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
Debt Service Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 3,314	\$ 3,314
Total revenue from use of money and property	-	-	3,314	3,314
Reimbursements from component unit	2,309,062	2,309,062	2,309,062	-
Total revenue from local sources	2,309,062	2,309,062	2,312,376	3,314
Total Debt Service Fund	\$ 2,309,062	\$ 2,309,062	\$ 2,312,376	\$ 3,314
General Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 9,040	\$ 9,040
Permits, privilege fees, proffers and regulatory licenses:				
Developer proffers	35,500	35,500	32,579	(2,921)
Miscellaneous	5,000	5,000	3,251	(1,749)
Total revenue from local sources	40,500	40,500	44,870	4,370
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public safety	-	-	150,000	150,000
Total intergovernmental	-	-	150,000	150,000
Total General Capital Projects Fund	\$ 40,500	\$ 40,500	\$ 194,870	\$ 154,370
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 1,246	\$ 1,246
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Security equipment grant	-	-	60,104	60,104
Total School Capital Projects Fund	\$ -	\$ -	\$ 61,350	\$ 61,350
Grand Total Revenues - Primary Government	\$ 26,352,532	\$ 26,778,287	\$ 27,249,134	\$ 470,847

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2015

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 400	\$ 400	\$ 4,985	\$ 4,585
Revenue from use of property	-	-	990	990
Total revenue from use of money and property	400	400	5,975	5,575
Charges for services	73,400	73,400	86,651	13,251
Miscellaneous revenue	-	-	16,844	16,844
Recovered costs:				
E-rate	51,000	51,000	78,317	27,317
Other recovered costs	-	-	4,000	4,000
Total recovered costs	51,000	51,000	82,317	31,317
Total revenue from local sources	124,800	124,800	191,787	66,987
Intergovernmental revenue:				
Appropriation from primary government:				
Appropriation from primary government	10,834,640	10,834,640	10,834,640	-
Return of funds to primary government	-	-	(301,280)	(301,280)
Total appropriation from primary government	10,834,640	10,834,640	10,533,360	(301,280)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	2,062,090	2,062,090	2,093,900	31,810
Basic school aid	7,315,860	7,315,860	7,288,720	(27,140)
K-3 initiative	277,060	277,060	260,759	(16,301)
Special education	836,880	836,880	835,136	(1,744)
Textbook payment	144,050	144,050	-	(144,050)
Fringe benefits - SS/teacher retirement	1,232,110	1,232,110	1,222,077	(10,033)
State lottery payments	-	-	11,709	11,709
Technology	154,000	154,000	99,176	(54,824)
Other state funds	704,520	704,520	823,633	119,113
Total revenue from the Commonwealth	12,726,570	12,726,570	12,635,110	(91,460)

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2015

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 226,600	\$ 226,600	\$ 182,143	\$ (44,457)
Special education - preschool	13,500	13,500	13,743	243
Title VI-B flow through	515,290	515,290	486,260	(29,030)
Title VII - Indian education	11,000	11,000	11,594	594
Vocational education	25,800	25,800	20,861	(4,939)
Title II - Eisenhower	65,000	65,000	53,770	(11,230)
Advanced Placement Program	-	-	407	407
Air force - ROTC	64,410	64,410	63,289	(1,121)
Other	-	-	4,734	4,734
Total revenue from the federal government	921,600	921,600	836,801	(84,799)
Total intergovernmental	24,482,810	24,482,810	24,005,271	(477,539)
Total School Operating Fund	\$ 24,607,610	\$ 24,607,610	\$ 24,197,058	\$ (410,552)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 100	\$ 100	\$ 93	\$ (7)
Charges for service	472,100	472,100	453,192	(18,908)
Miscellaneous	14,800	14,800	15,226	426
Total revenue from local sources	487,000	487,000	468,511	(18,489)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	18,000	18,000	12,317	(5,683)
Revenue from the federal government:				
Categorical aid:				
Child nutrition cluster	475,000	475,000	450,129	(24,871)
Total intergovernmental	493,000	493,000	462,446	(30,554)
Total School Cafeteria Fund	\$ 980,000	\$ 980,000	\$ 930,957	\$ (49,043)

SCHEDULE OF REVENUES - BUDGET AND ACTUAL**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD****Year Ended June 30, 2015**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Unit - School Board: (Continued)				
School Textbook Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 4,419	\$ 4,419
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payment	-	-	132,042	132,042
Total School Textbook Fund	\$ -	\$ -	\$ 136,461	\$ 136,461
Grand Total Revenues - Component Unit - School Board	\$ 25,587,610	\$ 25,587,610	\$ 25,264,476	\$ (323,134)

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2015**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of Supervisors	\$ 103,696	\$ 103,696	\$ 114,907	\$ 11,211
General and financial administration:				
County administrator	259,423	265,144	258,933	(6,211)
Finance	417,599	421,788	438,992	17,204
Legal services	77,600	102,003	98,056	(3,947)
Commissioner of the revenue	213,606	217,513	215,491	(2,022)
Assessor	154,000	154,403	99,196	(55,207)
Treasurer	238,846	242,543	231,554	(10,989)
Total general and financial administration	1,361,074	1,403,394	1,342,222	(61,172)
Board of elections:				
Electoral board and officials	73,243	69,591	28,934	(40,657)
Registrar	87,340	89,353	95,168	5,815
Total board of elections	160,583	158,944	124,102	(34,842)
Total general government administration	1,625,353	1,666,034	1,581,231	(84,803)
Judicial administration:				
Courts:				
Circuit court	21,810	22,728	26,298	3,570
General district court	7,531	11,179	10,027	(1,152)
Juvenile and domestic relations court	25,453	29,617	29,027	(590)
Clerk of the circuit court	303,711	304,381	252,698	(51,683)
Department of court services	106,046	254,399	127,027	(127,372)
Total courts	464,551	622,304	445,077	(177,227)
Commonwealth attorney	224,375	226,925	228,811	1,886
Total judicial administration	688,926	849,229	673,888	(175,341)
Public safety:				
Law enforcement and traffic control:				
Sheriff	1,572,684	1,713,035	1,493,530	(219,505)
Emergency 911 system	689,339	749,486	662,894	(86,592)
Total law enforcement and traffic control	2,262,023	2,462,521	2,156,424	(306,097)

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2015**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire department	\$ 633,135	\$ 1,305,443	\$ 788,466	\$ (516,977)
Ambulance and rescue squads	164,029	164,029	77,798	(86,231)
Total fire and rescue services	797,164	1,469,472	866,264	(603,208)
Correction and detention:				
Regional security center	694,659	938,319	926,716	(11,603)
Juvenile detention homes	80,800	80,800	80,261	(539)
Juvenile and district court services unit	12,630	15,675	11,620	(4,055)
Total correction and detection	788,089	1,034,794	1,018,597	(16,197)
Inspections:				
Building inspections	144,068	146,307	134,732	(11,575)
Total inspections	144,068	146,307	134,732	(11,575)
Other protection:				
Animal control	132,116	133,550	129,153	(4,397)
Regional animal shelter	288,399	356,431	322,837	(33,594)
Medical examiner	120	120	40	(80)
Emergency services coordinator	90,420	111,960	81,574	(30,386)
Total other protection	511,055	602,061	533,604	(68,457)
Total public safety	4,502,399	5,715,155	4,709,621	(1,005,534)
Public works:				
Sanitation and waste removal:				
Central garage utility system	211,287	211,287	188,720	(22,567)
Refuse collection	573,000	573,000	572,243	(757)
Refuse disposal	271,200	271,200	230,818	(40,382)
Total sanitation and waste removal	1,055,487	1,055,487	991,781	(63,706)
Maintenance of general buildings and grounds	549,254	551,125	585,204	34,079
Total public works	1,604,741	1,606,612	1,576,985	(29,627)

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2015**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
General Fund: (Continued)				
Health and social services:				
Health:				
Local health department and other health	\$ 801,101	\$ 309,793	\$ 248,428	\$ (61,365)
Total health	801,101	309,793	248,428	(61,365)
Mental health and mental retardation:				
Community Services Board	50,326	50,326	50,326	-
Welfare:				
Public assistance and welfare administration	1,134,198	1,149,239	1,011,402	(137,837)
Comprehensive services	724,965	724,965	589,449	(135,516)
Total welfare	1,859,163	1,874,204	1,600,851	(273,353)
Total health and social services	2,710,590	2,234,323	1,899,605	(334,718)
Education:				
Contributions to community colleges	7,814	7,814	7,814	-
Contribution to component unit - School Board	10,834,640	10,834,640	10,834,640	-
Return of funds from component unit	-	-	(301,280)	(301,280)
Total education	10,842,454	10,842,454	10,541,174	(301,280)
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation administration	171,656	173,493	146,856	(26,637)
Recreation programs and events	91,695	91,695	93,065	1,370
Arts and cultural	10,000	10,000	10,000	-
Total parks and recreation	273,351	275,188	249,921	(25,267)
Cultural:				
Regional library	400,000	400,000	400,000	-
Total parks, recreation and cultural	673,351	675,188	649,921	(25,267)
Community development:				
Planning and community development:				
Planning	283,854	288,848	286,548	(2,300)
MP regional airport	30,000	30,000	30,000	-
Board of zoning appeals	500	500	20,650	20,150
Mt. Olive improvement project	8,100	8,100	9,546	1,446
Economic development	16,000	16,000	6,513	(9,487)
Total planning and community development	338,454	343,448	353,257	9,809
Environmental management:				
Soil and water conservation district	5,000	5,000	5,000	-
Cooperative extension program:				
VPI extension program	34,186	38,262	35,343	(2,919)
Total community development	377,640	386,710	393,600	6,890

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2015**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
Nondepartmental:				
Contingencies	\$ 149,939	\$ 134,024	\$ -	\$ (134,024)
Total nondepartmental	149,939	134,024	-	(134,024)
Total General Fund	\$ 23,175,393	\$ 24,109,729	\$ 22,026,025	\$ (2,083,704)
Debt Service Fund:				
Debt service:				
Principal - County	\$ 470,889	\$ 470,889	\$ 472,434	\$ 1,545
Principal - School Board	1,640,487	1,675,487	1,675,487	-
Interest and fiscal charges - County	341,951	341,951	340,406	(1,545)
Interest and fiscal charges - School Board	668,573	672,301	671,990	(311)
Contingencies	76,421	-	-	-
Total Debt Service Fund	3,198,321	3,160,628	3,160,317	(311)
General Capital Projects Fund:				
Capital projects	\$ 334,790	\$ 2,141,885	\$ 1,631,736	\$ (510,149)
Total General Capital Projects Fund	\$ 334,790	\$ 2,141,885	\$ 1,631,736	\$ (510,149)
School Capital Projects Fund:				
Capital projects	\$ 450,000	\$ 450,000	\$ 243,714	\$ (206,286)
Total School Capital Projects Fund	\$ 450,000	\$ 450,000	\$ 243,714	\$ (206,286)
Grand Total Expenditures - Primary Government	\$ 27,008,565	\$ 29,728,218	\$ 27,061,792	\$ (2,666,426)
Component Unit:				
Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction	\$ 16,658,420	\$ 16,658,420	\$ 16,463,204	\$ (195,216)
Administration, attendance and health	1,380,950	1,380,950	1,347,082	(33,868)
Pupil transportation services	1,602,730	1,602,730	1,485,268	(117,462)
Operation and maintenance services	1,807,850	1,807,850	1,809,493	1,643
School food service costs	13,100	13,100	-	(13,100)
Technology	836,940	836,940	761,662	(75,278)
Reimbursement to primary government for debt service	2,307,620	2,307,620	2,309,062	1,442
Total School Operating Fund	\$ 24,607,610	\$ 24,607,610	\$ 24,175,771	\$ (431,839)
School Cafeteria Fund:				
Education:				
School food services	\$ 980,000	\$ 980,000	\$ 962,287	\$ (17,713)
Total School Cafeteria Fund	\$ 980,000	\$ 980,000	\$ 962,287	\$ (17,713)

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2015**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (Continued)				
School Textbook Fund:				
Education:				
Instruction	\$ 144,050	\$ 144,050	\$ -	\$ (144,050)
Total School Textbook Fund	\$ 144,050	\$ 144,050	\$ -	\$ (144,050)
Total Expenditures - Component Unit - School Board	\$ 25,731,660	\$ 25,731,660	\$ 25,138,058	\$ (593,602)

2015 King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2015

www.kingwilliamcounty.us

STATISTICAL SECTION

(Unaudited)

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STATISTICAL SECTION

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COUNTY OF KING WILLIAM, VIRGINIA

STATISTICAL SECTION TABLE OF CONTENTS

This part of the County's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the County's overall financial health and is unaudited.

Contents	Tables
Financial Trends These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	1-4
Revenue Capacity These tables contain information to help the reader assess the County's most significant local revenue source, property tax.	5-9
Debt Capacity These tables present information to help the reader assess the affordability of the County's current level of outstanding debt and the County's ability to issue additional debt in the future.	10-12
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the County operates.	13-14
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the financial reports relates to the services the County provides and the activities it performs.	15-17

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

COUNTY OF KING WILLIAM, VIRGINIA

NET POSITION/ASSETS BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	2006	2007	2008
Primary government:			
Governmental activities:			
Net investment in capital assets	\$ (659,035)	\$ 68,259	\$ 265,030
Reserved for permanent fund	43,036	-	-
Restricted	-	-	-
Unrestricted (deficit)	(783,037)	(869,156)	594,739
Total governmental activities net assets	\$ (1,399,036)	\$ (800,897)	\$ 859,769
Total governmental activities net position			

Notes:

- (1) This table reports financial information based on the accrual basis of accounting. The County implemented GASB Statement No. 63 in fiscal year 2013. This standard eliminated the use of the term "net assets" now refers to this measurement as "net position."
- (2) June 30, 2014 net position was restated for the implementation of GASB Statement No. 68 which reduced net position by \$1,664,839.

Table 1

June 30,						
2009	2010	2011	2012	2013	2014	2015
\$ (312,223)	\$ (513,010)	\$ 1,669,963	\$ 1,461,113	\$ 4,298,661	\$ 4,817,073	\$ 5,966,632
-	-	-	-	-	-	-
-	-	64,245	62,572	4,024,633	1,861,710	989,614
2,373,837	3,806,931	3,502,991	5,016,956	4,247,618	6,209,949	6,514,370
\$ 2,061,614	\$ 3,293,921	\$ 5,237,199	\$ 6,540,641			
				\$ 12,570,912	\$ 12,888,732	\$ 13,470,616

(2)

COUNTY OF KING WILLIAM, VIRGINIA

CHANGES IN NET POSITION/ASSETS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year				
	2006	2007	2008	2009	2010
Expenses:					
Governmental activities:					
General government administration	\$ 1,419,242	\$ 1,587,512	\$ 1,653,984	\$ 1,577,182	\$ 1,764,919
Judicial administration	546,844	703,379	709,576	723,263	704,861
Public safety	3,876,633	2,902,265	3,607,687	4,049,433	3,861,928
Public works	1,365,801	1,634,409	1,663,886	1,702,038	1,546,058
Health and welfare	1,633,408	1,647,634	1,756,619	1,950,087	2,001,233
Education	8,735,293	7,914,185	7,904,725	8,541,759	8,109,049
Parks, recreation and cultural	768,139	795,222	808,883	856,020	805,377
Community development	588,039	632,854	628,507	602,788	728,707
Interest	1,650,115	1,683,999	1,726,966	1,470,892	1,505,477
Total expenses	20,583,514	19,501,459	20,460,833	21,473,462	21,027,609
Program revenue:					
Governmental activities:					
Charges for services:					
General government administration	-	-	-	-	-
Judicial administration	76,748	70,068	89,529	94,142	90,863
Public safety	149,436	141,582	155,621	129,696	94,812
Public works	144,706	242,938	283,945	118,984	130,839
Health and welfare	-	-	-	-	-
Education	-	-	-	-	-
Parks, recreation and cultural	63,657	62,935	90,002	103,290	86,706
Community development	280,923	366,445	429,266	193,292	174,608
Operating grants and contributions:					
General government administration	212,953	228,053	258,221	250,522	229,637
Judicial administration	395,244	373,098	357,510	387,240	341,892
Public safety	843,276	855,926	883,349	1,007,777	835,995
Public works	8,325	6,886	8,390	8,169	6,629
Health and welfare	1,068,504	1,068,868	1,133,758	1,301,243	1,386,233
Education	-	-	-	-	-
Parks, recreation and cultural	-	5,000	5,639	5,000	5,319
Community development	-	-	-	-	-
Capital grants and contributions:					
Judicial administration	-	-	-	-	-
Public safety	-	-	-	-	25,550
Public works	-	-	-	-	-
Education	126,002	171,793	128,496	130,926	-
Parks, recreation and cultural	-	-	-	-	-
Community development	383,705	497,796	120,173	24,779	212,500
Total program revenues	3,753,479	4,091,388	3,943,899	3,755,060	3,621,583
Total primary government net expense	(16,830,035)	(15,410,071)	(16,516,934)	(17,718,402)	(17,406,026)
General revenues and other changes in net position/assets:					
Governmental activities:					
General property taxes	11,133,059	12,411,669	14,880,517	15,855,934	15,559,634
Grants and contributions not restricted to specific programs	1,323,143	1,331,018	1,323,126	1,242,316	1,262,902
Local sales and use	-	-	-	-	-
Consumer utility	392,552	316,991	226,398	216,877	224,395
Business licenses	343,348	307,841	353,398	376,767	278,531
Motor vehicle license taxes	274,860	268,331	283,490	290,584	299,404
Emergency telephone tax	191,211	94,613	-	-	-
Taxes on recordation and wills	-	-	-	-	156,970
Communication sales tax	-	-	388,000	373,713	375,273
Other local taxes	399,023	614,552	370,588	332,040	389,986
Revenues from use of money and property	105,636	271,379	331,025	117,071	76,982
Miscellaneous	83,195	391,817	21,058	114,945	14,256
Total general revenues and other changes	14,246,027	16,008,211	18,177,600	18,920,247	18,638,333
Change in net position/assets	\$ (2,584,008)	\$ 598,140	\$ 1,660,666	\$ 1,201,845	\$ 1,232,307

Note:

- (1) This table reports financial information based on the accrual basis of accounting. The County implemented GASB Statement No. 63 in fiscal year 2013. This standard eliminated the use of the term "net assets" and now refers to this measurement as "net position."

Table 2

June 30,					
	2011	2012	2013	2014	2015
\$	1,379,801	\$ 1,390,914	\$ 1,720,020	\$ 1,991,266	\$ 1,891,619
	719,715	731,145	758,278	828,978	825,326
	4,206,900	4,069,441	4,363,690	4,869,354	5,814,590
	1,693,960	1,636,299	1,591,495	2,511,346	934,531
	1,837,002	1,726,465	1,769,339	1,925,297	1,853,888
	8,679,113	9,555,915	10,430,356	9,976,507	12,327,218
	836,773	852,555	848,196	659,605	693,945
	537,673	415,658	325,122	383,302	401,274
	1,031,300	1,024,553	1,037,029	1,020,009	926,078
	20,922,237	21,402,945	22,843,525	24,165,664	25,668,469
	-	19,500	20,000	-	-
	15,765	16,767	26,855	26,098	24,449
	394,742	389,101	697,301	561,506	473,347
	168,958	161,269	141,297	449,819	439,764
	-	-	-	-	41,720
	-	-	642,225	266	32,579
	131,642	119,114	109,886	97,908	111,301
	177,126	150,911	167,649	216,907	226,438
	190,203	203,673	196,912	200,716	198,003
	372,117	363,618	374,720	383,598	373,388
	784,085	801,490	852,544	1,128,150	1,013,237
	7,644	6,473	9,342	8,240	8,229
	1,321,454	1,119,045	1,028,244	1,082,488	1,050,752
	-	-	-	-	2,309,062
	5,000	9,550	21,668	44,303	13,913
	49,205	-	-	-	20,650
	-	-	-	25,903	-
	-	-	26,842	-	-
	-	-	335,875	256,687	624,212
	-	-	-	-	-
	-	-	5,800	102,000	-
	-	-	-	-	-
	3,617,941	3,360,511	4,657,160	4,584,589	6,961,044
	(17,304,296)	(18,042,434)	(18,186,365)	(19,581,075)	(18,707,425)
	15,744,965	15,464,547	16,393,302	15,901,942	16,779,917
	1,598,315	1,567,627	1,571,449	1,639,303	1,581,199
	722,243	747,327	776,602	803,574	918,000
	226,901	227,669	230,314	232,777	235,700
	299,881	275,242	342,712	353,097	423,697
	357,659	370,133	369,895	366,296	377,113
	-	-	-	-	-
	138,994	151,615	171,486	154,912	148,828
	-	-	-	-	-
	278,516	313,264	318,584	344,955	371,725
	67,703	89,375	98,719	91,637	93,295
	21,906	139,077	56,674	145,429	24,674
	19,457,083	19,345,876	20,329,737	20,033,922	20,954,148
\$	2,152,787	\$ 1,303,442	\$ 2,143,372	\$ 452,847	\$ 2,246,723

COUNTY OF KING WILLIAM, VIRGINIA

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	2006	2007	2008	2009
General Fund:				
Reserved:				
Textbooks	\$ -	\$ -	\$ 264,423	\$ 448,725
Unreserved, designated	43,036	-	-	-
Unreserved, undesignated	(1,410,084)	(1,573,398)	(878,836)	725,041
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	(1,367,048)	(1,573,398)	(614,413)	1,173,766
All Other Governmental Funds:				
Reserved:				
General capital projects	1,793,405	1,484,039	1,239,343	1,033,113
School capital projects	195,912	363,158	762,739	21,470
Restricted:				
Debt service	-	-	-	-
General capital projects	-	-	-	-
School capital projects	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	1,989,317	1,847,197	2,002,082	1,054,583
Total fund balances	\$ 622,269	\$ 273,799	\$ 1,387,669	\$ 2,228,349

Note:

- (1) In fiscal year 2011, the County implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which effectively changed the classifications used to report fund balances. The terms reserved and unreserved are no longer used to describe fund balance. Fund balance is now classified as nonspendable, restricted, committed, assigned, or unassigned.

Table 3

June 30,					
2010	2011	2012	2013	2014	2015
\$ 448,725	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,761,923	-	-	-	-	-
-	31,352	7,943	177,025	9,313	19,159
-	63,728	62,054	1,905,275	549,936	363
-	2,633,223	2,448,301	2,091,395	1,838,390	1,265,335
-	1,542,611	3,169,372	2,614,804	4,742,615	6,365,262
2,210,648	4,270,914	5,687,670	6,788,499	7,140,254	7,650,119
1,109,887	-	-	-	-	-
516	-	-	-	-	-
-	-	-	-	-	122,528
-	-	-	2,118,839	1,219,107	506,420
-	517	518	519	92,667	360,303
-	(115,199)	(114,072)	-	-	-
1,110,403	(114,682)	(113,554)	2,119,358	1,311,774	989,251
\$ 3,321,051	\$ 4,156,232	\$ 5,574,116	\$ 8,907,857	\$ 8,452,028	\$ 8,639,370

COUNTY OF KING WILLIAM, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	2006	2007	2008	2009
Revenues:				
General property taxes	\$ 11,046,031	\$ 12,335,200	\$ 14,645,208	\$ 15,598,733
Other local taxes	1,600,994	1,602,328	1,621,874	1,589,981
Permits, privilege fees, proffers and regulatory licenses	429,832	507,487	582,677	322,076
Fines and forfeitures	68,228	61,357	80,343	82,334
Revenue from use of money and property	105,636	271,379	331,025	117,071
Charges for services	217,410	315,124	385,344	234,994
Miscellaneous	83,197	391,816	21,057	114,945
Reimbursement from component unit	-	-	-	-
Recovered costs	391,314	399,878	178,107	241,834
Intergovernmental:				
Commonwealth	3,351,886	3,420,574	3,556,576	3,719,698
Federal	1,009,266	1,117,864	662,086	638,274
Total revenues	18,303,794	20,423,007	22,064,297	22,659,940
Expenditures:				
General government administration	1,355,995	1,481,314	1,606,483	1,547,498
Judicial administration	483,269	545,276	548,832	595,412
Public safety	4,077,047	3,288,323	3,702,708	4,194,591
Public works	1,258,884	1,519,831	1,796,594	1,530,499
Health and welfare	1,632,905	1,641,189	1,754,245	1,933,241
Education	5,748,257	5,830,758	5,924,555	6,181,401
Parks, recreation and cultural	755,898	783,565	806,175	858,490
Community development	584,745	1,051,637	625,676	606,026
Capital outlays	574,226	2,273,439	2,275,620	1,060,899
Debt service:				
Principal	2,103,893	2,107,408	2,145,961	2,073,919
Interest and fiscal charges	1,701,112	1,772,121	1,818,578	1,637,624
Total expenditures	20,276,231	22,294,861	23,005,427	22,219,600
Excess (deficiency) of revenues over (under) expenditures	(1,972,437)	(1,871,854)	(941,130)	440,340
Other financing sources (uses):				
Transfers in	375,001	-	-	-
Transfers out	(375,001)	-	-	-
Payment to refunded bond escrow agent	-	(1,511,962)	-	-
Long-term debt issued	1,050,000	2,950,000	2,055,000	-
Premium on debt issued	-	85,346	-	-
Total other financing sources, net	1,050,000	1,523,384	2,055,000	-
Net change in fund balance	\$ (922,437)	\$ (348,470)	\$ 1,113,870	\$ 440,340
Debt service as a percentage of noncapital expenditures	19.31%	19.38%	19.12%	17.54%

Table 4

June 30,						
2010	2011	2012	2013	2014	2015	
\$ 15,393,779	\$ 15,750,252	\$ 15,481,278	\$ 16,344,544	\$ 15,659,767	\$ 16,738,071	
1,724,559	2,024,194	2,085,250	2,209,593	2,255,611	2,475,063	
261,567	186,198	160,620	174,247	222,561	265,096	
79,556	79,454	66,657	72,930	96,349	78,708	
76,982	67,703	89,375	98,719	91,637	93,295	
236,705	455,554	421,357	366,409	708,788	724,506	
14,256	21,906	139,077	874,596	145,429	24,674	
-	-	-	-	-	2,309,062	
152,078	167,027	208,028	373,705	324,806	281,288	
3,532,727	3,637,470	3,421,903	3,495,484	3,637,075	3,708,525	
773,930	690,553	649,573	559,395	849,723	550,846	
22,246,139	23,080,311	22,723,118	24,569,622	23,991,746	27,249,134	
1,732,673	1,372,400	1,346,130	1,390,170	1,614,235	1,581,231	
538,227	570,469	556,528	597,145	653,387	673,888	
4,026,891	4,100,800	4,171,459	4,226,609	4,647,683	4,709,621	
1,564,364	1,574,143	1,517,016	1,498,140	1,566,425	1,576,985	
2,005,090	1,915,180	1,708,920	1,774,541	1,901,885	1,899,605	
6,198,939	6,897,886	7,856,937	8,807,812	8,126,913	10,541,174	
748,180	801,103	809,495	810,258	622,912	649,921	
729,608	545,236	420,350	322,642	387,357	393,600	
43,034	288,710	1,131	1,755,312	1,778,531	1,875,450	
2,052,456	2,088,978	1,926,423	1,865,545	2,082,507	2,147,921	
1,513,975	1,139,851	1,159,869	1,187,707	1,094,711	1,012,396	
21,153,437	21,294,756	21,474,258	24,235,881	24,476,546	27,061,792	
1,092,702	1,785,555	1,248,860	333,741	(484,800)	187,342	
-	-	-	965,674	875,252	2,299,649	
-	-	-	(965,674)	(875,252)	(2,299,649)	
-	-	(5,141,719)	-	(1,346,029)	-	
-	270,000	5,310,743	3,000,000	1,375,000	-	
-	-	-	-	-	-	
-	270,000	169,024	3,000,000	28,971	-	
\$ 1,092,702	\$ 2,055,555	\$ 1,417,884	\$ 3,333,741	\$ (455,829)	\$ 187,342	
16.89%	15.50%	14.53%	13.57%	13.70%	12.40%	

COUNTY OF KING WILLIAM, VIRGINIA

TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Fiscal Year June 30,	General Property	Local Sales and Use (1)	Consumer Utility	Business Licenses	Motor Vehicle License Taxes
2006	\$ 11,046,031	\$ -	\$ 392,552	\$ 343,348	\$ 274,860
2007	12,335,200	-	316,991	307,841	268,331
2008	14,645,208	-	226,398	353,398	283,490
2009	15,598,733	-	216,877	376,767	290,584
2010	15,393,779	-	224,395	278,531	299,404
2011	15,750,252	722,243	226,901	299,881	357,659
2012	15,481,278	747,327	227,669	275,242	370,133
2013	16,344,544	776,602	230,314	342,712	369,895
2014	15,659,767	803,574	232,777	353,097	366,296
2015	16,738,071	918,000	235,700	423,697	377,113

Notes:

- (1) Prior to fiscal year 2011, local sales and use tax receipts were accounted for in a separate agency fund. In that fiscal year, the agency fund was blended into the General Fund.
- (2) In fiscal year 2011, the County implemented the Auditor of Public Accounts' requirement that communication sales and use tax be reported as non-categorical state aid instead of other local taxes.

Table 5

Taxes on Recordation and Wills		Emergency Telephone	Communications (2)	Other Local	Total
\$	333,505	\$ 191,211	\$ -	\$ 65,518	\$ 12,647,025
	368,069	94,613	176,376	70,107	13,937,528
	297,711	-	388,000	72,877	16,267,082
	202,938	-	373,713	129,102	17,188,714
	156,970	-	375,273	389,986	17,118,338
	138,994	-	-	278,516	17,774,446
	151,615	-	-	313,264	17,566,528
	171,486	-	-	318,584	18,554,137
	154,912	-	-	344,955	17,915,378
	148,828	-	-	371,725	19,213,134

COUNTY OF KING WILLIAM, VIRGINIA

ASSESSED AND ESTIMATED VALUE OF PROPERTY

Last Ten Calendar Years

(Unaudited)

Calendar Year	Real Estate (1)	Direct Tax Rate	Personal Property	Direct Tax Rate	Machinery and Tools
2005	\$ 1,066,913,767	\$ 0.92	\$ 95,011,903	\$ 3.65	\$ 135,948,296
2006	1,123,439,437	0.92	106,536,465	3.65	134,853,787
2007	1,388,768,406	0.99	124,358,986	3.65	138,861,977
2008	1,634,944,389	0.81	129,017,680	3.65	139,409,279
2009	1,661,866,111	0.81	114,463,801	3.65	135,180,870
2010	1,666,920,502	0.81	118,110,966	3.65	131,150,904
2011	1,672,491,648	0.81	114,936,284	3.65	109,455,936
2012	1,678,028,967	0.81	118,472,171	3.65	110,507,861
2013	1,665,940,794	0.79	120,782,359	3.65	114,575,046
2014	1,703,941,330	0.82	114,769,874	3.65	118,147,729

Notes:

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

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

Table 6

Direct Tax Rate		Public Service (2)		Total Direct Tax		Total
\$	2.30	\$	39,061,299	\$	6.87	\$ 1,336,935,265
	2.30		30,792,861		6.87	1,395,622,550
	2.50		32,529,671		7.14	1,684,519,040
	2.45		44,709,244		6.91	1,948,080,592
	2.45		40,248,359		6.91	1,951,759,141
	2.45		42,974,549		6.91	1,959,156,921
	2.45		44,005,450		6.91	1,940,889,318
	2.45		44,230,704		6.91	1,951,239,703
	2.25		46,295,443		6.69	1,947,593,642
	2.25		46,295,443		6.72	1,983,154,376

COUNTY OF KING WILLIAM, VIRGINIA

Table 7

PROPERTY TAX RATES (1)
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service		Total County Direct Tax Rate
				Real Estate	Personal Property	
2005-06	\$ 0.92/0.23	\$ 3.65/0.34	\$ 2.30/0.80	\$ 0.87/0.23	\$ 3.65/0.34	\$ 6.87
2006-07	0.92/0.25	3.65/0.34	2.30/0.80	0.92/0.25	3.65/0.34	6.87
2007-08	0.99/0.29	3.65/0.50	2.50/1.00	0.99/0.29	3.65/0.50	7.14
2008-09	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2009-10	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2010-11	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2011-12	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2012-13 (3)	0.81/0.27/0.79/0.79	3.65/0.50	2.45/0.95	0.81/0.27/0.79/0.79	3.65/0.50	6.90
2013-14 (4)	0.79/0.79/0.82/0.38	3.65/3.65	2.25/2.25	0.79/0.79/0.82/0.38	3.65/3.65	6.71
2014-15 (5)	0.82/0.38/0.94/0.43	3.65/1.65	2.25/1.00	0.82/0.38/0.94/0.43	3.65/1.65	6.78

Notes:

- (1) Per \$100 of assessed value.
- (2) For each type of tax, the two rates include that which is charged by the County, as well as the rate that is attributable to the County portion of the tax collected by the Town of West Point.
- (3) The tax rate for calendar year 2012 real estate taxes was \$0.81 and \$0.27, respectfully. The tax rate for calendar year 2013 real estate taxes was \$0.79 and \$0.79, respectively for County and Town residents.
- (4) The tax rate for calendar year 2013 real estate taxes was \$0.79 and \$0.79, respectfully. The tax rate for calendar year 2014 real estate taxes were \$0.82 and \$0.38, respectively for County and Town residents.
- (5) The tax rate for calendar year 2014 real estate taxes was \$0.82 and \$0.38, respectfully. The tax rate for calendar year 2015 real estate taxes were \$0.94 and \$0.43, respectively for County and Town residents.

COUNTY OF KING WILLIAM, VIRGINIA

Table 8

PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	Type of Business	Fiscal Year June 30,					
		2015			2006		
		Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
RockTenn Container Plant LLC	Paper Mill	\$ 44,977,900	1	2.74%	\$ 83,164,000	1	5.96%
Nestle Purina Pet Care	Cat Litter	14,043,300	2	0.86%	15,302,600	2	1.10%
Bailey Trust	Developer	7,685,700	3	0.47%	3,121,600	8	0.22%
Old Town LLC	Developer	6,165,400	4	0.38%	2,991,200	9	0.21%
Central Garage II LLC	Developer	4,862,600	5	0.30%	7,835,000	3	0.56%
West Point Square LLC	Developer	4,317,300	6	0.26%	-	-	-
Romancoke LLC	Land-Owner	4,100,300	7	0.25%	-	-	-
John N. Mills & Sons	Grain Farm	4,060,100	8	0.25%	4,499,800	5	0.32%
Siegel Family LP	Land-Owner	3,703,500	9	0.23%	-	-	-
Riverside Healthcare	Healthcare	3,510,600	10	0.21%	-	-	-
Charles S. Hunter III	Land-Owner	-	-	-	4,726,200	4	0.34%
The Lafferty Foundation	Grain Farm	-	-	-	3,991,400	6	0.29%
Queenfield Farm	Dairy Farm, Golf Course	-	-	-	3,950,936	7	0.28%
Kennington Place	Developer	-	-	-	2,987,000	10	0.21%
Total		\$ 97,426,700		5.95%	\$ 132,569,736		9.49%

Source: Commissioner of Revenue.

COUNTY OF KING WILLIAM, VIRGINIA

Table 9

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Tax Levied for the Tax Year	Adjustments including PPTRA	Total Adjusted Levy	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years Amount ⁽¹⁾⁽²⁾	Total Collections to Date	
				Amount ⁽¹⁾	Percentage of Adjusted Tax Levy		Amount ⁽¹⁾	Percentage of Adjusted Tax Levy
2006	\$ 12,167,928	\$ -	\$ 12,167,928	\$ 11,906,086	97.85%	\$ 230,056	\$ 12,136,142	99.74%
2007	13,430,788	-	13,430,788	13,032,953	97.04%	339,136	13,372,089	99.56%
2008	15,898,709	-	15,898,709	15,317,925	96.35%	302,709	15,620,634	98.25%
2009	17,087,723	-	17,087,723	16,254,815	95.13%	317,677	16,572,492	96.98%
2010	17,712,478	(2,361,037)	15,351,441	14,406,966	93.85%	549,087	14,956,053	97.42%
2011	16,992,846	(1,540,186)	15,452,660	14,570,986	94.29%	515,696	15,086,682	97.63%
2012	16,840,093	(1,461,805)	15,378,288	14,489,910	94.22%	498,263	14,988,173	97.46%
2013	17,640,156	(1,421,423)	16,218,733	14,573,056	89.85%	(3) 697,384	15,270,439	94.15%
2014	20,354,582	(1,411,635)	18,942,947	17,781,558	93.87%	464,325	18,245,883	96.32%
2015	18,252,522	(1,458,111)	16,794,411	15,835,342	94.29%	708,713	16,544,055	98.51%

Notes:

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions, but includes past due vehicle licensing taxes that were subsequently collected.

(3) Due to town of West Point tax settlement, Real Estate Taxes for town residents that were due June 25, 2013 were moved to August 5, 2013.

Source: King William County Commissioner of Revenue and Treasurer

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COUNTY OF KING WILLIAM, VIRGINIA

RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities			
	General Obligation Bonds	State Literary Fund Loans	Capital Leases	Revenue Bonds
2006	\$ 19,077,720	\$ 5,764,123	\$ 980,000	\$ 9,112,556
2007	17,852,301	5,198,558	920,000	10,381,132
2008	16,635,583	4,633,069	855,000	12,137,378
2009	15,507,512	4,073,432	785,000	11,821,167
2010	14,438,031	3,539,232	790,736	11,442,351
2011	13,622,081	3,105,032	668,380	11,110,879
2012	12,534,601	2,670,832	638,643	11,181,616
2013	11,445,125	2,236,632	3,528,935	10,949,455
2014	10,973,102	1,802,432	3,214,023	10,884,239
2015	9,820,887	1,368,232	2,905,000	10,572,828

Notes:

(1) See demographic statistics on Table 13.

(2) Details regarding the County's outstanding debt may be found in the notes to the basic financial statements.

Table 10

Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$ 34,934,399	7.62%	\$ 2,470
34,351,991	6.98%	2,371
34,261,030	6.55%	2,264
32,187,111	5.73%	2,060
30,210,350	5.15%	1,896
28,506,372	4.58%	1,781
27,025,692	4.20%	1,672
28,160,147	4.32%	1,758
26,873,796	-	1,664
24,666,947	-	1,508

COUNTY OF KING WILLIAM, VIRGINIA

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO
ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Less: Amounts Reserved for Debt Service
2005-06	14,141	\$ 1,336,935,265	\$ 19,077,720	\$ -
2006-07	14,487	1,395,622,550	17,852,301	-
2007-08	15,133	1,684,519,040	16,635,583	-
2008-09	15,627	1,948,080,592	15,507,512	-
2009-10	15,935	1,951,759,141	14,438,031	-
2010-11	16,008	1,959,156,921	13,622,081	-
2011-12	16,159	1,940,889,318	12,534,601	-
2012-13	16,014	1,951,239,703	11,445,125	1,905,275
2013-14	16,148	1,947,593,642	10,973,102	549,936
2014-15	16,354	1,983,154,376	9,820,887	122,891

Notes:

(1) [www.datapoint.apa.virginia.gov/demographic/dem income percapita.cfm](http://www.datapoint.apa.virginia.gov/demographic/dem%20income%20percapita.cfm).

(2) Amounts taken from Table 6.

(3) Includes all long-term general obligation bonded debt, and excludes revenue bonds, State Literary Fund Loans, capital leases, and compensated absences.

Table 11

	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
\$	19,077,720	1.43%	\$ 1,349
	17,852,301	1.28%	1,232
	16,635,583	0.99%	1,099
	15,507,512	0.80%	992
	14,438,031	0.74%	906
	13,622,081	0.70%	851
	12,534,601	0.65%	776
	9,539,850	0.49%	596
	10,423,166	0.54%	645
	9,697,996	0.49%	593

COUNTY OF KING WILLIAM, VIRGINIA

Table 12

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2015

(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Town of West Point, Virginia	\$ 6,761,425	24.01%	\$ 1,623,418
County Direct Debt			<u>24,666,947</u>
Total direct and overlapping debt			<u><u>\$ 26,290,365</u></u>

Note:

The estimated percentage applicable is based on total assessed value of taxable property.

COUNTY OF KING WILLIAM, VIRGINIA

Table 13

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population ⁽¹⁾	Per Capita Income ⁽¹⁾	Total Personal Income	School Enrollment ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
2005-06	14,141	\$ 32,404	\$ 458,224,964	2,000	2.60%
2006-07	14,487	33,969	492,108,903	2,099	2.80%
2007-08	15,133	34,574	523,208,342	2,169	3.70%
2008-09	15,627	35,925	561,399,975	2,157	7.40%
2009-10	15,935	36,802	586,439,870	2,191	7.00%
2010-11	16,008 ⁽²⁾	38,882 ⁽³⁾	622,423,056	2,200	6.60%
2011-12	16,159 ⁽²⁾	39,847 ⁽³⁾	643,887,673	2,187	6.10%
2012-13	16,014 ⁽²⁾	40,690 ⁽³⁾	651,609,660	2,179	5.10%
2013-14	16,148 ⁽²⁾	-	-	2,193	5.50%
2014-15	16,354 ⁽²⁾	-	-	2,195	4.00%

Sources:

(1) [www.datapoint.apa.virginia.gov/demographic/dem income percapita.cfm](http://www.datapoint.apa.virginia.gov/demographic/dem%20income%20percapita.cfm)

(2) Weldon Cooper Estimates for Virginia and its Counties and Cities, provisional estimate.

(3) www.governing.com/gov-data/economy-finance/personal-income-per-capita-county-map.html

(4) Superintendent's Annual Report, Virginia Department of Education

(5) Virginia Employment Commission

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(Unaudited)

Employer	Fiscal Year June 30,					
	2015			2006		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Alliance Group - RockTenn	500 to 999	1	8.57%	-	-	-
King William County Schools	250 to 499	2	4.28%	250 to 499	2	4.83%
Nestle Purina Petcare Company	100 to 249	3	2.00%	50 to 99	8	0.96%
Town of West Point School Board	100 to 249	4	2.00%	100 to 249	4	2.25%
Food Lion	100 to 249	5	2.00%	100 to 249	6	2.25%
County of King William	100 to 249	6	2.00%	50 to 99	9	0.96%
Virginia Log Company	50 to 99	7	0.85%	100 to 249	5	2.25%
Riverside Regional Medical Center	50 to 99	8	0.85%	-	-	-
McDonald's	50 to 99	9	0.85%	-	-	-
H & R Block	50 to 99	10	0.85%	-	-	-
Smurfit - Stone Container Corp.	-	-	-	500 to 999	1	9.67%
On Site Resource	-	-	-	250 to 499	3	4.83%
Citizen's & Farmers Bank	-	-	-	100 to 249	7	2.25%
J. Sauders Construction Company	-	-	-	50 to 99	10	0.96%

Source: Virginia Employment Commission.

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COUNTY OF KING WILLIAM, VIRGINIA

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

(Unaudited)

Function/Program	Fiscal Year			
	2006	2007	2008	2009
General government administration	18.9	17.5	18.5	17.5
Judicial administration	5.0	5.0	5.0	4.0
Public safety:				
Sheriff's department	30.3	31.0	32.0	32.0
E911/Dispatch	-	-	-	-
Emergency services	1.0	1.0	1.0	1.0
Community connection program	2.6	2.5	2.5	3.0
Building inspections	6.0	5.0	5.0	4.0
Animal control	2.0	2.0	2.0	2.0
Public works:				
General maintenance	6.5	7.0	7.5	8.5
Water utility	-	-	-	-
Litter control	0.7	0.6	0.6	0.6
Health and welfare:				
Department of social services	12.0	12.0	11.0	13.3
Culture and recreation:				
Parks and recreation	4.0	4.0	4.0	3.0
Community development:				
Planning	5.0	4.0	4.0	5.0
Totals	94.0	91.6	93.1	93.9

Source: Finance Department's payroll records for full and part-time employees

Table 15

June 30,					
2010	2011	2012	2013	2014	2015
17.5	17.1	12.0	23.8	23.8	18.5
4.0	4.0	4.0	4.0	4.0	4.0
32.0	32.0	29.0	20.2	20.2	21.5
-	-	-	11.0	11.0	12.0
1.0	1.0	1.0	1.0	1.0	1.0
3.0	3.0	3.0	2.8	2.8	2.8
4.0	4.0	2.0	2.0	2.0	2.0
2.0	2.0	2.0	2.2	2.2	2.2
8.5	8.5	4.0	4.0	4.0	4.0
-	-	-	1.0	1.0	1.0
0.6	0.6	0.6	-	-	-
13.3	13.3	13.7	13.6	13.6	13.6
3.0	3.0	3.0	13.0	5.4	5.4
5.0	5.0	4.0	4.0	4.0	4.0
93.9	93.5	78.3	102.6	95.0	92.0

COUNTY OF KING WILLIAM, VIRGINIA

OPERATING INDICATORS BY FUNCTION/ACTIVITY

Last Ten Fiscal Years

(Unaudited)

Function/Activity		Fiscal Year			
		2006	2007	2008	2009
Sheriff	Physical arrests	809	744	688	779
	Traffic violations	750	683	1,050	884
Fire/EMS Protection	Responding agencies	3	3	3	3
	EMS calls answered	235	496	210	1,863
	Fire calls answered	-	-	-	-
Community Development	Residential building permits	1,734	1,713	1,316	808
	Commercial building permits	-	-	-	-
	Signage/Demolition/Leasehold Usage	-	-	-	-
Planning	Zoning Permits	-	-	-	-
	Land Disturbing Permits	-	-	-	-
Parks and Recreation	Program participants	8,287	9,460	13,637	14,377
Water/Sewer	Service connections	124	157	291	312
	Average daily consumption in gallons	66,518	96,712	87,100	96,712

Source: Finance Department

Note:

(1) In fiscal year 2013, EMS and Fire calls began to be tracked separately.

Table 16

June 30,					
2010	2011	2012	2013	2014	2015
855	873	825	576	583	676
715	618	539	617	726	740
3	3	3	3	3	5
1,819	2,359	1,575	1,659	1,561	1,565
-	-	-	394	279	472
546	507	492	431	530	492
-	-	-	-	59	23
-	-	-	-	12	8
-	-	-	-	186	159
-	-	-	-	82	76
8,938	10,256	5,807	3,964	1,575	1,450
328	340	413	223	241	263
82,419	103,948	56,744	59,129	54,434	67,430

COUNTY OF KING WILLIAM, VIRGINIA

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	2006	2007	2008	2009
General government:				
General government administration:				
Administration buildings	1	1	1	1
Public safety:				
Police protection:				
Number of stations	1	1	1	1
Patrol units	25	27	26	26
Building inspections:				
Vehicles	4	4	4	4
Animal control:				
Vehicles	2	2	2	2
Emergency services:				
Vehicles	-	3	3	3
Public works:				
General maintenance:				
Trucks/vehicles	8	8	8	8
Landfill:				
Vehicles	1	1	1	1
Sites (Including transfer sites)	4	4	4	4
Health and welfare:				
Department of Social Services:				
Vehicles	2	3	3	3
Culture and recreation:				
Community Centers	1	1	1	1
Parks	1	1	1	1
Park acreage	51	51	51	51
Baseball/softball fields	4	4	4	3
T-ball fields	3	3	3	3
Soccer fields	2	2	2	1
Basketball courts	2	2	2	2
Water system:				
Miles of water mains	1	10	11	11
Number of fire hydrants	8	55	55	63
Sewer system:				
Miles of sewer mains	4	13	13	13
Component Unit - School Board:				
Education:				
Number of Elementary Schools	2	2	2	2
Number of Middle Schools	1	1	1	1
Number of Secondary Schools	1	1	1	1
Number of school buses	40	42	45	47

Source: Finance Department

Table 17

June 30, 2010	2011	2012	2013	2014	2015
1	2	2	2	2	2
1	1	1	1	1	1
26	29	29	23	23	26
4	2	2	1	1	1
2	2	3	3	3	3
2	2	2	1	1	1
10	6	10	4	4	4
1	1	-	-	-	-
4	4	4	4	4	4
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	2	2
51	51	51	51	82	82
3	3	3	3	3	3
3	3	3	3	3	3
1	1	1	1	-	-
2	2	2	2	2	2
11	11	11	16	14	14
67	67	67	91	101	101
13	13	13	18	16	16
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
44	44	44	46	46	48

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2015 **King William County, Virginia**



Comprehensive Annual Financial Report

For the year ended June 30, 2015

www.kingwilliamcounty.us

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of

Federal Awards

**Report of Independent Auditors on Internal Controls
in Accordance with Government Auditing Standards**

**Report of Independent Auditors on Compliance OMB
Circular A-133**

Schedule of Findings and Questioned Costs

Corrective Action Plan

Summary Schedule of Prior Audit Findings

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COMPLIANCE SECTION

COUNTY OF KING WILLIAM, VIRGINIA

Page 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF AGRICULTURE:			
<u>Pass-through payments:</u>			
<u>Virginia Department of Social Services:</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Not Provided	10.561	\$ 117,365
<u>Virginia Department of Agriculture and Consumer Services:</u>			
Child Nutrition Cluster:			
Commodity Distributions	Not Provided	10.555	51,218
<u>Virginia Department of Education:</u>			
Child Nutrition Cluster:			
School Breakfast Program	406230000	10.553	106,948
National School Lunch Program	405910000	10.555	291,963
Total Child Nutrition Cluster			450,129
Total Department of Agriculture			567,494
DEPARTMENT OF DEFENSE:			
<u>Direct payments:</u>			
ROTC Instruction		12.000	63,289
Total Department of Defense			63,289
DEPARTMENT OF JUSTICE, OFFICE OF JUSTICE PROGRAMS, BUREAU OF JUSTICE ASSISTANCE:			
<u>Pass-through payments:</u>			
<u>Department of Criminal Justice Services:</u>			
Edward Byrne Memorial Justice Assistance Grant Program	15-Q1152LO14	16.738	2,015
Total Department of Justice, Office of Justice Programs, Bureau of Justice Assistance			2,015
DEPARTMENT OF TRANSPORTATION:			
<u>Pass-through payments:</u>			
<u>Virginia Department of Motor Vehicles:</u>			
State and Community Highway Safety	SC-2015-55051-5790-20.600	20.600	1,530
Total Department of Transportation			1,530

COUNTY OF KING WILLIAM, VIRGINIA

Page 2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF TREASURY			
<u>Pass-through payments:</u>			
<u>Office of Attorney General:</u>			
Federal Forfeiture - Equitable Sharing Program	Not provided	21.000	\$ 9,273
Total Department of Treasury			9,273
ENVIRONMENTAL PROTECTION AGENCY			
<u>Pass-through payments:</u>			
<u>Department of Environmental Quality</u>			
Chesapeake Bay Program	16075	66.466	20,650
Total Environmental Protection Agency			20,650
DEPARTMENT OF EDUCATION:			
<u>Direct payments:</u>			
<u>Department of Education:</u>			
Indian Education - Grants to Local Educational Agencies		84.060	11,594
<u>Pass-through payments:</u>			
<u>Department of Education:</u>			
Title I Grants to Local Educational Agencies	429010000	84.010	182,143
Special Education Cluster:			
Special Education - Grants to States	430710000	84.027	486,260
Special Education - Preschool Grants	625210000	84.173	13,743
Total Special Education Cluster			500,003
Vocational Education - Basic Grants to States	610950000	84.048	20,861
Advanced Placement Program	609570000	84.330	407
Title III English Language Acquisition State Grants	Not provided	84.365	3,234
Improving Teacher Quality State Grants	614800000	84.367	53,770
Investing in Innovation Fund (i3)	Not provided	84.411	1,500
Total Department of Education			773,512

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<u>Pass-through payments:</u>			
<u>Department of Social Services:</u>			
Promoting Safe and Stable Families	Not Provided	93.556	\$ 13,948
Temporary Assistance to Needy Families	Not Provided	93.558	91,736
Refugee and Entrant Assistance - State Administered Programs	Not Provided	93.566	154
Low-Income Home Energy Assistance	Not Provided	93.568	10,059
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Not Provided	93.596	16,182
Child Welfare Services - State Grants	Not Provided	93.645	609
Foster Care - Title IV-E	Not Provided	93.658	38,201
Adoption Assistance	Not Provided	93.659	38,983
Social Services Block Grant	Not Provided	93.667	58,828
Chafee Foster Care Independent Living	Not Provided	93.674	1,108
State Children's Insurance Program	Not Provided	93.767	3,452
Medical Assistance Program (Medicaid; Title XIX)	Not Provided	93.778	126,752
Total Department of Health and Human Services			<u>400,012</u>
Total Federal Awards Expended			<u>\$ 1,837,775</u>

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting consistent with the basis of accounting used by the County and Component Unit. The schedule includes all known federal funds expended by the County and Component Unit for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the Schedule of Expenditures of Federal Awards.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule of Expenditures of Federal Awards.

Major Programs – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for the County of King William, Virginia and its component unit were determined using a risk-based approach in accordance with OMB Circular A-133.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the accompanying schedule.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following are the clusters administered by the County of King William, Virginia and its component unit: Child Nutrition and Special Education.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 2. Non-Cash Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County of King William, Virginia consumed non-cash assistance in the form of food commodities. Commodities with a fair value of \$51,218 at the time received were consumed during the year ended June 30, 2015. These commodities were included in the determination of federal awards expended during the year ended June 30, 2015.



**INDEPENDENT AUDITOR'S 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 King William, Virginia

We have audited, 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia (County) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 16, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness and a significant deficiency.

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 a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2015-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-003 and 2015-004.

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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
December 16, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Members of the Board of Supervisors
County of King William, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of King William, Virginia's (County) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2015. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and circular require we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe 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 the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County 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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-005. Our opinion on each major federal program is not modified with respect to this matter.

The response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The School Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the County 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 the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County'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, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-005, that we consider to be a significant deficiency.

The response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The School Board's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

PBMares, LLP

Harrisonburg, Virginia
December 16, 2015

COUNTY OF KING WILLIAM, VIRGINIA

Page 1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u>√</u> Yes	<u> </u> No
Significant deficiencies identified?	<u>√</u> Yes	<u> </u> None Reported
Noncompliance material to financial statements noted?	<u>√</u> Yes	<u> </u> No

Federal awards

Internal control over major programs:

Material weaknesses identified?	<u> </u> Yes	<u>√</u> No
Significant deficiencies identified?	<u>√</u> Yes	<u> </u> None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u>√</u> Yes	<u> </u> No
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Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
Special Education Cluster:	
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants

Child Nutrition Cluster:

10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Commodity Distributions

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

Auditee qualified as low-risk auditee?	<u> </u> Yes	<u>√</u> No
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015**

II. FINANCIAL STATEMENT FINDINGS

A. Material Weakness in Internal Control

2015-001: Material Weakness Due to Material Audit Adjustment

Requirement: The financial statement amounts obtained to be audited should be final and free of material misstatements.

Condition/context: Upon auditing the School Capital Projects Fund, there was an instance of a material misstatement identified to record accounts receivable related to the Virginia Public School Authority Security Equipment Grant.

Effect: The financial statements have been corrected to include the identified audit adjustment. The necessary entry was material to the School Capital Projects Fund and was included as an adjustment in order to more accurately represent the School Capital Projects Fund activity.

Recommendation: We recommend the School Board be diligent in reviewing and recording year-end accruals to ensure all amounts recorded are accurate.

Views of responsible officials: Greater care will be taken to ensure all year-end accruals are recorded.

B. Significant Deficiency in Internal Control

2015-002: Significant Deficiency in Lacking Segregation of Duties over School Payroll

Requirement: Duties related to significant accounting processes, including payroll, should be segregated to the fullest extent, to avoid potential fraudulent activity, errors, and allow for continuity in the event of an unexpected and/or untimely absence of an employee involved in the process.

Condition/context: In auditing the internal control over the School Board's payroll system, it was determined controls over new employee setup in the system were not segregated from the payroll function. During this time, it was determined one individual had the ability to create new employee contracts, input new employee files into the payroll system as well as make changes within employee files, and had the ability to process payroll in cases where payroll personnel was absent. This same individual was also charged with performing a review over payroll expenditures and was charged with approving ACH payments for payroll expenditures to the bank during a portion of the year. Additional procedures are in the process of being implemented by the School Board to mitigate the lack of segregation of duties; however, those procedures were not yet fully implemented at June 30, 2015.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

II. FINANCIAL STATEMENT FINDINGS (Continued)

B. Significant Deficiency in Internal Control (Continued)

2015-002: Significant Deficiency in Lacking Segregation of Duties over School Payroll
(Continued)

Effect: The potential effect of this lack of segregation of duties over these functions could allow for errors and defalcations within payroll. Furthermore, the lack of segregation also creates an environment in which there is more potential for human error, which could go undetected. Lastly, having only one individual trained in the payroll process could be detrimental to the School Board in the event of an untimely absence and could potentially cause unwanted delays or processing errors.

Recommendation: We recommend the payroll function be segregated among at least one other employee to provide the necessary checks and balances. At a minimum, the responsibility for reviewing contracts and updating the payroll master file should be a function of Human Resources, and access to make changes should be restricted from those involved in payroll processing. Payroll is a likely area for errors and defalcations to occur due to the inherent nature of the transactions and dollars involved. Better segregation of duties will enhance controls to detect any such errors, fraud and irregularities and provide for much greater safeguarding of assets.

Views of responsible officials: In practice, two separate individuals were updating the master file and processing payroll during the entire fiscal year. Only one supervisory person had access to all payroll functions, in order to facilitate cross-training as recommended by the auditors. This person never performed the payroll processing. As of November 1, 2015, the segregation recommended by the auditors was in place, including the cross-training of individuals. There are now three full-time employees and one part-time employee who are able to process payroll. The process of reviewing contracts was transferred to Human Resources in the current fiscal year.

C. Compliance Findings

2015-003: Lack of Compliance with the Virginia Public Procurement Act

The County is required to adhere to the Virginia Public Procurement Act of the *Code of Virginia*. During the audit for fiscal year 2015, we noted the County did not comply with the Virginia Public Procurement Act when purchasing certain services. We noted vendors were being used after contracts expired and the services had not been re-bid.

We recommend the County adhere to the Virginia Public Procurement Act, in an effort to prevent the risk of circumventing controls over purchasing and procedures be put in place to monitor when contracts end.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

II. FINANCIAL STATEMENT FINDINGS (Continued)

C. Compliance Findings (Continued)

2015-004: Lack of Compliance with the Conflict of Interest Act

The State and Local government Conflict of Interest Act (the Act) is designed to ensure the judgment of public employees is not compromised or affected by inappropriate conflicts. The Act prohibits local government officers or employees from participating in certain transactions. Statements of economic interests are required to be filed with the clerk of the governing body semi-annually by December 15 and June 15 of each year. We noted the economic interest statements were not filed by the School Board by the December 15 deadline. One economic interest statement was filed late for the June 15th deadline.

We recommend all required economic disclosure forms be completed semi-annually by December 15th and June 15th of each year as required.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2015-005: Allowable Costs

Program: Special Education Cluster (CFDA Numbers 84.027 and 84.173) – U.S. Department of Education – Commonwealth of Virginia Department of Education.

Requirements: OMB Circular A-87, Attachment B 11(h) – “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.”

“Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency.”

Condition/context: Time certifications and personnel activity reports or equivalent documentation were completed appropriately and accurately for the majority of employees whose time was charged to the grant. However, certain issues were identified during testing. One semi-annual certification was completed on an annual basis instead of a semi-annual basis. One employee was missing a certification for one semester. Two employees did not complete their certification on a timely basis; approximately five months after the time certified. For two staff working on multiple cost objectives, monthly personnel activity reports or equivalent documentation was not prepared.

COUNTY OF KING WILLIAM, VIRGINIA

Page 5

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015**

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

2015-005: Allowable Costs (Continued)

Effect: Noncompliance with OMB Circular A-87 may result in reduced funding for these programs.

Questioned costs: Undeterminable.

Recommendation: The School Board should develop procedures to ensure all applicable employees complete and sign certifications of time charged to federal programs or personnel activity reports or equivalent documentation after they have worked that time as required by OMB Circular A-87.

Views of responsible officials: Management will continue efforts to obtain the certifications in a timely manner. Employees no longer work on multiple cost objectives. This situation was the result of a temporary change in the grant requirements for the year and will not affect future years. Therefore, there will no longer be a requirement for monthly personnel activity reports.

COUNTY OF KING WILLIAM, VIRGINIA

Page 1

CORRECTIVE ACTION PLAN
Year Ended June 30, 2015

Identifying Number: 2015-001

Finding: Upon auditing the Schools Capital Projects Fund, there was an instance of a material misstatement identified to record accounts receivable related to the VPSA Security Equipment Grant.

Corrective Action Taken or Planned: Greater care will be taken to ensure all year-end accruals are recorded.

Identifying Number: 2015-002

Finding: It was determined controls over new employee setup in the system were not segregated from the payroll function. During this time, the same individual was able to access and update the employee master file, as well as input time sheets into the system and process payroll. The same individual was also charged with performing a review over payroll expenditures and approving ACH payments to the bank.

Corrective Action Taken or Planned: In practice, two separate individuals were updating the master file and processing payroll during the entire fiscal year. Only one supervisory person had access to all payroll functions in order to facilitate cross-training as recommended by the auditors. This person never performed the payroll processing. As of November 1, 2015, the segregation recommended by the auditors was in place, including the cross-training of individuals. There are now three full-time employees and one part-time employee who are able to process payroll. The process of reviewing contracts was transferred to Human Resources in the current fiscal year.

Identifying Number: 2015-003

Finding: The County is required to adhere to the Virginia Public Procurement Act of the *Code of Virginia*. During the audit for fiscal year 2015, we noted the County did not comply with the Virginia Public Procurement Act when purchasing certain services. We noted vendors were being used after contracts had expired and the services had not been re-bid, as well as methods that were used to determine the price of each phase and component of a project instead of examining the total project cost, which would have resulted in the need for quotes.

Corrective Action Taken or Planned: County staff concurs with the assessment that public procurement policies were not followed by County departments. In February 2015, the County adopted a formalized purchasing policy which was a great step forward in beginning to full adherence to the Virginia Public Procurement Act. During the course of fiscal year 2015 the County issued many invitations to bid and request for proposals. There is still work to be done in order to re-bid old contracts and establish new contracts for goods and services we use regularly. The County still recognizes the need for current staff to improve by getting additional training in fiscal year 2016 as well as for the Finance Department to eventually secure a qualified incumbent dedicated to the purchasing function.

COUNTY OF KING WILLIAM, VIRGINIA

Page 2

**CORRECTIVE ACTION PLAN
Year Ended June 30, 2015**

Identifying Number: 2015-004

Finding: The State and Local government Conflict of Interest Act (the Act) is designed to ensure the judgment of public employees is not compromised or affected by inappropriate conflicts. The Act prohibits local government officers or employees from participating in certain transactions. Statements of economic interests are required to be filed with the clerk of the governing body semi-annually by December 15 and June 15 of each year. We noted the economic interest statements were not filed by the School Board by the December 15 deadline. One economic interest statement was filed late for the June 15th deadline.

Corrective Action Taken or Planned: All forms will be completed and filed in a timely manner.

Identifying Number: 2015-005

Finding: For the Special Education Program, time certifications and personnel activity reports or equivalent documentation were completed appropriately and accurately for the majority of employees whose time was charged to the grant. However, certain issues were identified during testing. One semi-annual certification was completed on an annual basis instead of a semi-annual basis. One employee was missing a certification for one semester. Two employees did not complete their certification on a timely basis; approximately five months after the time certified. For two staff working on multiple cost objectives, monthly personnel activity reports or equivalent documentation was not prepared.

Corrective Action Taken or Planned: Management will continue efforts to obtain the certifications in a timely manner. Employees no longer work on multiple cost objectives. This situation was the result of a temporary change in the grant requirements for the year and will not affect future years. Therefore, there will no longer be a requirement for monthly personnel activity reports.

COUNTY OF KING WILLIAM, VIRGINIA

Page 1

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015

Identifying Number: 2014-001 Significant Deficiency in Lacking Segregation of Duties over School Payroll

Finding:

Certain employees at the School Board had the ability to setup new employees, input time sheets into the system, process payroll, and download the direct deposit file and remit it to the bank. Procedures are being implemented to segregate these duties, but were not fully implemented by year end.

Corrective Action Taken or Planned:

Beginning with the second month of fiscal year 2015, the payroll clerk no longer had access to the employee setup, salary change, and new deduction setup functions. These functions were moved to the budget financial coordinator at that time. Internal control has been further strengthened by moving the new employee setup function, as well as salary changes to human resources. Cross-training is almost complete at this time, with assistance being provided by the budget office as needed.

Identifying Number: 2014-002 Lack of Compliance with the Virginia Public Procurement Act

Finding:

The Virginia Public Procurement Act of the *Code of Virginia* was not adhered to in certain instances at the County.

Corrective Action Taken or Planned:

County staff concurs with the assessment that public procurement policies were not followed by County departments. These issues were identified as part of the audit of fiscal year 2013 and the County has started to take steps to mitigate procurement problems. It is important to note that County has issued numerous invitations for bid (IFB) and request for proposals (RFP) in fiscal year 2014. The County still recognizes the need for additional staff for procurement, qualified staff to take on County's procurement documentation, and training for current staff of the County to solve this problem completely. County management will recommend additional training in the fiscal year 2016 budget process for Board approval, but scarce County resources might limit the immediate effect of needed changes.

COUNTY OF KING WILLIAM, VIRGINIA

Page 2

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015**

Identifying Number: 2014-003 Lack of Compliance with the Conflict of Interest Act

Finding:

Two Statements of Economic Interest were not filed with the clerk of the governing body in a timely manner.

Corrective Action Taken or Planned:

County staff concurs that the filing deadlines were not met for two officials. Staff will continue to notify those required to file reports at least one week prior to the deadline if the reports have not been submitted. If reports are not timely filed, a list of those failing to file will be provided to the Commonwealth Attorney. The form and filing requirement instructions will continue to be delivered to those elected and appointed officials required to file at least 30 days before the filing deadline.

Identifying Number: 2014-004 Allowable Costs

Finding:

OMB Circular A-87 requires time certifications be completed at least semi-annually by all employees expected to work solely on a single Federal award or cost objective. Time certifications were not completed accurately by employees working under the Special Education Cluster and Title I Grants to Local Educational Agencies programs.

Corrective Action Taken or Planned:

In order to ensure all employees accurately complete time certifications, specific due dates have been established by administration. Employees will receive additional training concerning this requirement and the assistant Superintendent of Instruction will review all certifications to ensure accuracy.

Identifying Number: 2014-005 Eligibility

Finding:

Eligibility approval documentation was not maintained for all students selected for testing. Because documentation was not maintained, it is not possible to determine whether students selected to receive Title I services were ranked in order of those children with the greatest need for special assistance.

Corrective Action Taken or Planned:

The employee that knowingly failed to maintain the proper documents is no longer paid using Title I funds. The School Board no longer allocates Title I funding to the school that was in non-compliance. All Title I funds are now supporting programs at Cool Spring Elementary. Administration will review eligibility approval documents semi-annually, in conjunction with the completion of time certifications.

