



**Comprehensive Annual Financial Report  
For the Fiscal Year Ended  
June 30, 2018**

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**COUNTY OF NEW KENT, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Prepared By:**  
**Department of Financial Services**

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## INTRODUCTORY SECTION

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**COUNTY OF NEW KENT, VIRGINIA  
PRINCIPAL OFFICIALS  
June 30, 2018**

**BOARD OF SUPERVISORS**

Thomas W. Evelyn, Chairman ..... District 1  
C. Thomas Tiller, Jr., Vice Chairman ..... District 2  
Patricia A. Paige ..... District 3  
Ronald P. Stiers ..... District 4  
W. R. “Ray” Davis, Jr. .... District 5

**CONSTITUTIONAL OFFICERS**

Amy Crump ..... Clerk of the Circuit Court  
Laura M. Ecimovic ..... Commissioner of the Revenue  
C. Linwood Gregory ..... Commonwealth’s Attorney  
J. J. “Joe” McLaughlin, Jr. .... Sheriff  
Norma C. Holmes ..... Treasurer

**COUNTY ADMINISTRATIVE OFFICERS**

Rodney A. Hathaway ..... County Administrator  
Brendan S. Hefty ..... County Attorney  
Mary F. Altemus ..... Financial Services Director  
Jonathan Stanger ..... Chief Technology Director  
Clarence G. Jackson ..... Building Official and Building Development Director  
Richard A. Opett ..... Fire Chief and Emergency Management Coordinator  
Lawrence A. Dame ..... Public Utilities Director  
Jon Martz ..... Social Services Director  
Matthew J. Smolnik ..... Economic Development/Community Development Director  
Kimberly Turner ..... Parks and Recreation Director  
Duane Goss ..... Airport Manager

**SCHOOL BOARD**

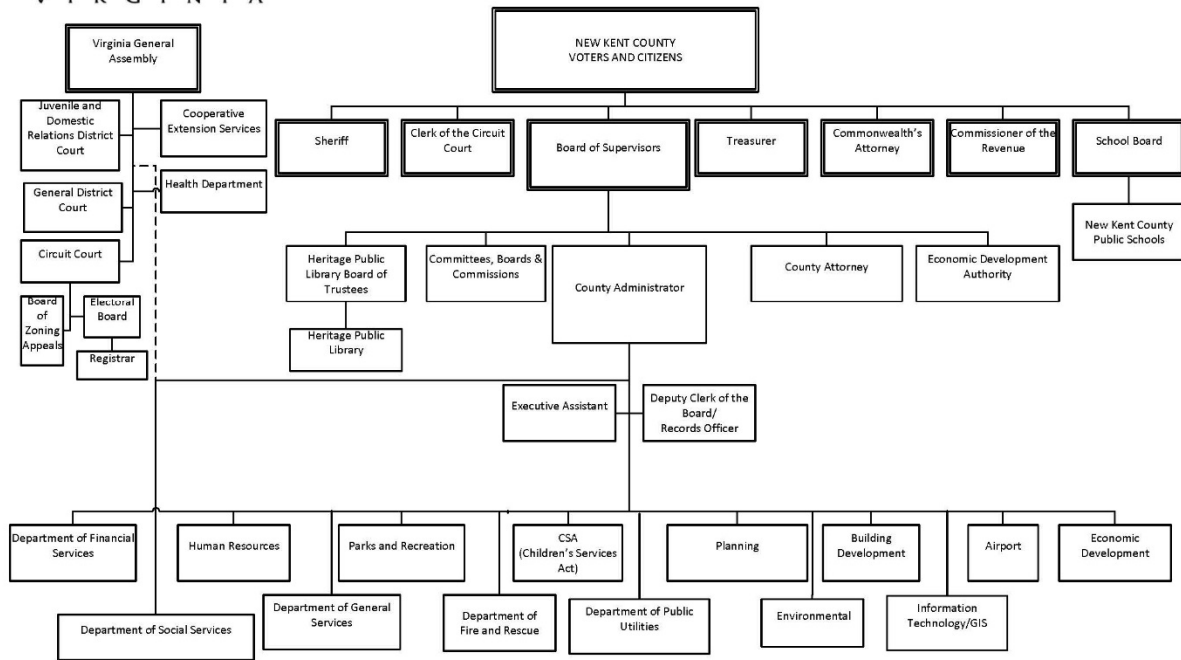
Dr. Gail B. Hardinge, Chair ..... District 5  
Andrea Staskiel, Vice Chair ..... District 3  
Adriane Marshall ..... District 1  
Kristin Swynford ..... District 2  
Sarah Grier Barber ..... District 4

**SCHOOL BOARD ADMINISTRATIVE OFFICERS**

Dr. David Myers ..... Superintendent  
Dr. Byron Bishop ..... Executive Director of Curriculum and Instruction  
Cynthia Pitts ..... Executive Director of Administration  
Haynie Morgheim ..... Executive Director of Finance and Budget  
Ross Miller ..... Director of Instructional Technology, Testing and Accountability  
Dr. Dianne Pollard ..... Director of Special Education  
Matthew Hilfer ..... Director of Technology  
Mervin Hence ..... Director of Transportation  
Tim Pollock ..... Director of Maintenance  
Leslie Smith ..... Director of School Nutrition



## Organization of General Government Administrative Functions FY18



Reviewed 8/29/2018



Government Finance Officers Association

**Certificate of  
Achievement  
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**County of New Kent  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrell*

Executive Director/CEO



## Board of Supervisors

Thomas W. Evelyn	District 1
C. Thomas Tiller, Jr.	District 2
Patricia A. Paige	District 3
Ron Stiers	District 4
W. R. "Ray" Davis, Jr.	District 5

Rodney A. Hathaway  
County Administrator

November 30, 2018

To The Honorable Members of the Board of Supervisors and the Citizens of the County of New Kent:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of New Kent County (the County) for the fiscal year ended June 30, 2018. The *Code of Virginia* requires that local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. This report has been prepared by the County of New Kent Department of Financial Services in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) where applicable, and the Virginia Auditor of Public Accounts (APA).

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the County's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects, and presents fairly the financial position and results of operations of the various funds and component units of the County.

The County's financial statements have been audited by Brown, Edwards & Company L.L.P., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2018 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 auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion and that the County's financial statements for the fiscal year ended

June 30, 2018 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of this report.

The independent audit of the financial statements of the County was part of a broader federal and state mandated "Single Audit" designed to meet the special needs of federal and state 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 County's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are available in the Compliance Section of this report.

### **PROFILE OF THE COUNTY**

The County of New Kent is home to approximately 21,709 people according to the University of Virginia Weldon Cooper Center's 2010-2017 Intercensal Estimates for Virginia, Counties, and Cities. At the time of the 2010 census, the population of the County totaled 18,429. Since 2010, New Kent has posted a 16.92% net gain in population joining seventeen other counties whose population growth over 2010-2017 registered above the statewide average of 5.54%. New Kent ranked #2 among Virginia's 82 counties in population growth. (Source: Virginia REAProject.org – 2010 vs. 2017 Population Growth and Change) Even though the population density is at approximately 102 persons per square mile, demonstrating the County still remains primarily rural, the County has undergone significant development over the past several years with growth spread fairly evenly throughout the County.

The County is comprised of about 212 square miles and is located directly between two of the nation's most dynamic Metropolitan Statistical Areas (MSA): Richmond-Petersburg and Williamsburg-Hampton Roads. At the heart of the Central East Coast, New Kent is within 750 miles of over 55% of the nation's population and nearly 60% of its personal income and consumer expenditures. It is bisected by I-64 with four high-traffic count exits, and its intersection with I-295 is just 4 miles to the west. While the County's rural atmosphere has been preserved, the I-64 corridor with its utilities, business sites, and amenities is growing with commercial and residential activity.

The County of New Kent has a County Administrator form of Government with five voter-elected members of the Board of Supervisors (the "Board") who serve four-year concurrent terms and represent five distinct election districts. The County Administrator serves at the pleasure of the Board and is the County's chief administrative officer. The duties of the County Administrator include implementing the approved ordinances and policies of the Board of Supervisors, appointing the County's Department Directors, and overseeing the daily administration of the County Government. The Board has overall administrative and legislative responsibilities including levying County taxes, appropriating funds, and approving and enforcing the County's Comprehensive Plan and ordinances. A Chairman and Vice Chairman are selected by the Board on an annual basis from among the members of the Board. In addition to the Board, other elected County officials include the Clerk of the Circuit Court, Commissioner of the Revenue, Commonwealth's Attorney, Sheriff and Treasurer. There is also an elected five-member School Board.

The County government is responsible for providing a wide array of governmental services for its citizens including animal control, building inspections, planning and community development,

economic development, tourism, water and wastewater services, disposal of refuse, parks and recreation, libraries/cultural, police and fire services, emergency medical services, and health and social services. Other services provided by the County, which receive partial funding from the State and Federal governments, include: 1) public education for grades kindergarten through twelve; 2) certain technical, vocational and special education programs; 3) mental health assistance; 4) agricultural services; 5) judicial and detention services; and 6) airport services. The Commonwealth of Virginia is responsible for the construction and maintenance of highways, streets, and related infrastructure.

In accordance with the requirements of the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the County is financially accountable. Discretely presented component units qualifying for inclusion in this report are the New Kent County School Board (the "School Board") and the New Kent County Economic Development Authority (the "EDA"). Discretely presented component units are reported separately in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial positions, results of operation and cash flows from those of the primary government.

The annual budget serves as the foundation of the County's financial planning and control. The County Administrator conducts an annual budget kick-off meeting in October. Each year, budget submission packages are sent to County departments and outside agencies, and are due to the Department of Financial Services in December. The County Administrator uses these requests as the starting point for developing a proposed budget. The proposed budget is reviewed by the Budget Team made up of the County Administrator, Financial Services Director, Financial Services Assistant Director, and a departmental Director selected on a rotating basis. The Budget Team meets with Department Heads to discuss individual requests, goals and objectives and service requirements. Budget cuts and sometimes additions are made as the departments justify their requests by aligning departmental goals with the County's key performance areas.

In early February, the County Administrator submits a draft budget to the Board of Supervisors for consideration. This is a working document intended to facilitate Board work sessions to establish a blueprint for a funding and expenditure plan. The draft budget is simply a printout of departmental line-item budgets and does not include the wide array of information reflected in the adopted budget. A proposed budget is issued in March, and a public hearing is held in March-April to obtain citizen comments and input. The Board of Supervisors is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the County's fiscal year. Board approved Ordinances impose tax levies on real estate and personal property for the tax year, amend fees in the New Kent County Code and any changes in utility fund fees/rates. Final budgets are legally adopted and appropriated through passage of a Resolution no later than June 30 for a fiscal year commencing on July 1. The Resolution motion establishes budgetary appropriation amounts at the functional level (e.g., General Fund).

The Board reviews its Bylaws at its January meeting and any necessary amendments are adopted at the February meeting. Included in the Bylaws are procedures for financial control. Budgets are monitored and reported to the Board of Supervisors on a monthly basis. The Bylaws effectively establish a legal level of budgetary control, the lowest level at which the County Administrator may



reallocate resources without Board approval. With the exception of payroll and capital projects, the County Administrator is authorized to transfer line item amounts within departmental budgets. All other budget transfer must be approved by the Board of Supervisors as well as additional appropriations. The Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories unless the transfer crosses functions. Any transfer that crosses functions or supplemental appropriation that increases the School's total appropriated budget requires subsequent Board of Supervisors approval. All transfers are reported to the Board of Supervisors on a monthly basis.

Budget-to-actual comparisons are provided in this report. These comparisons are presented in the Required Supplementary Information section and Supporting Schedules under Other Supplementary Information of the financial statements.

The County maintains an encumbrance accounting system as another method of maintaining budgetary control. Appropriations and encumbered amounts lapse at year-end. However, outstanding encumbrances and reserved fund balances outstanding at June 30 generally are re-appropriated on a case-by-case basis to the following fiscal year through supplemental appropriations.

### **ECONOMIC OVERVIEW**

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

**Local economy:** Despite challenging national economic conditions, New Kent has maintained business investment and positive economic activity along with a booming population growth. It is anticipated that any recovery of the U.S. and State economies will remain modest and slow to materialize in the local housing market although in New Kent County there are strong signs of recovery. We believe the local economy continues to be positioned to weather tough economic conditions better than most localities but as fiscal conservatives we are cautious and preparing for the next economic downturn. Management of infrastructure and employee-related costs and volatilities such as gas and oil prices, inflation, and intergovernmental aid will continue to be a challenge.

The County enjoys the fourth-highest median household income and the second-lowest poverty rate of the fourteen jurisdictions in the Richmond/Petersburg, Virginia Metropolitan Statistical Area. (Source: U.S. Bureau of the Census 2016 Quick-Facts) From 2010-2017, New Kent County posted a 28.81% net gain in real personal income registering above the statewide average of 15.57% and ranked #3 among Virginia's 82 Counties. (Source: Virginia REAPProject.org). While the County continues to be largely a bedroom community as documented in 2010 Census Bureau data with a negative 4,770 Net In-Commuters, it has maintained a moderate unemployment rate compared to the rates of the surrounding region, Virginia, and the United States. As of June 2018, the County had an unemployment rate of 3.1% compared to 3.3% and 4.2% for Virginia and the United States, respectively. (Source: Virginia Employment Commission, Unemployment rates by county, not seasonally adjusted, Virginia June 2018)

At the peak of the market in FY 2005, 340 single-family home permits were issued. Single-family home permits in FY 2017 reached 295, the highest level since 2008. (Source: University of Virginia, Weldon Cooper Center) New single family homes increased by 78 from FY 2017 (231) to FY 2018 (310). For FY 2018, fifteen commercial building permits were issued, a decrease of four from FY 2017. Commercial building permits issued for additions and alterations decreased by two from FY 2017 for a total of ten for FY 2018. (Source: New Kent County Building Official and Building Development Office) Approximately 250 new homes are proposed to be constructed in 2018. (Source: New Kent County Planning Department Director)

Growth in the County continues to present challenges in funding critical service and infrastructure needs, in terms of additional schools, law enforcement, inmate housing, social services and fire protection. All of these services come with significant capital and operating costs. As a result, the County must look to its largest revenue source, real estate taxes, for the funds necessary to provide critical County services that our Citizens request of their Government.

**Economic development update:** New Kent County is predominately rural in nature with approximately 66% of the County covered in pine and hardwood trees. Agriculture, forestry, fishing and hunting were prominent to the New Kent County economy for many years. However, trends are changing, as the agricultural and forestry industries are in decline; now it is the lowest in employment by industry. In the second quarter of 2018, the largest employment industries were government (federal, state and local), followed by construction, retail trade, health care and social assistance, accommodation and food services, and administrative and support and waste management. (Source: Virginia Employment Commission, Economic Information & Analytics, Quarterly Census of Employment and Wages (QCEW), 2nd Quarter (April, May, and June 2018) The County's convenient access to surrounding metropolitan areas, via four interchanges of Interstate 64, has helped sustain the residential and economic expansion.

Due to the imbalance between residential and commercial activity, the County has continued to support its investment to promote business growth. The school and other public service demands resulting from a growing residential population have required the County to take positive steps toward the promotion of economic development and the maximization of the economic potential of its interstate interchanges. In order to address this potential challenge, the County leadership has proactively undertaken the following steps to position New Kent for continued economic growth:

- The Farms of New Kent Planned Unit Development (PUD) was amended and restated on March 13, 2018 by applicants Kent Farms Holding Company, LLC and New Kent Farms, LLC. The Original Proffers were also amended and restated being necessary to ensure the Proffers are feasible, consistent with the current state of development of the property and consistent with amendments to the PUD Ordinance. Within the PUD, which consist of approximately 1,665 acres, there will be commercial, residential and recreational development. Residential development will include age-restricted cottages, non-age-restricted and age-restricted dwelling units.
- The New Kent Vineyards is a mixed use PUD that consists of approximately 2,500 acres located in the central area of the County near the Talleyville exit along State Route 106. When completed this development will consist of approximately 2,400 residential units and

up to one million square feet of commercial space. The New Kent Winery opened in May 2008.

- Weir Creek Commerce Park, located on U. S. Route 33 is a 150 acre tract of land planned for an industrial park. Currently, the first phase of site preparation is complete which involves the construction of an access road and three pad sites that total approximately 36 acres.
- Rock Creek Villas is a development consisting of approximately 14.2 acres that proposes 60 age-restricted attached units to be supported by an 18,000 square foot commercial facility. The commercial facility has been fully constructed and leased. This leased space includes two restaurants, a fitness center, hair and nail spa, a dentist office, a community meeting room, and office space for small businesses.
- The Patriots Landing PUD consists of 253 acres in the western portion of the County located at the I-64 and Route 60 intersection. This development is planned for up to 640 residential units and new commercial and office uses will be located on both sides of the Food Lion grocery store, continuing along the Route 33/I-64 frontage totaling 29.5 acres. Single-family residential development is nearly complete, consisting of approximately 310 single family homes and 28 townhomes.
- Several cluster subdivisions that collectively encompass over 350 homes have been approved by the County.

To internally assess our financial health, the County has traditionally tracked State-published indicators of fiscal stress and median adjusted gross income. The most recent State report shows that New Kent's ranking level for fiscal stress is 116 out of 133 Virginia localities. The County is considered 2<sup>nd</sup> in low stress localities when compared to the other 19 low stress localities and 17<sup>th</sup> lowest of all 133 localities in Virginia. The fiscal stress index is a locality's tax rate compared to State-wide averages, with low tax rate jurisdictions assigned a lower stress as they would appear to have the greater capacity to raise their taxes. New Kent County's growth does place some stress upon our budgetary process as the services sought by many residents in the County are similar to services offered by higher taxing localities. The preceding economic highlights are indicators of the County's good fiscal health. They are also indicative that the County's economic position has improved over many years and has weathered the effect of the downturn in the economy. (Source: Commission on Local Government's Report on the *Comparative Revenue Capacity, Revenue Effort, and Fiscal Stress of Virginia's Counties and Cities, for FY2016*)

**Long-term financial planning:** The County uses financial advisors to guide it through the long-term financial planning needed to address the growth of the County. Davenport & Company LLC has served as the County's financial advisor on a contractual basis for fourteen years.

The Capital Improvements Program (CIP) is the County's plan for investing in facilities, equipment, and vehicles and includes those items with a unit cost greater than \$25,000. The CIP serves as a planning tool for the efficient, effective, and equitable distribution of public improvements throughout the County. The County has long practiced a non-debt funding strategy for the CIP. The Board members recognized that there was a need to improve and build new infrastructure and provide safe, reliable emergency management vehicles, therefore, they increased borrowing and the

debt ratios increased accordingly in recent years. To offset the County's increased debt due to school renovations and the commitment to build a new high school, the Board voted in FY 2005 to set aside six cents of the real estate tax rate for future school capital debt expenditures and one cent of the tax rate for County capital. The practice continued in FY 2010 to set aside six cents of the real estate tax rate for school debt expenditures but the one cent set aside of the tax rate for County capital was not funded in FY 2010. The practice to set aside six cents of the real estate tax rate ended in FY 2011 although there were funds remaining from this practice that allowed the County to off-set debt service expenditures by \$300,000 annually through FY 2016. In FY14, the Board of Supervisors (BOS, the Board) established a school construction set-aside reserve equal to two pennies on the real estate tax rate. Although the adopted FY17 budget reflected a set-aside of \$495,694, the Board took action at their August 23, 2016 meeting to provide an additional \$20,000 set-aside for a total of \$515,694 (two pennies at \$257,847). The FY18 budget reflects a recommended set-aside of \$1,041,432, which equates to 4 pennies (at \$260,358) on the current tax rate of \$0.83. The County also continues to refund bonds at optimal intervals to reduce debt service expenditures.

The County's Capital Improvement Fund has accumulated funds due to the Board's policy requiring any funds in excess of 15% of budgeted revenues to be transferred from the General Fund into the Capital Fund. This plan was designed to reserve County savings for capital improvement projects that may have otherwise been debt financed.

The Five-Year Capital Improvements Plan represents the County's attempt to quantify the impacts of future needs matched with a projection of available resources. Each year this plan is reviewed, updated and adopted by the Board, thereby indicating the priority of projects, etc. The County's CIP policy requires that the County ensures that all operating costs arising from approved capital projects are accounted for in the operating budget, will maintain its physical assets at a level adequate to protect the County's capital investment and will minimize future maintenance and replacement costs.

The projects that may require debt service within the next five years include:

- School – New Elementary School Construction - \$25,000,000
- Schools – New Kent Elementary School Renovation - \$13,642,550
- Schools – George Watkins Renovation and Expansion - \$1,500,000
- Parks & Recreation – New Park Construction - \$4,500,000
- Fire Department – Apparatus - \$2,900,000 over 15 years
- Sheriff – New Animal Shelter - \$1,300,000

The County recognizes that some of these projects will have an impact on future operating costs, and has built estimates into our affordability models. It is anticipated that the new elementary school construction and the George Watkins Renovation and Expansion projects could result in additional annual operating costs totaling \$1.5 million. We also anticipate the new park will impact personnel, maintenance and other operating costs such as utilities, insurance, supplies and equipment. The new fire station currently under construction will require personnel and equipment.

The County is strategically positioned to take advantage of a large and diversified workforce ranging from industrial laborers to high tech specialists. The County's EDA offers free assistance to companies wishing to establish, relocate, or expand their businesses in New Kent. New Kent County has completed the sixth operational year of the Bridging Communities Regional Technical Center. The partnering school divisions include Charles City, King William, King and Queen, Middlesex, West Point and New Kent.

**Relevant financial policies:** The County Treasurer is responsible for investing County funds. Allowable investments include savings accounts, certificates of deposit, U. S. agency securities, corporate notes, banker's acceptances, commercial paper, money market accounts, mutual funds, state bonds, local bonds, mortgage-backed securities and repurchase agreements. The County Treasurer seeks to safeguard principal, meet liquidity objectives and seek fair value rates of return. The County believes that sound financial management principles require that sufficient funds be retained by the County to provide a stable financial base at all times. To retain this stable financial base, the County maintains a General Fund balance sufficient to fund all cash flows of the County, to provide financial reserves for unanticipated expenditures and revenue shortfalls, and to provide funds for all existing encumbrances. Policy guidelines have established this amount at a minimum of 15% of governmental fund budgeted revenues.

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. A significant emphasis is placed on controlling departmental expenditures through accounts payable and purchasing policies and procedures. Also, expenditures are monitored through monthly reporting and monitoring of departments actual expenditures to budget.

The County continues to maintain its conservative approach toward debt management. The portion of the County's operating budget dedicated for repayment of debt is set by policy at 12% of governmental fund expenditures.

**Major initiatives and accomplishments:** The County has aligned its professionalism, goals, and standards of operation with those of jurisdictions with much larger populations. New Kent is positioned to accommodate projected growth and changing demographics. Below are some of the actions the County has undertaken to provide and maintain high quality services.

- Research for and use of numerous federal, state, private and foundation grant opportunities for County programs, services, and capital programs
- Formulate and review formal fiscal management policies for Board approval
- Implement energy savings programs and policies
- Annually purchase Sheriff's vehicles enabling the department to keep its fleet current
- Annually transfer funds to the Computer Fund to render funds available to replace computers at least every 5 years and to update IT equipment
- Annually provide funding for new school buses on a rotating basis to meet state guidelines
- Support to the New Kent Airport

- Funding for the school's Technology One-to-One Learning Initiative
- Purchase of a new building to house the County library
- Implementation of a new ERP system
- Construction of a new \$6 million 800 MHz Public Radio System to provide radio communication coverage throughout the entire County for deputies, fire and rescue staff, and school transportation staff

In addition the county has most recently undertaken initiatives such as:

- Planning for the construction of a new fire station to be located on Route 106
- Restructured its departments so more attention and resources will be given to Economic Development

Many capital purchases are made with pay-as-you-go funding to ensure the County ends each fiscal year in sound financial condition. The Board of Supervisors has fostered this environment through consistently demanding innovation, effective planning, and financial prudence when allocating public resources.

### **ACKNOWLEDGEMENTS**

The County utilizes its Website [www.co.new-kent.va.us](http://www.co.new-kent.va.us) for a variety of purposes, which include presentation of the proposed budget document. The budget document serves as the best source for the variety of accomplishments of County functions, new initiatives and changes in service levels. In addition, the website provides many other topics of interest including the minutes of the Board of Supervisors meetings. While many of those accomplishments could also be shared in this report, it is the County's current intention to focus this report on the results of operations and analysis of the financial statements.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of New Kent, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the fourteenth year (FY04–FY17) 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 (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate. The government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated April 26, 2017. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Financial Services Department. I would like to express my appreciation to all members of the department who worked tirelessly throughout the year and assisted and contributed heavily to the preparation of this report. Thanks also to the Office of the Commissioner of the Revenue, the Office of the Treasurer, the Planning Department, Building Codes and Compliance Department, the Human Resources Department, and the School Board Office. Special thanks must also be given to our independent accounting firm, Brown, Edwards & Company, L.L.P, for their support and assistance in conducting the audit and for their insights and guidance on improving our financial reporting. In addition, credit also must be given to the Board of Supervisors for their unfailing support for maintaining the highest standards of professionalism in the management of the County finances.

Respectfully submitted,

*Rodney A. Hathaway*

Rodney A. Hathaway  
County Administrator

*Mary F. Altemus*

Mary F. Altemus, CPA  
Director of Financial Services

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## FINANCIAL SECTION

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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Members of the Board of Supervisors  
County of New Kent, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of New Kent, Virginia (the "County") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***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* and *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

**In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of New Kent, Virginia, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.**

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, 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 introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 30, 2018

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## County of New Kent, Virginia Management's Discussion and Analysis

This section of the County of New Kent's (the "County") comprehensive annual financial report offers a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2018 (FY 2018). Please read it in conjunction with the Letter of Transmittal at the front of this report and with the County's basic financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS – GOVERNMENT WIDE FINANCIAL STATEMENTS**

- The assets and deferred outflows of resources of the County, on a government-wide basis excluding component units, exceeded its liabilities and deferred inflows of resources by \$123,534,952 (net position) at the close of the most recent fiscal year (restated FY 2017 totaled \$120,673,663). Of this amount, \$40,727,866 (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors. Net investment in capital assets, which is not immediately available to satisfy ongoing obligations, totals \$82,769,595. (See Exhibit 1)

The County's total net position, excluding component units, when compared to FY 2017, increased \$2,861,289 (\$123,534,952 minus \$120,673,663), of which, governmental activities increased \$2,644,042 and business-type activities increased \$217,247. The \$2,644,042 increase in governmental activity net position is due to continued strong economic activity within the County relative to housing starts and the number of retail establishments locating to the County. When compared to FY 2017, current year governmental revenues on the accrual basis of accounting increased \$2,979,715 (See Exhibit 2).

- The Statement of Activities reflects \$35,738,697 of expenses net of program-related revenues (\$43,338,154 minus \$1,593,446, \$4,109,975 and \$1,896,036). The \$35,738,697 that was not funded by program revenues, such as charges for services (\$1,593,446) and grants (\$6,006,011), must be funded by local taxes and other miscellaneous revenues. This calculation is an excellent indicator of the County's reliance of local sources of revenues (especially general property taxes of \$29,502,009) to fund daily operations. The \$29,502,009 of general property taxes (real estate & personal property) reflects 82.5% of the \$35,738,697 funded by local sources of revenues. (See Exhibit 2)

### **FINANCIAL HIGHLIGHTS – FUND FINANCIAL STATEMENTS**

- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$29,644,984, an increase of \$3,690,795 in comparison with the prior year total of \$25,954,189. Approximately 93% of this total amount, \$27,592,676, is *available for expenditure* at the County's discretion (*Committed, Assigned and Unassigned Fund Balance*). The \$27,592,676 consists largely of \$16,586,805 in the County's Capital Improvements Fund, \$9,790,709 in the General Fund, \$1,100,235 the Debt Service Fund, \$115,612 in the Airport Fund, and a negative \$685 in the Human Services Fund. Although \$16,586,805 has been committed for capital projects, the Board of Supervisors has the authority to re-appropriate these funds as they see fit. Approximately \$5.3 million of the \$16,586,805 in the County Capital Improvements Fund is currently committed to current or future projects. (See Exhibit 3)

- At the end of the current fiscal year, unassigned fund balance for the General Fund totaled \$9,639,951 or 17.1% of governmental fund revenues and transfers totaling \$56,483,372. FY 2017 reflected an unassigned fund balance for the General Fund of \$9,498,574 or 17.3% of governmental fund revenues and transfers totaling \$54,866,349. Per County financial policy, the amount by which the audited unassigned fund balance exceeds 15% of budgeted revenues is transferred to the Capital Improvements Fund for future capital procurements. For FY 2018, the County transferred \$2,414,729 from the General Fund to the Capital Improvements Fund, leaving a \$9,639,951 unassigned fund balance in the General Fund. (See Exhibits 3 and 5)

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The Management Discussion and Analysis is intended to serve as an introduction to the County's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements themselves, this report also contains other supplementary information which includes budgetary and statistical information. It also includes details regarding individual funds and component units.

## **GOVERNMENT-WIDE STATEMENTS**

One of the most important questions asked about the County's finances is, "Is the County as a whole in better or worse financial condition as a result of this year's activities?" The Statement of Net Position and the Statement of Activities, which make up the government-wide statements, report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting. Governments report all capital assets in the government-wide Statement of Net Position and report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities.

The Statement of Net Position and the Statement of Activities report the County's net position and the changes that occurred in the current year. The County's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources - is one way to measure the County's financial health, or financial position. Over time, increases and decreases in the County's net position are indicators of whether its financial health is improving or deteriorating. In addition, other nonfinancial factors such as changes in the County's property tax base and the condition of the County's infrastructure will need to be considered in order to assess overall financial health.

In the Statement of Net Position and the Statement of Activities, we divide the County into three types of activities:

- **Governmental Activities** – Most of the County's basic services are reported here: general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, environmental management and community development. Property taxes, other local taxes, and revenue from the state and federal government finance most of these activities. See Exhibits 1 and 2 of this report.
- **Business-Type Activities** – The County's operation, maintenance, and construction of the County-owned water and wastewater (sewer) utility are reported here as the County charges a fee to



customers to cover all or most of the cost of the services these operations provide. The County provides no financial support to the water and sewer fund. See Exhibits 7 & 8 of this report.

- **Component Units** – The County includes two separate legal entities in its report – the County of New Kent School Board (the School Board) and the Economic Development Authority (the EDA). Although legally separate, these “component units” are important because the County is financially accountable and the County has influence over their budget activities. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found in Exhibits 1 and 2 of this report.

## **FUND FINANCIAL STATEMENTS**

The *fund financial statements* focus on the County’s most significant funds, not the County as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate fiscal accountability and budgetary control. All of the funds of the County can be divided into three types of funds:

- **Governmental Funds** – The County maintains five individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Airport Fund, Debt Service Fund, and the County Capital Improvements Fund, all of which are considered major funds. The Human Services Fund is considered to be a non-major fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. The governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance County programs. Since this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or reconciles the differences) between the two types of statements. The basic governmental funds financial statements are located in Exhibits 3 through 6.

- **Internal Service Funds** – Accounts for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Fund consists of the Self-Insurance Fund reported in the Component Unit School Board. See Exhibit 33 of this report.
- **Proprietary Funds** – Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both long and short-term financial information.

The County’s Enterprise Funds (one type of proprietary fund) are the same as the business-type activities included in the government-wide statements, but the fund financial statements provide more detail and additional information, such as cash flow. The Enterprise Funds account for the

operation of the County's water and wastewater utility system. The Proprietary Fund financial statements are located in Exhibits 7 through 9 of this report.

- **Fiduciary Funds** – The County is the trustee, or fiduciary, for Agency Funds which include Special Welfare and Supplemental Security Income benefits for Department of Social Services clients. The County is responsible for ensuring that the assets reported in these Funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Combining Statement of Changes in Assets and Liabilities – Agency Funds (Exhibit 25). The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its own operations. The fiduciary fund financial statements can be found in Exhibit 10 of this report.

## **NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after Exhibit 10 of this report.

## **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary comparisons of the General Fund and Airport Fund and the County's progress in funding its obligation to provide pension benefits to its employees as well as its progress in funding the Schools' retiree healthcare plan. The footnotes and other required supplementary information reflect additional schedules and exhibits pertaining to the County's pension liability as it relates to the Virginia Retirement System.

In 2018, the County (including Schools) adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The overall effect of this new standard is to reflect the long-term other postretirement benefit ("OPEB") obligations directly in the County's financial statements. Under previous accounting guidance, these amounts were recorded incrementally over time, but were not recognized in their entirety. Instead, the total liability which has now been recorded, was only disclosed. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the County record a net OPEB liability directly on the statement of net position. Beginning net position has been restated as follows:

	County	Public Utility	Schools	EDA
Ending Net Position-FY17	\$ 49,443,585	\$ 72,050,247	\$ 2,368,962	\$ 955,251
OPEB Restatement	(732,161)	(88,008)	(5,034,085)	-
Restated Beginning Net Position-FY18	\$ 48,711,424	\$ 71,962,239	\$ (2,665,123)	\$ 955,251

These restatements have had a significant impact on the County's net position. However, because similar information has been disclosed in prior years, both in the notes to the financial statements and in required supplementary information, the effect of this new standard is not expected to negatively affect how most governmental entities are viewed by sophisticated readers of their financial statements. Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis has not been restated.

Other Supplementary Information contains the schedule of revenues, expenditures and changes in fund balances (budget and actual) for the Debt Service Fund, County Capital Improvements Fund, and the non-

major Special Revenue Fund. Also included are the Combining Statement of Fiduciary Net Position – Agency Fund, and the Combining Statement of Changes in Assets and Liabilities - Agency Funds.

## **FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$123,534,952 at the close of the most recent fiscal year.

A large portion of the County's net position (\$82,769,595, 67% of total) reflects its net investment in capital assets (e.g., land, building, machinery, and equipment less related debt). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future expenditure. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate related liabilities (i.e., the County's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life). (See Exhibit 1)

### **Statement of Net Position – Primary Government**

The following table reflects a summary of condensed information on the County's net position at June 30, 2018 and 2017:

	Governmental Activities		Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Current and other Assets	\$ 34,459,425	\$ 29,065,879	\$ 10,220,634	\$ 9,965,610	\$ 44,680,059	\$ 39,031,489	\$ 8,404,507	\$ 6,546,420		
Capital Assets	75,811,888	79,100,354	76,734,922	77,411,560	152,546,810	156,511,914	28,756,881	25,765,717		
<b>Total Assets</b>	<b>\$ 110,271,313</b>	<b>\$ 108,166,233</b>	<b>\$ 86,955,556</b>	<b>\$ 87,377,170</b>	<b>\$ 197,226,869</b>	<b>\$ 195,543,403</b>	<b>\$ 37,161,388</b>	<b>\$ 32,312,137</b>		
Deferred Outflows of Resources	\$ 2,912,304	\$ 3,322,355	\$ 926,868	\$ 1,046,168	\$ 3,839,172	\$ 4,368,523	\$ 3,948,991	\$ 4,428,268		
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 113,183,617</b>	<b>\$ 111,488,588</b>	<b>\$ 87,882,424</b>	<b>\$ 88,423,338</b>	<b>\$ 201,066,041</b>	<b>\$ 199,911,926</b>	<b>\$ 41,110,379</b>	<b>\$ 36,740,405</b>		
Current and other Liabilities	\$ 7,772,132	\$ 7,344,889	\$ 1,282,795	\$ 1,441,096	\$ 9,054,927	\$ 8,785,985	\$ 4,238,809	\$ 3,710,414		
Long-term Liabilities	53,378,388	54,583,565	14,361,869	14,930,952	67,740,257	69,514,517	30,369,147	28,813,778		
<b>Total Liabilities</b>	<b>\$ 61,150,520</b>	<b>\$ 61,928,454</b>	<b>\$ 15,644,664</b>	<b>\$ 16,372,048</b>	<b>\$ 76,795,184</b>	<b>\$ 78,300,502</b>	<b>\$ 34,607,956</b>	<b>\$ 32,524,192</b>		
Deferred Inflows of Resources	\$ 677,631	\$ 116,549	\$ 58,274	\$ 1,043	\$ 735,905	\$ 117,592	\$ 3,129,181	\$ 892,000		
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 61,828,151</b>	<b>\$ 62,045,003</b>	<b>\$ 15,702,938</b>	<b>\$ 16,373,091</b>	<b>\$ 77,531,089</b>	<b>\$ 78,418,094</b>	<b>\$ 37,737,137</b>	<b>\$ 33,416,192</b>		
Net Position										
Net Investment in Capital Assets	\$ 20,656,456	\$ 22,251,160	\$ 62,113,139	\$ 62,981,757	\$ 82,769,595	\$ 85,232,917	\$ 28,756,881	\$ 25,765,717		
Restricted For:										
E-911 Wireless	1,350	1,726	-	-	1,350	1,726	-	-		
Asset Forfeiture	33,884	26,086	-	-	33,884	26,086	-	-		
Litter Control	2,257	1,403	-	-	2,257	1,403	-	-		
Unrestricted (deficit)	30,661,519	27,163,210	10,066,347	9,068,490	40,727,866	36,231,700	(25,383,639)	(22,441,504)		
<b>Total Net Position</b>	<b>\$ 51,355,466</b>	<b>\$ 49,443,585</b>	<b>\$ 72,179,486</b>	<b>\$ 72,050,247</b>	<b>\$ 123,534,952</b>	<b>\$ 121,493,832</b>	<b>\$ 3,373,242</b>	<b>\$ 3,324,213</b>		
Net position - FY17 restatement	-	(732,161)	-	(88,008)	-	(820,169)	-	(5,034,085)		
<b>Total Net position - restated</b>	<b>\$ 51,355,466</b>	<b>\$ 48,711,424</b>	<b>\$ 72,179,486</b>	<b>\$ 71,962,239</b>	<b>\$ 123,534,952</b>	<b>\$ 120,673,663</b>	<b>\$ 3,373,242</b>	<b>\$ (1,709,872)</b>		

Current and other assets for the primary government increased \$5,648,570, compared to an increase of \$1,515,647 for the prior year. Of this amount, governmental activities reflect an increase of \$5,393,546; whereas, business-type activities reflect an increase of \$255,024. Of the \$5,393,546 overall increase in governmental activities, cash and cash equivalents reflect an increase of \$4,637,412 as a result of the following, when compared to FY 2017.

Increase in Cash & Cash Equivalents	
Description	Total Change
General Fund	\$ 345,448
Airport Fund	1,045
Debt Service Fund	1,091,992
Other Government Funds	13,437
Capital Fund - Unexpended Bond Escrow	3,185,490
Net Cash Increase	\$ 4,637,412

The \$345,448 increase in General Fund cash is partially due to operations, as revenues exceeded expenditures and transfers by \$269,093 (See Exhibit 5). The Debt Service Fund increase of \$1,091,992 is due to the transfer of \$1,041,432 to the School construction set-aside reserve. The BOS established this reserve in FY 2014 to fund debt service for the construction of a new elementary school. We anticipate that the County will issue bonds totaling \$28 million in the spring of 2019 for the new school. The capital fund increase of \$3,185,490 is directly related to the establishment of a bond escrow relative to the issuance of bonds totaling \$3,179,000 for the purchase of fire equipment.

The \$255,024 increase in business-type current assets consists of a \$290,388 increase in cash and a combined \$35,364 decrease in taxes receivable, due from other governments and prepaids. For the fiscal year, the combined net income for the utility funds totaled \$217,247, which contributed to the increase in cash.

Overall, capital assets for the primary government declined \$3,965,104, which consists of a \$3,288,466 decrease in governmental assets and a \$676,638 decline in business-type assets. Of the \$3,288,466 decrease in capital assets for governmental activities, new asset additions for the governmental funds reflect an overall net decrease of \$615,365, while depreciation reflects a net increase of \$2,673,101. The \$676,638 overall decline in capital assets for business-type activities is due to a net \$825,329 increase in capital purchases, and a net increase in depreciation totaling \$1,501,967. (Note 5)

For FY 2018, total primary government and component unit long-term liabilities of \$104,176,639 reflect an overall decrease of \$775,719 when compared to the prior fiscal year total of \$104,952,358. Of this amount, outstanding bonds and lease obligations reflect a decline of \$2,398,378, the pension liability declined \$4,185,961, the OPEB liability increased \$5,795,321 and compensated absences increased \$13,299. The decrease in the pension liability is directly related to fund investment performance and an additional funding contribution by the Commonwealth of Virginia relative to teachers. The OPEB liability (new for FY 2018, GASB 75) totaled \$5,795,321, consisting of County (\$694,803), Public Utility (\$83,518) and Schools (\$5,017,000). During FY 2018, the County issued new bonds totaling \$3,179,000 for the purchase of fire equipment, and retired bond and lease debt totaling \$5,577,378, in accordance with existing amortization schedules. (Note 7) The following schedule denotes increases and decrease by fund and liability type.

Long-Term Obligations June 30, 2018 and 2017								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2018	2017	2018	2017	2018	2017	2018	2017
Compensated Absences	\$ 844,238	\$ 809,988	\$ 115,332	\$ 121,280	\$ 959,570	\$ 931,268	\$ 295,048	\$ 310,051
Net Pension Liability	1,533,407	2,180,442	209,421	287,193	1,742,828	2,467,635	24,463,735	27,924,889
Bond Premium	279,922	330,930	994,495	1,142,580	1,274,417	1,473,510	2,679,281	3,174,529
Capital Lease	1,114,090	1,336,908	59,600	71,520	1,173,690	1,408,428	-	285,804
General Obligation Bonds	-	-	-	-	-	-	7,900,061	8,726,826
Lease Revenue Bonds	14,115,621	11,899,179	13,567,688	14,106,418	27,683,309	26,005,597	29,346,379	31,380,821
Net OPEB Obligation	694,803	-	83,518	-	778,321	-	5,880,000	863,000
Totals	<u>\$ 18,582,081</u>	<u>\$ 16,557,447</u>	<u>\$ 15,030,054</u>	<u>\$ 15,728,991</u>	<u>\$ 33,612,135</u>	<u>\$ 32,286,438</u>	<u>\$ 70,564,504</u>	<u>\$ 72,665,920</u>

Summary of Changes in Long-term Obligations FY 2018 and FY 2017				
Description	Governmental	Business-type	Component Units	Total
Compensated Absences	\$ 34,250	\$ (5,948)	\$ (15,003)	\$ 13,299
Net Pension Liability	(647,035)	(77,772)	(3,461,154)	(4,185,961)
Bond Premium	(51,008)	(148,085)	(495,248)	(694,341)
Capital Lease	(222,818)	(11,920)	(285,804)	(520,542)
General Obligation Bonds	-	-	(826,765)	(826,765)
Lease Revenue Bonds	2,216,442	(538,730)	(2,034,442)	(356,730)
Net OPEB Obligation	694,803	83,518	5,017,000	5,795,321
Totals	<u>\$ 2,024,634</u>	<u>\$ (698,937)</u>	<u>\$ (2,101,416)</u>	<u>\$ (775,719)</u>

Regarding the pension liability, the County and School Board do contribute 100% of the required annual contribution as certified by the Virginia Retirement System. The improvement in the pension obligation was anticipated due to the State's codified funding commitment and a return to investment returns that exceed the System's targeted rate. The \$1,173,690 capital lease is related to annual County lease payments to Tyler Technologies for cloud-base accounting software, and the School lease of Chromebooks.

When compared to the previous fiscal year, deferred outflows of resources for the primary government declined \$529,351, and deferred inflows of resources increased \$618,313. General government deferred outflows of resources reflect an increase of \$156,160, while business-type outflows reflect a decrease of \$47,503 when compared to the prior year. The \$529,351 decrease in deferred outflows of resources consists of a \$410,051 decrease in governmental funds and a \$119,300 decline for business-type activities. The \$618,313 decrease in deferred inflows of resources consists of a \$561,082 increase in governmental and a \$57,231 increase in business-type activities. Both outflows and inflows of resources are related to deferred pension and bond refunding charges that will be amortized in accordance with GAAP requirements. They relate to the amortization of variances between expected and actual investment returns, pension experience, and assumptions.

The net position of the primary government, which totals \$123,534,952, increased \$2,861,289 (2.4%) when compared to the FY 2017 total of \$120,673,663. This change is summarized in the following schedule.

Primary Government							
Category	Fiscal Year 2018			Fiscal Year 2017			Total Increase (Decrease)
	Governmental	Business-Type	Total	Governmental	Business-Type	Total	
Current & Other Assets	\$ 34,459,425	\$ 10,220,634	\$ 44,680,059	\$ 29,065,879	\$ 9,965,610	\$ 39,031,489	\$ 5,648,570
Capital Assets	75,811,888	76,734,922	152,546,810	79,100,354	77,411,560	156,511,914	(3,965,104)
Deferred Outflows of Resources	2,912,304	926,868	3,839,172	3,322,355	1,046,168	4,368,523	(529,351)
Total Assets	\$ 113,183,617	\$ 87,882,424	\$ 201,066,041	\$ 111,488,588	\$ 88,423,338	\$ 199,911,926	\$ 1,154,115
Current & Other Liabilities	2,642,718	614,610	3,257,328	1,803,027	643,057	2,446,084	811,244
Long-term Liabilities	58,507,802	15,030,054	73,537,856	60,125,427	15,728,991	75,854,418	(2,316,562)
Deferred Inflows of Resources	677,631	58,274	735,905	116,549	1,043	117,592	618,313
Total Liabilities	\$ 61,828,151	\$ 15,702,938	\$ 77,531,089	\$ 62,045,003	\$ 16,373,091	\$ 78,418,094	\$ (887,005)
Net position - FY17 restatement				(732,161)	(88,008)	(820,169)	820,169
Total Net Position-Restated	\$ 51,355,466	\$ 72,179,486	\$ 123,534,952	\$ 48,711,424	\$ 71,962,239	\$ 120,673,663	\$ 2,861,289

Overall, it was another strong year for the County. Governmental activities reflect an increase in net position totaling \$2,644,042, while business-type activities reflect an increase of \$217,247. Governmental revenues reflect an increase of \$2,979,715 when compared to FY 2017 due to housing starts and retail activity. Expenditures increased \$1,391,165, a 3.3% increase. The decline in capital assets is related to depreciation and the transfer of jointly owned assets. Although the County added new debt totaling \$3,179,000, overall, there was a net decline in total liabilities of \$887,005.

The following schedule provides an overview of the FY 2018 changes in net position when compared to FY 2017.

Primary Government - Net Position							
Category	Fiscal Year 2018			Fiscal Year 2017			Total Increase (Decrease)
	Governmental	Business-Type	Total	Governmental	Business-Type	Total	
Net investment in Capital Assets	\$ 20,656,456	\$ 62,113,139	\$ 82,769,595	\$ 22,251,160	\$ 62,981,757	\$ 85,232,917	\$ (2,463,322)
Restricted for:							
E-911 Wireless	1,350	-	1,350	1,726	-	1,726	(376)
Asset Forfeiture	33,884	-	33,884	26,086	-	26,086	7,798
Litter Control	2,257	-	2,257	1,403	-	1,403	854
Unrestricted	30,661,519	10,066,347	40,727,866	27,163,210	9,068,490	36,231,700	4,496,166
Total Net Position	\$ 51,355,466	\$ 72,179,486	\$ 123,534,952	\$ 49,443,585	\$ 72,050,247	\$ 121,493,832	\$ 2,041,120
Net position - FY17 restatement				\$ (732,161)	\$ (88,008)	\$ (820,169)	\$ 820,169
Total Net Position-Restated	\$ 51,355,466	\$ 72,179,486	\$ 123,534,952	\$ 48,711,424	\$ 71,962,239	\$ 120,673,663	\$ 2,861,289

Capital assets are used to provide services to citizens; and consequently, these assets are not available for future expenditure. The "restricted for" balances are related to grants and must be expended in accordance with the terms of the applicable award document. Net investment in capital assets totaling

\$82,769,595 is presented net of outstanding debt related to the original purchase. The unrestricted balances of \$30,661,519 for the governmental funds and \$10,066,347 for the business-type funds have no restrictions and are available for future appropriation by the Board of Supervisors.

### Statement of Net Position – Component Units, Internal Service Fund and Fiscal Agent

The School Board and Economic Development Authority (EDA) make up the County's component units. For FY 2018, the net position of the two component units totals \$3,373,242 compared to a restated net position of (\$1,709,872) for FY 2017. The combined increase of \$5,083,114 for FY 2018 is summarized in the following schedule.

Component Units - Net Position							
Category	Fiscal Year 2018			Fiscal Year 2017			Total Increase (Decrease)
	School	EDA	Total	School	EDA	Total	
Current & Other Assets	\$ 7,354,081	\$ 1,050,426	\$ 8,404,507	\$ 5,591,169	\$ 955,251	\$ 6,546,420	\$ 1,858,087
Capital Assets	28,756,881	-	28,756,881	25,765,717	-	25,765,717	2,991,164
Deferred Outflows of Resources	3,948,991	-	3,948,991	4,428,268	-	4,428,268	(479,277)
Total Assets	\$ 40,059,953	\$ 1,050,426	\$ 41,110,379	\$ 35,785,154	\$ 955,251	\$ 36,740,405	\$ 4,369,974
Current & Other Liabilities	3,969,173	-	3,969,173	3,426,252	-	3,426,252	542,921
Long-term Liabilities	30,638,783	-	30,638,783	29,097,940	-	29,097,940	1,540,843
Deferred Inflows of Resources	3,129,181	-	3,129,181	892,000	-	892,000	2,237,181
Total Liabilities	\$ 37,737,137	\$ -	\$ 37,737,137	\$ 33,416,192	\$ -	\$ 33,416,192	\$ 4,320,945
Net position - FY17 restatement			-	(5,034,085)		(5,034,085)	5,034,085
Total Net Position-Restated	\$ 2,322,816	\$ 1,050,426	\$ 3,373,242	\$ (2,665,123)	\$ 955,251	\$ (1,709,872)	\$ 5,083,114

Total assets increased \$4,369,974 for FY 2018 when compared to FY 2017. Of this amount, cash reflects an increase of \$1,858,087, which is primarily related to a \$935,647 increase in the schools' self-insurance fund, and a \$418,495 increase in the Schools' Operating Fund. Capital assets increased \$2,991,164, as capital assets are transferred from the County government to the School Board as the County retires related debt (see the explanation below regarding Code of Virginia, Section 15.2-1800.1). The deferred outflows and inflows of resources above are related to pension, OPEB and other related deferred charges.

As indicated above, both outflows and inflows of resources are related to deferred pension charges that will be amortized over periods not to exceed five years. They relate to the amortization of variances between expected and actual investment returns, pension experience, and assumptions.

In FY 2013, an internal service fund was established to account for the School Board's self-funding of employee health care benefits. At June 30, 2018, the fund reflected a net position of \$2,328,789, a \$1,053,486 increase over the FY 2017 total of \$1,275,303. This increase is related to the overall performance of the fund and a resulting \$935,647 cash increase and a \$450,071 increase in receivables. These balances are available to minimize future rate increases.

The School Board also has fiscal agent responsibilities for the Bridging Communities Regional Career and Technical Center which opened in September 2013 in New Kent County. The opening of the Bridging Communities Regional Career and Technical Center represents a remarkable collaborative effort among the counties of Charles City, King William, King and Queen, Middlesex and New Kent. This was the first

regional career and technical education center to be established in Virginia in twenty-five years. For FY 2018, net position totaled \$299,630, which is the net result of assets totaling \$391,142 and liabilities of \$91,512. (Exhibit 31)

## Statement of Activities

The statement of activities, which also uses the full accrual basis of accounting, illustrates the cost of governmental activities net of related revenues. It also reflects the general revenue sources that fund governmental operations. The following table summarizes the revenue and expenses of government-wide activities for the fiscal years ended June 30, 2018 and 2017:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>								
<b>Program revenues:</b>								
Charges for services	\$ 1,593,446	\$ 1,548,171	\$ 4,633,703	\$ 5,303,534	\$ 6,227,149	\$ 6,851,705	\$ 871,704	\$ 1,310,890
Operating grants and contributions	4,109,975	4,098,977	-	-	4,109,975	4,098,977	17,726,573	16,402,643
Capital grants and contributions	1,896,036	442,713	-	-	1,896,036	442,713	-	-
<b>General revenues:</b>								
Property taxes	29,199,673	28,017,446	302,336	281,546	29,502,009	28,298,992	-	-
Other taxes	4,784,482	4,550,095	-	-	4,784,482	4,550,095	-	-
Unrestricted revenues from use of money and property	742,952	558,206			742,952	558,206	1,741	11,169
Interest	-	-	106,059	58,839	106,059	-	890	842
Miscellaneous	705,830	817,821	5,556	10,258	711,386	828,079	108,715	115,209
Grant and contributions not restricted to specific programs	2,949,802	2,968,427	-	-	2,949,802	2,968,427	-	-
Payment from New Kent County	-	-	-	-	-	-	13,628,494	13,102,692
Transfers	-	625	-	(625)	-	-	-	-
<b>Total Revenue</b>	<b>\$ 45,982,196</b>	<b>\$ 43,002,481</b>	<b>\$ 5,047,654</b>	<b>\$ 5,653,552</b>	<b>\$ 51,029,850</b>	<b>\$ 48,597,194</b>	<b>\$ 32,338,117</b>	<b>\$ 30,943,445</b>
<b>Expenses:</b>								
General government administration	\$ 4,110,361	\$ 4,208,623	\$ -	\$ -	\$ 4,110,361	\$ 4,208,623	\$ -	\$ -
Judicial administration	1,678,249	1,653,498	-	-	1,678,249	1,653,498	-	-
Public safety	9,813,316	10,401,870	-	-	9,813,316	10,401,870	-	-
Public works	2,309,528	2,126,022	-	-	2,309,528	2,126,022	-	-
Health and welfare	3,047,140	3,088,212	-	-	3,047,140	3,088,212	-	-
Education	18,628,193	14,609,161	-	-	18,628,193	14,609,161	-	-
Parks, recreation, and cultural	782,790	815,284	-	-	782,790	815,284	-	-
Community development	1,205,772	1,628,657	-	-	1,205,772	1,628,657	-	-
Interest on long-term debt	1,762,805	3,415,662	-	-	1,762,805	3,415,662	-	-
Business type activities:								
Water & Sewer	-	-	4,014,301	3,952,777	4,014,301	3,952,777	-	-
Bottoms Bridge	-	-	816,106	837,766	816,106	837,766	-	-
Component Units:								
School Board	-	-	-	-	-	-	27,199,288	28,363,430
Economic Development Authority	-	-	-	-	-	-	55,715	112,893
<b>Total Expenses</b>	<b>\$ 43,338,154</b>	<b>\$ 41,946,989</b>	<b>\$ 4,830,407</b>	<b>\$ 4,790,543</b>	<b>\$ 48,168,561</b>	<b>\$ 46,737,532</b>	<b>\$ 27,255,003</b>	<b>\$ 28,476,323</b>
<b>Change in net position:</b>	<b>2,644,042</b>	<b>1,055,492</b>	<b>217,247</b>	<b>863,009</b>	<b>2,861,289</b>	<b>1,859,662</b>	<b>5,083,114</b>	<b>2,467,122</b>
Net position - beginning	48,711,424	48,388,093	71,962,239	71,187,238	120,673,663	119,575,331	(1,709,872)	857,091
Net position - ending	\$ 51,355,466	\$ 49,443,585	\$ 72,179,486	\$ 72,050,247	\$ 123,534,952	\$ 121,434,993	\$ 3,373,242	\$ 3,324,213
Net position - FY17 restatement	-	(732,161)	-	(88,008)	-	(820,169)	-	(5,034,085)
<b>Adjusted Total Net Position</b>	<b>\$ 51,355,466</b>	<b>\$ 48,711,424</b>	<b>\$ 72,179,486</b>	<b>\$ 71,962,239</b>	<b>\$ 123,534,952</b>	<b>\$ 120,614,824</b>	<b>\$ 3,373,242</b>	<b>\$ (1,709,872)</b>

**Governmental Activities:** For the fiscal year ended June 30, 2018, revenues for governmental activities totaled \$45,982,196, an increase of \$2,979,715 when compared to the FY 2017 total revenues of \$43,002,481. Details are provided below:



- Primary government charges for services increased a combined \$624,556, and included a \$45,275 increase for the governmental funds and a \$669,831 decrease for business-type activities. The net change in governmental activities is due to a variety of small changes relative to numerous revenue accounts. No one change was significant. The \$669,831 decline in the Public Utility Fund is directly related to an \$807,176 decrease in connection and availability fees. Most of the decrease is related to the Patriots Landing subdivision which is nearing completion. Water and sewer revenues increased \$312,720 primarily due to a 4 percent increase in rates.
- Capital grants and contributions increased from \$442,713 for FY 2017 to \$1,896,036 for FY 2018. This increase is related to proffer receipts, bond proceeds and airport capital grants from state and federal agencies.

The County receives a variety of public safety grants for which the terms and related receipts fluctuate annually. These fluctuations make it difficult to draw conclusions about future grants and receipts that the County may or may not receive. The reader is better served by looking at trends for all programs over an extended period. These grants are appropriated upon receipt of award letters during the fiscal year and are not reflected in the annual adopted budget. The following schedule denotes operating grants and contributions as reflected on the Statement of Activities for FY 2014 to FY 2018.

Primary Government Schedule of Operating Grants and Contributions					
Program	FY14	FY15	FY16	FY17	FY18
General Government	\$ 203,821	\$ 210,804	\$ 252,102	\$ 241,192	\$ 247,156
Judicial Administration	506,242	483,503	487,836	558,944	502,702
Public Safety	1,904,736	1,495,258	1,550,590	1,608,153	1,746,745
Public Works	59,654	54,548	318,401	46,304	42,220
Health & Welfare	1,281,886	1,292,502	1,517,739	1,550,033	1,560,705
Parks, Recreation & Cultural	4,500	-	4,500	30,000	4,500
Community Development	6,003	6,357	16,029	64,351	5,947
Total County	\$ 3,966,842	\$ 3,542,972	\$ 4,147,197	\$ 4,098,977	\$ 4,109,975
School Board	13,803,539	14,860,329	14,962,407	16,392,643	17,726,573
Total - County/Schools	\$ 17,770,381	\$ 18,403,301	\$ 19,109,604	\$ 20,491,620	\$ 21,836,548

- Governmental property tax collections increased \$728,985 when compared to the prior fiscal year. Of this amount, real estate tax collections increased \$276,515, and personal property tax collections increased \$452,470. The increase in real estate tax collections is related to the construction of new homes and the location of retail establishments in the Bottoms Bridge section of the County. The increase in personal property revenues reflects the growing number of vehicles registered in the County due to population growth. Personal property tax collections do not include \$2,217,883 that the County receives annually from the Commonwealth of Virginia relative to the Personal Property Tax Relief Act (PPTRA). These revenues are included in state revenues.

- Other taxes include revenue from local sales and use taxes, recordation tax, consumer's utility taxes, electric consumption taxes, meals tax, business license tax, hotel tax, admission tax, motor vehicle registration fees and bank stock taxes. For FY 2018, combined, other taxes in the amount of \$4,784,482 increased \$233,149 when compared to the FY 2017 total of \$4,551,333. Local sales and meals tax collections increased \$111,133 and \$77,515, respectively. These increases are primarily due to the number of retail establishments locating in the County and the increase in population. Recordation taxes increased \$56,509. Currently, there are additional retail businesses under construction and therefore it is expected that this trend will continue.
- Permits increased \$19,305, which reflects continued strong building activity in the County.
- Use of money and property revenues reflect an increase of \$128,924, which is primarily related to interest revenue.

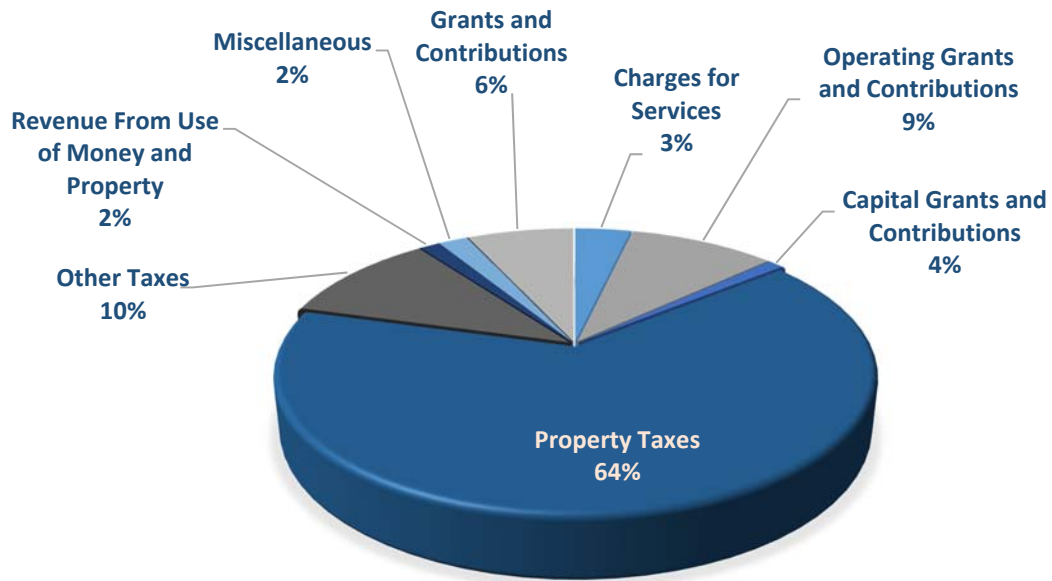
Fiscal year 2018 expenses, which totaled \$43,338,154, increased \$1,391,165 compared to FY 2017 expenses of \$41,946,989. Of this amount, fund-level (modified-accrual) expenditures increased \$1,939,344 primarily due to the following:

- Confinement of inmates increased \$155,728 due to per diem increases at the Henrico Jail facility.
- Transfers to School Board operations increased \$381,302. The budgetary increase totaled \$100,000. Funds are transferred to the School Board on an as needed basis. Funds that are not transferred (requested), are carried forward and appropriated for school-related capital projects. The FY18 carry forward totals \$621,100. The FY17 carry forward totaled \$877,403.
- General Fund transfers to other funds increased \$940,483, which is primarily due to a \$525,738 increase in the school construction set-aside reserve.

The remaining increase is related to various accrual related allocations relative to capital expenditures, debt, jointly owned assets, liabilities and employee pensions.

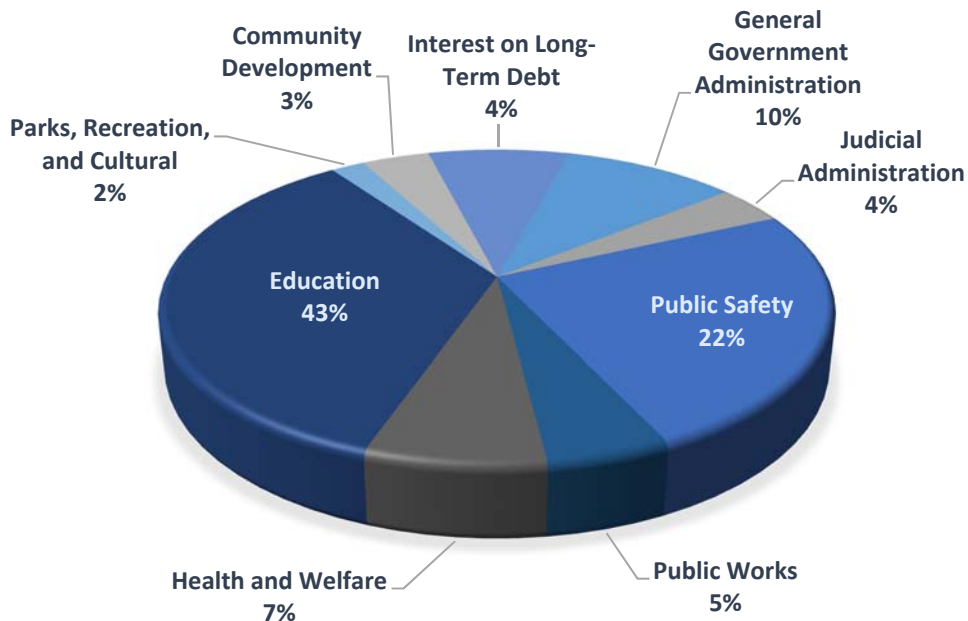
**Revenues:** The following chart summarizes the major sources of revenues for the governmental activities. As indicated in the revenue chart on the following page, property taxes (64%) and other taxes (10%) comprise 74% of the County's revenue base. While the Board of Supervisors has statutory authority to increase property tax rates, there is very little opportunity for additional revenues relative to other taxes as these rates and fees are restricted by the Code of Virginia in many cases. One penny on the real estate tax rate for FY 2018 equates to approximately \$260,358. Combined, operating and capital grants and contributions make up 19% of County revenues; however, future receipts are uncertain due to fiscal stress at the federal and state levels. Any major new capital or program expenditure would have to be funded by an increase in property values and/or the tax rate. The following chart summaries FY 2018 revenues by function.

## REVENUE SOURCES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2018 - \$45,982,196



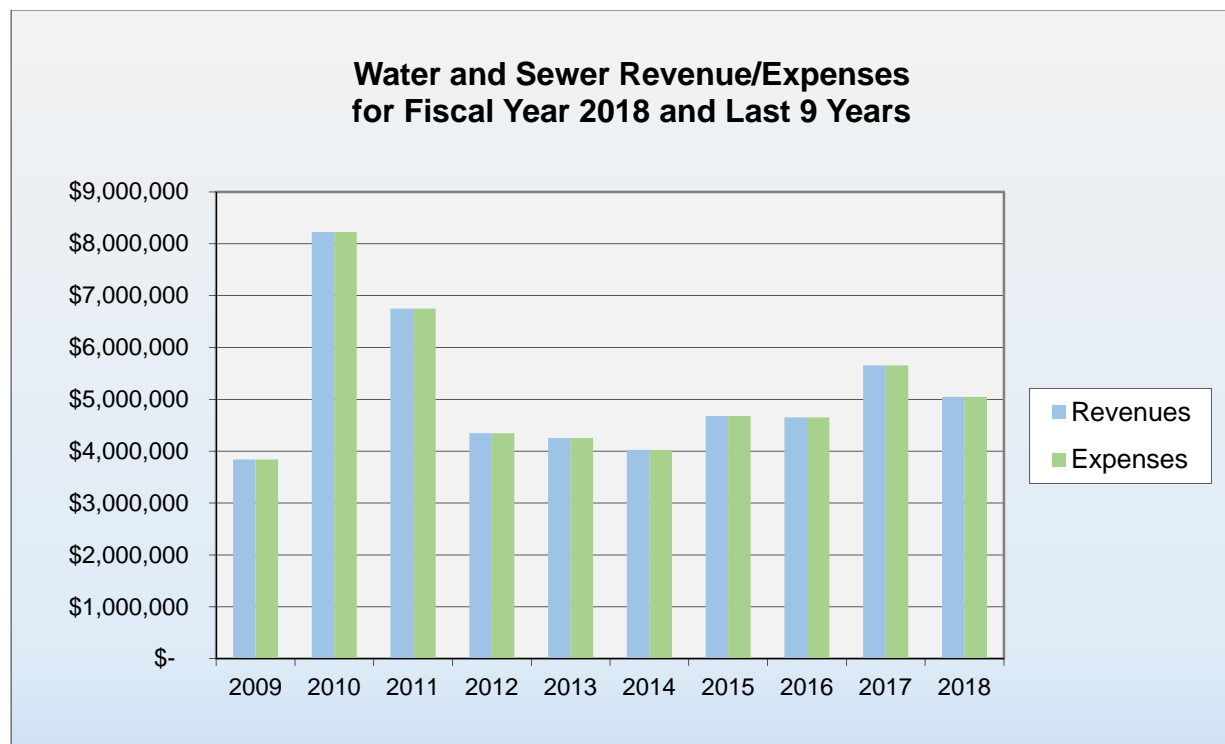
**Expenses:** The following chart summarizes the major sources of expenses for the governmental activities.

## FUNCTIONAL EXPENSES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2018 - \$43,338,154



For FY 2018, program expenses for governmental activities totaled \$43,338,154 an increase of \$1,391,165 when compared to the FY 2017 total of \$41,946,989. This includes a \$13,478,494 transfer to the New Kent County School Board for operations. Of the \$43,338,154 total, \$1,593,446 was financed with charges for services and \$6,006,011 from operating and capital grants and contributions. The \$35,738,697 remainder was primarily funded with tax revenues totaling \$33,984,155, which demonstrates the County's reliance on this revenue source.

**Business-Type Activities:** Business-type activities related to the County's water and wastewater operations reflect an increase in net position of \$217,247 for FY 2018. Unlike governmental activities, which primarily rely on general tax revenue to finance operations, business-type activities are financed to a significant extent by fees charged for goods and services provided. In this case water and wastewater disposal. FY 2018 operating revenues increased 3.9% which is in step with the 4% rate increase approved by the Board of Supervisors. Non-operating revenues declined \$745,496, which is directly related to the decrease in connection fees due to the build-out of Patriot's Landing in the Bottoms Bridge Service District. Operating revenues increased \$135,336 (3.2%), which is consistent with the inflation rate. Non-operating expenses declined \$95,472 primarily due to the losses incurred on the disposal of assets in FY17. The annual transfer from the Public Utility Fund to the Bottoms Bridge Service District Fund increased \$300,344 due to the reduction in connection fee revenue as indicated above. The chart below denotes revenues and expenses for FY 2018 and the last 9 years.



**Component Unit – School Board:** For FY 2018, School Board revenues total \$32,187,227, which is a \$1,314,624 increase over the FY 2017 total of \$30,872,603. Total annual support from the County, which totals \$13,478,494, accounts for 42% of total revenues. Operating Grants and Contributions, the largest component of revenues for the School Board, totals \$17,726,573 and accounts for 55% of the total revenues. Of this amount, funding from the Commonwealth of Virginia totals \$16,265,516, an increase of

\$1,165,410 over the FY 2017 total of \$15,100,106. Federal revenues total \$1,461,058, an increase of \$168,521 when compared to the prior year of \$1,292,537.

**Component Unit – Economic Development Authority:** The net position of the EDA increased \$95,175 from the prior year. EDA revenues which total \$150,890 consist of a \$150,000 contribution from the County, and \$890 interest. Expenses total \$55,715 and consist of activities to attract new businesses, encourage existing businesses to expand, and to promote tourism opportunities in the County. The EDA manages several business incentive programs that include assistance with signage and façade improvements, grants to new businesses locating to the County, and grants to assist existing businesses with expansion projects.

### **FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal and budgetary requirements.

**Governmental Funds:** The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. The expenditure of resources is driven by the annual budget process. Such information is useful in assessing the County's financing requirements and compliance with budgetary restraints. At the end of FY 2018, the County's governmental funds reported a combined ending fund balance of \$29,644,984, an increase of \$3,690,795 from the prior fiscal year total of \$25,954,189. Of the \$3,690,795 increase, funds committed for capital improvements increased \$951,107. Exhibit 3 indicates that the unassigned fund balance increased \$141,398, (from \$9,497,868 for FY 2017 to \$9,639,266 for FY 2018).

As discussed previously, the June 30, 2018 total fund balance for governmental funds totaled \$29,644,984 and is comprised of the following components:

- **Nonspendable - \$626,092:** This amount is not available for expenditure and consists of prepaid items.
- **Restricted - \$1,426,216:** These are grant funds that have been restricted for CIP (\$1,388,725 proffers); E-911 wireless (\$1,351), clean county committee/litter control (\$2,257), and asset forfeiture (\$33,883).
- **Committed - \$16,745,806:** Funds reported as committed are constrained for capital projects (\$16,586,805), the general fund (\$150,758) and debt service (\$8,243).
- **Assigned - \$1,207,604:** These funds have been assigned (designated) for Airport operations and debt service.
- **Unassigned Fund Balance - \$9,639,266:** These funds are generally available for future appropriation by the governing body. As discussed below, the County of New Kent maintains a fund balance equal to 15% of total budgeted General Fund revenues.

Although unassigned fund balance is viewed as the amount available for governing body appropriation, portions of the committed and assigned balances could be redirected with Board of Supervisor approval.

**General Fund:** The General Fund is the chief operating fund of the County. At the end of FY 2017, the fund balance for this fund totaled \$10,386,026; an increase of \$269,093 from the prior year total of

\$10,116,933. The County has established a policy to maintain a fund balance equal to 15% of budgetary revenues. Unassigned fund balances exceeding the 15% threshold are transferred from the General Fund to the County Capital Improvements Fund (Capital Fund) at year-end. For FY 2018, the County transferred \$2,414,729 in excess funds to the Capital Fund which will be used to fund future capital procurements on a cash basis.

**Airport Fund:** The Airport Fund is used to account for and report the financial resources and operations of the County Airport. The Fund is supported by local, state and federal funding. Local resources consist of fuel and oil sales, as well as hangar rental. Unlike other County capital improvements, most Airport capital improvement projects are eligible for 90% funding from the Federal Aviation Administration (FAA) and 8% funding from the Virginia Department of Aviation. At the end of FY 2018, the fund balance for this fund totaled \$117,456, an increase of \$11,791 from the FY 2017 balance of \$105,665.

**Debt Service Fund:** The Debt Service Fund is used to account for financial resources committed for the retirement of outstanding debt in accordance with existing amortization tables. The fund also reflects a school construction set-aside reserve that the Board of Supervisors established in FY 2014. For FY 2018, the fund balance for this fund increased \$1,091,992. The increase is directly related to the transfer of \$1,041,432 from the General Fund for the school construction set-aside reserve.

### **General Government Functions**

The following schedule presents a summary of revenues for the County's four major funds (General, Airport, Debt Service, and County Capital Improvements), and the non-major governmental fund (Human Services) for the fiscal year ended June 30, 2018.

<b>Governmental Funds</b> <b>Summary of Revenues - Exhibit 5</b> <b>June 30, 2018 and 2017</b>						
	<b>2018</b>	<b>Percent</b>	<b>2017</b>	<b>Percent</b>	<b>Increase</b>	<b>Percent</b>
	<b>Amount</b>	<b>of Total</b>	<b>Amount</b>	<b>of Total</b>	<b>(Decrease)</b>	<b>Increase</b>
					<b>FY18vsFY17</b>	<b>(Decrease)</b>
<b>Revenues</b>						
General property taxes	\$ 28,892,482	64.0%	\$ 28,181,751	65.3%	\$ 710,731	2.5%
Other local taxes	4,784,482	10.6%	4,551,333	10.5%	233,149	5.1%
Permits, privilege fees, and regulatory licenses	727,158	1.6%	706,972	1.6%	20,186	2.9%
Fines and forfeitures	249,528	0.6%	230,561	0.5%	18,967	8.2%
Revenue from the use of money and property	742,952	1.6%	558,207	1.3%	184,745	33.1%
Charges for services	616,760	1.4%	609,756	1.4%	7,004	1.1%
Miscellaneous	1,555,304	3.4%	843,826	2.0%	711,478	84.3%
Recovered costs	469,782	1.0%	427,766	1.0%	42,016	9.8%
Commonwealth	5,877,665	13.0%	6,057,272	14.0%	(179,607)	-3.0%
Federal	1,258,892	2.8%	998,718	2.3%	260,174	26.1%
<b>Total Revenues</b>	<b>\$ 45,175,005</b>	<b>100.0%</b>	<b>\$ 43,166,162</b>	<b>100%</b>	<b>\$ 2,008,843</b>	<b>4.7%</b>

When compared to FY 2017, governmental funds revenues increased by a total of \$2,008,843. The major increases were discussed previously.

The following schedule presents the General Fund budgetary highlights for FY 2018. Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles. Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Budgetary integration is employed as a

management control device during the year, and budgets are monitored and reported to the Board of Supervisors on a monthly basis. With the exception of personnel line items, the County Administrator is authorized to transfer line-item amounts within departmental budgets. All other budget transfers must be approved by the Board of Supervisors. The component unit School Board is authorized to transfer budgeted amounts within the school system's categories unless the transfer crosses functions. However, any transfer that crosses functions or supplemental appropriation that increases the School's total appropriated budget requires Board of Supervisors approval.

The following schedule presents the General Fund budgetary highlights for FY 2018. (See Exhibit 11)

General Fund Budgetary Highlights Fiscal Year 2018					
	Original Budget	Final Budget	Actual	Original vs. Actual	Final vs. Actual
<b>Revenues</b>					
Taxes	\$ 32,536,789	\$ 32,536,789	\$ 33,676,964	\$ 1,140,175	\$ 1,140,175
Intergovernmental	5,815,349	6,084,324	5,959,785	144,436	(124,539)
Other	2,395,748	2,568,873	3,115,996	720,248	547,123
<b>Total</b>	<b>\$ 40,747,886</b>	<b>\$ 41,189,986</b>	<b>\$ 42,752,745</b>	<b>\$ 2,004,859</b>	<b>\$ 1,562,759</b>
<b>Expenditures and Other Financing (Uses)</b>					
Expenditures	\$ 32,739,810	\$ 33,885,108	\$ 31,825,387	\$ 914,423	\$ 2,059,721
Net Transfers Out	7,583,368	8,404,141	10,658,265	(3,074,897)	(2,254,124)
<b>Total</b>	<b>\$ 40,323,178</b>	<b>\$ 42,289,249</b>	<b>\$ 42,483,652</b>	<b>\$ (2,160,474)</b>	<b>\$ 194,403</b>
<b>Net Change in Fund Balance</b>	<b>\$ 424,708</b>	<b>\$ (1,099,263)</b>	<b>\$ 269,093</b>	<b>\$ (155,615)</b>	<b>\$ 1,368,356</b>

The amended General Fund revenue budget exceeded actual revenues by a total of \$1,562,759 for FY 2018. The \$1,140,175 amount by which actual tax revenues exceeded the amended budget was primarily the result of better than expected collections across several revenue streams. The following revenues exceeded budget: Real Estate (\$144,041); Personal Property (\$333,035); Local Sales Tax (\$171,949); Meals Tax (\$99,500) and Permits (\$235,013).

The amended expenditure budget exceeded actual expenditures by \$2,059,721 for a variety of reasons which include:

1. Vacancy savings relative to public safety and other departments.
2. Expenditures relative to the Comprehensive Service Act were \$425,379 under budget. Expenditures vary annually and are difficult to forecast. The annual budget reflects historical data and a cushion for contingencies.
3. Unexpended grants and other restricted funds will be carried forward and re-appropriated in fiscal year 2018.
4. Unexpended funds relative to the Department of Social Services totaled \$124,664. Again, this is an area that is difficult to forecast demand for services.
5. School Board carry forward funds for FY 2017 total \$621,100.
6. Unexpended Airport capital grants totaled \$2,194,557 and will be carried forward to FY 2019.

Actual transfers to and from other funds exceeded the amended budget by \$2,254,124, which is directly related to the final year-end transfer from the General Fund to the Capital Improvement Fund

totaling \$2,414,730. Annually, once the audit is complete and in accordance with County policy, the amount by which unassigned fund balance exceeds 15% of the annual budget is transferred to the Capital Improvement Fund.

Also, during FY 2018, the Board of Supervisors amended the budget throughout the year. These budget amendments or supplemental appropriations were primarily for the following purposes:

- To re-appropriate monies to pay for continuing programs whose fiscal year extended beyond the prior fiscal year, such as capital projects and donations.
- To re-appropriate grant revenues authorized in the prior fiscal year or earlier, but not expended or encumbered as of June 30, 2017.
- To appropriate grants or donations accepted or adjusted in FY 2018.
- To appropriate funds for program enhancements, small-scale capital projects or other operational needs that were not anticipated in the original FY 2018 budget.

### **CAPITAL ASSETS**

At the end of FY 2018, the County's investment in capital assets for the governmental, business-type and component unit activities total \$181,303,691 (net of accumulated depreciation). When compared to the prior fiscal year total of \$182,277,631, net investment in capital assets for all funds decreased \$973,940. Although governmental activities assets reflect a decrease of \$3,288,466; School Board assets reflect an increase of \$2,991,164. Most of this is related to the change in jointly-owned assets as related debt is retired. School related jointly owned assets increased \$2,861,207 in the FY 2018. The following table provides an overview of capital assets.

<b>Capital Assets</b> <b>(Net of accumulated depreciation)</b> <b>June 30, 2018 and 2017</b>								
	<b>Governmental</b> <b>Activities</b>		<b>Business-type</b> <b>Activities</b>		<b>Total Primary</b> <b>Government</b>		<b>Component</b> <b>Units</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Non-Depreciable Assets</b>								
Land	\$ 3,313,901	\$ 3,313,901	\$ 2,687,355	\$ 2,687,355	\$ 6,001,256	\$ 6,001,256	\$ 2,022,600	\$ 2,022,600
Construction in progress	2,141,117	879,542	675,212	508,538	2,816,329	1,388,080	29,150	10,022
<b>Other Capital Assets</b>								
Buildings	30,034,949	29,583,125	-	-	30,034,949	29,583,125	2,439,759	1,182,016
Machinery and equipment	17,314,365	16,614,806	-	-	17,314,365	16,614,806	7,138,848	6,358,394
Capital improvements	4,313,449	4,313,449	-	-	4,313,449	4,313,449	-	-
Intangible assets	1,411,131	1,578,247	-	-	1,411,131	1,578,247	-	-
Jointly owned assets	49,421,945	52,283,152	-	-	49,421,945	52,283,152	30,447,525	27,586,318
Water production and distribution facilities	-	-	6,216,077	6,065,398	6,216,077	6,065,398	-	-
Machinery and equipment	-	-	4,601,011	4,432,630	4,601,011	4,432,630	-	-
Intangible assets	-	-	135,275	147,195	135,275	147,195	-	-
Infrastructure	-	-	76,901,584	76,550,069	76,901,584	76,550,069	-	-
Gross Assets	\$ 107,950,857	\$ 108,566,222	\$ 91,216,514	\$ 90,391,185	\$ 199,167,371	\$ 198,957,407	\$ 42,077,882	\$ 37,159,350
Less Accumulated Depreciation	(32,138,969)	(29,465,868)	(14,481,592)	(12,979,625)	(46,620,561)	(42,445,493)	(13,321,001)	(11,393,633)
<b>Capital Assets Net of Depreciation</b>	<b>\$ 75,811,888</b>	<b>\$ 79,100,354</b>	<b>\$ 76,734,922</b>	<b>\$ 77,411,560</b>	<b>\$ 152,546,810</b>	<b>\$ 156,511,914</b>	<b>\$ 28,756,881</b>	<b>\$ 25,765,717</b>



## **OTHER INFORMATION**

The FY 2019 budget was adopted May 23, 2019 and totals \$98,022,891. The FY 2019 adopted General Fund expenditure budget totals \$42,859,620 (including transfers of \$23,591,998), which reflects a \$3,169,981 increase over the FY18 budget of \$39,689,639. The budget includes new debt totaling \$31 million, which includes \$28 million for a new elementary school and \$3 million for the development of a new park. The schedule below summarizes the major expenditure increases when compared to FY18.

FY18 General Fund Expenditure Budget	\$39,689,639
School Set Aside – Three Additional Pennies at \$286,367; Plus Assessment Incr.	1,083,137
Transfer to Debt Service – \$324,133 Existing; \$211,083 Pine Fork Park P&I	535,216
Five New Full-Time Positions	256,000
Employee Bonuses (\$1,000 FT; \$500 PT)	220,000
Employee Health Insurance Increase (13% - No Employee Share Increase)	192,960
Confinement of Inmates – Per Diem Increase	177,180
Market Adjustments – Sheriff Personnel (\$3,000 Sworn; \$2,000 Dispatch)	163,306
Virginia Retirement System Rate Increase (8.72% to 9.95%)	122,562
School Operating Fund Transfer	120,000
Other	299,620
Total FY19 General Fund Expenditure Budget	\$42,859,620

## **ECONOMIC OUTLOOK**

When looking at New Kent County from an economic perspective, it is important to remember that the County is primarily rural, but positioned for significant growth given the interstate highway that runs the length of the County and our location between Richmond and Hampton Roads. As indicated above, in the past few years New Kent County has experienced strong growth in new retail establishments, and therefore, has seen significant growth in business license, sales and meals tax revenues. However, the County's tax base is still primarily supported by real estate and personal property taxes given the fact that we are still considered a bedroom community and have not achieved the desired mix of business and housing that reflects a diversified tax base. Reliance on the real estate tax rate has presented short-term challenges in terms of financing new schools and providing personnel and infrastructure for public safety. In response to this short-term reliance on the real estate rate, the Board of Supervisors has looked for the right balance of tax increases and cost containment strategies to maintain service levels and respond to infrastructure needs. The influx of new businesses has and continues to take pressure off the real estate tax rate, and we expect that major retail chains and other major industries will locate to the County to take advantage of our well-educated workforce, interstate highways, affordable building lots and attractive tax structure.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, creditors and other interested parties with a general overview of the County's finances and to demonstrate the County's accountability for the resources it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Financial Services, County of New Kent, P. O. Box 150, New Kent, VA 23124 or via email at [MFAItemus@newkent-va.us](mailto:MFAItemus@newkent-va.us). Additional financial information can be found on our web-site [www.co.new-kent.va.us](http://www.co.new-kent.va.us)

# **BASIC FINANCIAL STATEMENTS**

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COUNTY OF NEW KENT, VIRGINIA

EXHIBIT 1

STATEMENT OF NET POSITION  
June 30, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	School Board	EDA
<b>ASSETS</b>					
Cash and cash equivalents (Note 3)	\$ 29,785,356	\$ 9,324,811	\$ 39,110,167	\$ 5,714,292	\$ 328,362
Investments	-	-	-	-	556
Receivables, net:					
Taxes receivable	2,259,320	16,493	2,275,813	-	-
Accounts receivable	837,117	823,710	1,660,827	945,576	-
Due from other governments (Note 4)	951,540	-	951,540	694,213	-
Inventory	-	-	-	-	721,508
Prepaid items	626,092	55,620	681,712	-	-
Capital assets, net (Note 5)	75,811,888	76,734,922	152,546,810	28,756,881	-
Total assets	110,271,313	86,955,556	197,226,869	36,110,962	1,050,426
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred amount on bond refundings	1,761,772	788,332	2,550,104	-	-
Items related to measurement of					
net pension liability (Notes 11 and 12)	1,082,148	130,316	1,212,464	3,546,382	-
Items related to measurement of					
other postemployment benefit liability (Notes 14, 15 and 16)	68,384	8,220	76,604	402,609	-
Total deferred outflows of resources	2,912,304	926,868	3,839,172	3,948,991	-
<b>LIABILITIES</b>					
Accounts payable	1,572,192	156,210	1,728,402	615,734	-
Accrued liabilities	103,022	-	103,022	3,353,439	-
Accrued interest payable	660,283	139,932	800,215	-	-
Unearned revenue	40,821	55,800	96,621	-	-
Deposits held in escrow	266,400	262,668	529,068	-	-
Long-term liabilities:					
Due within one year (Note 7)	5,129,414	668,185	5,797,599	269,636	-
Due in more than one year (Note 7)	51,150,178	14,068,930	65,219,108	25,412	-
Net pension liability (Notes 11 and 12)	1,533,407	209,421	1,742,828	24,463,735	-
Net other postemployment benefit liability (Notes 14, 15 and 16)	694,803	83,518	778,321	5,880,000	-
Total liabilities	61,150,520	15,644,664	76,795,184	34,607,956	-
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes (Note 8)	172,168	-	172,168	-	-
Items related to measurement of					
net pension liability (Notes 11 and 12)	430,352	49,245	479,597	2,945,181	-
Items related to measurement of					
other postemployment benefit liability (Notes 14, 15 and 16)	75,111	9,029	84,140	184,000	-
Total deferred inflows of resources	677,631	58,274	735,905	3,129,181	-
<b>NET POSITION</b>					
Net investment in capital assets	20,656,456	62,113,139	82,769,595	28,756,881	-
Restricted:					
E-911 Wireless	1,350	-	1,350	-	-
Asset forfeiture	33,884	-	33,884	-	-
Litter control	2,257	-	2,257	-	-
Unrestricted (deficit)	30,661,519	10,066,347	40,727,866	(26,434,065)	1,050,426
Total net position	\$ 51,355,466	\$ 72,179,486	\$ 123,534,952	\$ 2,322,816	\$ 1,050,426

The Notes to Financial Statements are an integral part of this statement.

## COUNTY OF NEW KENT, VIRGINIA

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
						Business-Type			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Activities	Total	School Board	EDA
Primary Government:									
Governmental activities:									
General government administration	\$ 4,110,361	\$ -	\$ 247,156	\$ -	\$ (3,863,205)	\$ -	\$ (3,863,205)	\$ -	\$ -
Judicial administration	1,678,249	407,834	502,702	-	(767,713)	-	(767,713)	-	-
Public safety	9,813,316	735,618	1,746,745	422,282	(6,908,671)	-	(6,908,671)	-	-
Public works	2,309,528	95,825	42,220	1,343,726	(827,757)	-	(827,757)	-	-
Health and welfare	3,047,140	-	1,560,705	-	(1,486,435)	-	(1,486,435)	-	-
Education	18,628,193	-	-	47,987	(18,580,206)	-	(18,580,206)	-	-
Parks, recreation, and cultural	782,790	353,261	4,500	-	(425,029)	-	(425,029)	-	-
Community development	1,205,772	908	5,947	82,041	(1,116,876)	-	(1,116,876)	-	-
Interest and other debt related costs	1,762,805	-	-	-	(1,762,805)	-	(1,762,805)	-	-
Total governmental activities	43,338,154	1,593,446	4,109,975	1,896,036	(35,738,697)	-	(35,738,697)	-	-
Business-type activities									
Water and sewer	4,014,301	4,373,542	-	-	-	359,241	359,241	-	-
Bottom's Bridge	816,106	260,161	-	-	-	(555,945)	(555,945)	-	-
Total business-type activities	4,830,407	4,633,703	-	-	-	(196,704)	(196,704)	-	-
Total primary government	\$ 48,168,561	\$ 6,227,149	\$ 4,109,975	\$ 1,896,036	\$ (35,738,697)	\$ -	\$ (35,935,401)	\$ -	\$ -
Component Units:									
School Board	\$ 27,199,288	\$ 871,704	\$ 17,726,573	\$ -	\$ -	\$ -	\$ -	\$ (8,601,011)	\$ -
Economic Development Authority	55,715	-	-	-	-	-	-	-	(55,715)
Total component units	\$ 27,255,003	\$ 871,704	\$ 17,726,573	\$ -	\$ -	\$ -	\$ -	\$ (8,601,011)	\$ (55,715)
General revenues:									
General property taxes					\$ 29,199,673	\$ 302,336	\$ 29,502,009	\$ -	\$ -
Local sales and use					1,666,206	-	1,666,206	-	-
Taxes on recordation and wills					482,696	-	482,696	-	-
Business license tax					739,457	-	739,457	-	-
Vehicle registration tax					580,299	-	580,299	-	-
Meals tax					885,197	-	885,197	-	-
Other local taxes					430,627	-	430,627	-	-
Unrestricted revenues from use of money and property					742,952	-	742,952	1,741	-
Interest					-	106,059	106,059	-	890
Miscellaneous					705,830	5,556	711,386	108,715	-
Grants and contributions not restricted to specific programs					2,949,802	-	2,949,802	-	-
County contribution					-	-	-	13,478,494	150,000
Total general revenues and transfers					38,382,739	413,951	38,796,690	13,588,950	150,890
Change in net position					2,644,042	217,247	2,861,289	4,987,939	95,175
NET POSITION AT JULY 1, as restated (Note 17)					48,711,424	71,962,239	120,673,663	(2,665,123)	955,251
NET POSITION AT JUNE 30					\$ 51,355,466	\$ 72,179,486	\$ 123,534,952	\$ 2,322,816	\$ 1,050,426

The Notes to Financial Statements are an integral part of this statement.

## COUNTY OF NEW KENT, VIRGINIA

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2018

	General	Airport	Debt Service	County Capital Improvements	Human Services	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 9,128,310	\$ 100,536	\$ 1,100,235	\$ 19,442,838	13,437	\$ 29,785,356
Receivables, net:						
Taxes receivable	2,259,320	-	-	-	-	2,259,320
Accounts receivable	324,744	11,523	-	500,000	850	837,117
Due from other governments	835,346	6,718	-	-	109,476	951,540
Prepaid items	557,826	1,844	-	65,737	685	626,092
Total assets	<u>\$ 13,105,546</u>	<u>\$ 120,621</u>	<u>\$ 1,100,235</u>	<u>\$ 20,008,575</u>	<u>\$ 124,448</u>	<u>\$ 34,459,425</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 245,909	\$ 686	\$ -	\$ 1,202,108	\$ 123,489	\$ 1,572,192
Accrued liabilities	100,784	1,279	-	-	959	103,022
Unearned revenue	40,821	-	-	-	-	40,821
Deposits held in escrow	-	1,200	-	265,200	-	266,400
Total liabilities	<u>387,514</u>	<u>3,165</u>	<u>-</u>	<u>1,467,308</u>	<u>124,448</u>	<u>1,982,435</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	<u>2,332,006</u>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>2,832,006</u>
<b>FUND BALANCES</b>						
Nonspendable	557,826	1,844	-	65,737	685	626,092
Restricted	37,491	-	-	1,388,725	-	1,426,216
Committed	150,758	-	8,243	16,586,805	-	16,745,806
Assigned	-	115,612	1,091,992	-	-	1,207,604
Unassigned	9,639,951	-	-	-	(685)	9,639,266
Total fund balances	<u>10,386,026</u>	<u>117,456</u>	<u>1,100,235</u>	<u>18,041,267</u>	<u>-</u>	<u>29,644,984</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,105,546</u>	<u>\$ 120,621</u>	<u>\$ 1,100,235</u>	<u>\$ 20,008,575</u>	<u>\$ 124,448</u>	<u>\$ 34,459,425</u>

The Notes to Financial Statements are an integral part of this statement.

## COUNTY OF NEW KENT, VIRGINIA

**RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
June 30, 2017**

<b>Total fund balances - Governmental Funds</b>		\$ 29,644,984
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Nondepreciable	5,455,018	
Depreciable, net	<u>70,356,870</u>	75,811,888
Deferred inflows of resources (i.e. taxes levied) are not available to pay for current period expenditures and, therefore, are deferred in the funds.		2,659,838
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	1,082,148	
Deferred inflows of resources related to pensions	(430,352)	
Deferred outflows of resources related to other postemployment benefits	68,384	
Deferred inflows of resources related to other postemployment benefits	<u>(75,111)</u>	645,069
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	(51,362,061)	
Bond issuance premium, net of accumulated amortization	(2,959,203)	
Capital lease and other long term obligation	(1,114,090)	
Deferred charge on refundings, net of accumulated amortization	1,761,772	
Interest payable	(660,283)	
Net pension Liability	(1,533,407)	
Net other postemployment benefit liability	(694,803)	
Compensated absences	<u>(844,238)</u>	(57,406,313)
<b>Net position of governmental activities</b>		<u><u>\$ 51,355,466</u></u>



## COUNTY OF NEW KENT, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2018**

	<b>General</b>	<b>Airport</b>	<b>Debt Service</b>	<b>County Capital Improvements</b>	<b>Human Services</b>	<b>Total</b>
<b>REVENUES</b>						
General property taxes	\$ 28,892,482	\$ -	\$ -	\$ -	\$ -	\$ 28,892,482
Other local taxes	4,784,482	-	-	-	-	4,784,482
Permits, privilege fees, and regulatory licenses	727,158	-	-	-	-	727,158
Fines and forfeitures	249,528	-	-	-	-	249,528
Revenue from the use of money and property	589,996	83,448	-	69,508	-	742,952
Charges for services	567,623	49,137	-	-	-	616,760
Contributions and proffers	-	-	-	849,474	-	849,474
Miscellaneous	512,924	-	-	183,172	9,734	705,830
Recovered costs	468,767	1,015	-	-	-	469,782
Intergovernmental revenues:						
Commonwealth	5,090,408	42,220	-	157,047	587,990	5,877,665
Federal	869,377	389,515	-	-	-	1,258,892
Total revenues	<u>42,752,745</u>	<u>565,335</u>	<u>-</u>	<u>1,259,201</u>	<u>597,724</u>	<u>45,175,005</u>
<b>EXPENDITURES</b>						
Current:						
General government administration	3,692,815	-	-	-	-	3,692,815
Judicial administration	1,525,220	-	-	-	-	1,525,220
Public safety	8,315,161	-	-	-	-	8,315,161
Public works	1,674,574	176,356	-	-	-	1,850,930
Health and welfare	1,749,036	-	-	-	1,223,488	2,972,524
Education	13,180,794	-	-	320,000	-	13,500,794
Parks, recreation, and cultural	732,024	-	-	-	-	732,024
Community development	955,763	-	-	-	-	955,763
Capital projects	-	439,783	-	4,874,138	-	5,313,921
Debt service:						
Principal retirement	-	-	3,823,765	-	-	3,823,765
Interest and other fiscal charges	-	-	1,980,293	-	-	1,980,293
Total expenditures	<u>31,825,387</u>	<u>616,139</u>	<u>5,804,058</u>	<u>5,194,138</u>	<u>1,223,488</u>	<u>44,663,210</u>
Excess (deficiency) of revenues over expenditures	<u>10,927,358</u>	<u>(50,804)</u>	<u>(5,804,058)</u>	<u>(3,934,937)</u>	<u>(625,764)</u>	<u>511,795</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of debt	-	-	-	3,179,000	-	3,179,000
Transfers in	126,338	62,595	7,048,794	3,444,876	625,764	11,308,367
Transfers out	(10,784,603)	-	(152,744)	(371,020)	-	(11,308,367)
Total other financing sources (uses)	<u>(10,658,265)</u>	<u>62,595</u>	<u>6,896,050</u>	<u>6,252,856</u>	<u>625,764</u>	<u>3,179,000</u>
Net change in fund balances	<u>269,093</u>	<u>11,791</u>	<u>1,091,992</u>	<u>2,317,919</u>	<u>-</u>	<u>3,690,795</u>
<b>FUND BALANCES AT JULY 1</b>	<u>10,116,933</u>	<u>105,665</u>	<u>8,243</u>	<u>15,723,348</u>	<u>-</u>	<u>25,954,189</u>
<b>FUND BALANCES AT JUNE 30</b>	<u>\$ 10,386,026</u>	<u>\$ 117,456</u>	<u>\$ 1,100,235</u>	<u>\$ 18,041,267</u>	<u>\$ -</u>	<u>\$ 29,644,984</u>

The Notes to Financial Statements are an integral part of this statement.

## COUNTY OF NEW KENT, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2018**

**Net Change in Fund Balance - Governmental Funds** \$ 3,690,795

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 expense.

Capital outlays	2,712,241	
Depreciation expense	(3,562,919)	
Allocation of jointly owned assets, net	(2,171,157)	
		(3,021,835)

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the property sold.		(266,631)
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Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense.

Employer pension contributions	709,063	
Pension Expense	(641,797)	
Other postemployment benefit contributions	57,604	
Other postemployment benefit expense	(26,973)	
		97,897

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		307,191
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The following transactions affecting long-term debt (provide) consume current financial resources of governmental funds. However, the transactions have no effect on net position:

Issuance of refunding bonds	(3,179,000)	
Payments of principal on long-term obligations	4,332,387	
		1,153,387

Some expenses reported in the Statement of Activities, such as compensated absences and other post-employment benefits do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	(34,250)	
Change in interest payable	(7,731)	
Amortization of deferred amounts on refunding	(321,037)	
Amortization of premium on bonds payable	546,256	
		183,238

<b>Changes in net position of governmental activities</b>		<b>\$ 2,144,042</b>
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## COUNTY OF NEW KENT, VIRGINIA

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2018**

	<b>Enterprise Funds</b>		
	<b>Water &amp; Sewer</b>	<b>Bottom's Bridge</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 9,324,811	\$ -	\$ 9,324,811
Receivables, net:			
Taxes receivable	-	16,493	16,493
Accounts receivable	823,710	-	823,710
Prepaid items	55,620	-	55,620
Total current assets	10,204,141	16,493	10,220,634
Noncurrent assets:			
Capital assets:			
Infrastructure	56,167,736	20,733,848	76,901,584
Land	1,434,314	1,253,041	2,687,355
Water production and distribution facilities	6,216,077	-	6,216,077
Machinery and equipment	4,601,011	-	4,601,011
Intangible assets	135,275	-	135,275
Construction in progress	675,212	-	675,212
Accumulated depreciation	(11,291,769)	(3,189,823)	(14,481,592)
Total noncurrent assets	57,937,856	18,797,066	76,734,922
Total assets	68,141,997	18,813,559	86,955,556
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on bond refunding	-	788,332	788,332
Items related to measurement of net pension liability	130,316	-	130,316
Items related to measurement of other postemployment benefits liability	8,220	-	8,220
Total deferred outflows of resources	138,536	788,332	926,868
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	156,210	-	156,210
Accrued interest payable	6,238	133,694	139,932
Unearned revenue	55,800	-	55,800
Deposits held in escrow	262,668	-	262,668
Compensated absences - current portion	96,406	-	96,406
Capital lease payable - current portion	11,920	-	11,920
Bonds payable - current portion	54,859	505,000	559,859
Total current liabilities	644,101	638,694	1,282,795
Noncurrent liabilities:			
Compensated absences - net of current portion	18,926	-	18,926
Bonds payable - net of current portion	852,829	13,149,495	14,002,324
Capital lease payable	47,680	-	47,680
Net pension liability	209,421	-	209,421
Net other postemployment benefit liability	83,518	-	83,518
Total noncurrent liabilities	1,212,374	13,149,495	14,361,869
Total liabilities	1,856,475	13,788,189	15,644,664
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Items related to measurement of net pension liability	49,245	-	49,245
Items related to measurement of other postemployment benefit liability	9,029	-	9,029
Total deferred inflows of resources	58,274	-	58,274
<b>NET POSITION</b>			
Net investment in capital assets	56,982,488	5,930,903	62,913,391
Unrestricted	9,383,296	(117,201)	9,266,095
Total net position	\$ 66,365,784	\$ 5,813,702	\$ 72,179,486

The Notes to Financial Statements are an integral part of this statement.

**EXHIBIT 8****COUNTY OF NEW KENT, VIRGINIA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2018**

	<b>Enterprise Funds</b>		
	<b>Water &amp; Sewer</b>	<b>Bottom's Bridge</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services:			
Water and sewer revenues	\$ 3,706,838	\$ -	\$ 3,706,838
Other revenues	19,653	-	19,653
Total operating revenues	3,726,491	-	3,726,491
<b>OPERATING EXPENSES</b>			
Personnel services	1,009,363	-	1,009,363
Fringe benefits	288,900	-	288,900
Contractual services	717,288	-	717,288
Other charges	761,321	-	761,321
Depreciation	1,208,651	318,982	1,527,633
Total operating expenses	3,985,523	318,982	4,304,505
Operating loss	(259,032)	(318,982)	(578,014)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Connection and reconnections fees	483,691	260,161	743,852
Investment income	106,059	-	106,059
Availability fees	163,360	-	163,360
Miscellaneous	5,556	-	5,556
Loss on disposal of assets	(9,334)	-	(9,334)
Tax revenue	-	302,336	302,336
Interest expense	(19,444)	(497,124)	(516,568)
Total non-operating revenues (expenses)	729,888	65,373	795,261
Income (loss) before transfers	470,856	(253,609)	217,247
Transfers In	-	455,177	455,177
Transfers Out	(455,177)	-	(455,177)
Change in net position	15,679	201,568	217,247
<b>NET POSITION AT JULY 1, AS RESTATED (NOTE 17)</b>	66,350,105	5,612,134	71,962,239
<b>NET POSITION AT JUNE 30</b>	<u>\$ 66,365,784</u>	<u>\$ 5,813,702</u>	<u>\$ 72,179,486</u>

The Notes to Financial Statements are an integral part of this statement.

## COUNTY OF NEW KENT VIRGINIA

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**Year Ended June 30, 2018**

	<b>Enterprise Funds</b>		
	<b>Water &amp; Sewer</b>	<b>Bottom's Bridge</b>	<b>Total</b>
<b>OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 3,730,432	\$ -	\$ 3,730,432
Payments to suppliers	(1,774,315)	-	(1,774,315)
Payments to employees	(1,023,425)	-	(1,023,425)
Net cash provided by operating activities	932,692	-	932,692
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	(455,177)	-	(455,177)
Transfers from other funds	-	455,177	455,177
Other revenue	5,556	318,338	323,894
Net cash provided by (used for) noncapital financing activities	(449,621)	773,515	323,894
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(860,329)	-	(860,329)
Principal payments on bonds and capital lease	(65,650)	(485,000)	(550,650)
Connection and availability fees	647,051	260,161	907,212
Interest expense	(19,813)	(548,676)	(568,489)
Net cash used in capital and related financing activities	(298,741)	(773,515)	(1,072,256)
<b>INVESTING ACTIVITIES</b>			
Investment income	106,059	-	106,059
Net cash provided by investing activities	106,059	-	106,059
Net increase in cash and cash equivalents	290,389	-	290,389
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning at July 1	9,034,423	-	9,034,423
Ending at June 30	\$ 9,324,812	\$ -	\$ 9,324,812
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating loss	\$ (259,032)	\$ (318,982)	\$ (578,014)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense	1,208,651	318,982	1,527,633
Pension expense net of employer contributions	(4,433)	-	(4,433)
OPEB expense net of employer contributions	(3,681)	-	(3,681)
Change in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	17,891	-	17,891
Prepaid items	1,471	-	1,471
(Decrease) increase in:			
Accounts payable	(14,377)	-	(14,377)
Unearned revenue	(13,950)	-	(13,950)
Deposits	6,100	-	6,100
Compensated absences	(5,948)	-	(5,948)
Net cash provided by operating activities	\$ 932,692	\$ -	\$ 932,692

The Notes to Financial Statements are an integral part of this statement.

**COUNTY OF NEW KENT, VIRGINIA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**June 30, 2018**

	<u><b>Agency Funds</b></u>
<b>ASSETS</b>	
Cash and cash equivalents (Note 3)	\$ 11,985
Total assets	<u>\$ 11,985</u>
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 11,985
Total liabilities	<u>\$ 11,985</u>

The Notes to Financial Statements are an integral part of this statement.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

**Primary Government.** The County of New Kent, Virginia (the “County”) is governed by an elected five member Board of Supervisors. The County provides a full range of services for its citizens. These services include police and volunteer and paid fire protection and rescue services; community and economic developments; judicial; recreational activities, cultural events, education, and social services.

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of New Kent (the “primary government”) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

**B. Individual Component Unit Disclosures**

*Discretely Presented Component Units*

The School Board members are elected by the citizens of New Kent County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The School Board does not issue a separate financial report. Additionally, the School Board provides a potential benefit or burden to the County, and cannot be included as part of another financial reporting entity. The County not only provides financial support to the School Board but also is responsible for any debt or financial obligation. The financial statements of the School Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2018.

The New Kent County Economic Development Authority (EDA) is responsible for industrial and commercial development in the County. The Authority consists of five members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the EDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2018. The Authority does not issue a separate financial report.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Other Related Organizations**

*The Central Virginia Waste Management Authority*

The Central Virginia Waste Management Authority (the “Waste Authority”) was established in December 1990 under the provision of the Virginia Water and Sewer Authorities Act (Ch. 31, Title 15.2, *Code of Virginia*). The Waste Authority’s board is comprised of representatives from the cities of Petersburg, Hopewell, Colonial Heights, and Richmond, the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George and the Town of Ashland. The 20 member board is comprised of no less than one and up to no more than three members from each of the participating jurisdictions, determined on a population basis. The County has one representative on the board. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Except for contribution requirements and direct payments for special projects, no participant has any on-going financial interest or responsibility in the Waste Authority. The County’s contribution and direct payments for special projects for the year ended June 30, 2018 was \$344,547. Complete financial statements can be obtained from the Authority’s office at 2100 West Laburnum Avenue, Suite 105, Richmond, Virginia 23227.

*Middle Peninsula Juvenile Detention Commission*

The Middle Peninsula Juvenile Detention Commission (the “Commission”) is a political subdivision of the Commonwealth of Virginia and is governed by a separate board. The Commission was created to enhance the region for the protection of the citizens by the construction, equipping, maintenance and operation of a juvenile detention facility (the “Center”) serving the eighteen member jurisdictions of which the County Administrator serves as the County’s representative on the board. The Commission is fiscally independent of the County because substantially all of its income will be generated from per diem payments from the member jurisdictions and reimbursements from the Commonwealth of Virginia for a portion of the capital costs. Under the Service Agreement, the County is obligated to pay a per diem rate to be determined annually by the Commission for each day a juvenile from the County is held at the Center or in another detention facility secured by the Commission. If the sum of all per diem rates paid during the fiscal year is below \$2,500, the County shall pay the Commission the amount equal to the difference. Separate audited financial statements for the Commission can be obtained from the fiscal agent’s office at James City County, P.O. Box 8784, Williamsburg, Virginia 23187.

Other Agencies – Certain agencies and commissions service both the County of New Kent and surrounding localities. Board membership is allocated among the localities and their governing bodies appointments. These agencies include: Consortium Board of the Capital Region Workforce Partnership, Central Virginia Waste Management Authority, Chickahominy District Health Advisory Board, Colonial Community Criminal Justice Board, Metropolitan Planning Organization, Richmond Metropolitan Convention & Visitors Bureau – Board of Directors, and Richmond Regional Planning District Commission.

(Continued)



**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds. 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.

Statement of Net Position – The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

The government-wide statement of activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 45 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County's fiduciary funds are presented in the fund financial statements by type and have no measurement focus but use the accrual basis of accounting for asset and liability recognition. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Property taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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

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

1. **Governmental Funds** – are those through which most governmental functions typically are financed. The County reports the General Fund, Debt Service Fund, Airport Fund, County Capital Improvements Fund, and School Construction Fund as major governmental funds.

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

**Debt Service Fund** – The Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report financial resources being accumulated for future debt service. Payment of principal and interest on the County's and School Board's general long-term debt financing is provided by appropriations from the General Fund, Capital Fund – proffers, and the Airport Fund.

**Capital Projects Funds** – The County Capital Improvements Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

**Governmental Funds (Continued)**

**Special Revenue Funds** – Special revenue funds account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. The County's one nonmajor Special Revenue Fund is the Human Services (Children's Services Act) Fund.

**Airport Fund** – accounts for and reports the financial resources and operations of the County Airport. These resources consist of fuel and oil sales, as well as hangar rental. The Airport Fund is a major Special Revenue Fund.

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

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

**Internal Service Funds** – accounts for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Fund consists of the Self-Insurance Fund reported in the Component Unit School Board.

3. **Fiduciary Funds – (Trust and 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 include Agency Funds. Agency Funds utilize the accrual basis of accounting, but do not have a measurement focus. Fiduciary funds are not included in the government-wide financial statements. The County's Agency Funds include amounts held for others in a fiduciary capacity, which includes social services clients. Agency Funds include the Special Welfare Fund and the Supplemental Security Income (SSI) Dedicated Fund.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

4. **Budgetary Comparison Schedules** – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports including the original budget, final budget and actual results.

**E. 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 government.

**F. Investments**

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

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

**G. Receivables and Payables**

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

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 \$38,485 at June 30, 2018 and is comprised of property taxes of \$26,016 and water and sewer receivables of \$12,469.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Receivables and Payables: (Continued)**

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	December 5	December 5
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

**H. Capital Assets**

Capital assets, which include property, plant and equipment and infrastructure, are reported in the applicable governmental columns in the government-wide financial statements for both the County and the Component Unit School Board. Capital assets are defined by the County as land, buildings, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The County does not have any infrastructure in its capital assets since roads, streets, bridges, and similar assets within its boundaries are the property of the Commonwealth of Virginia. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There is no capitalized interest for the year June 30, 2018.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20-50
Machinery and equipment	5-30
Intangible assets	4
Infrastructure	65
Vehicles	5-8
Water production and distribution facilities	50

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Prepaid Items**

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Prepaid expenditures in governmental funds are offset by a nonspendable fund balance.

**J. Restricted Assets**

The County reports restricted fund balance on the balance sheet in the amount of \$37,491, which represents E-911 wireless, Litter Control and asset forfeiture funds.

**K. Deferred Outflows/Inflows of Resources**

In addition to assets and liabilities, the statements that present net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has the following items that qualify for reporting in these categories:

- Deferred loss on refunding. A deferred loss 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. Due to the relationship with outstanding debt, these deferred outflows are included in the calculation of net position, net investment in capital assets.
- Contributions subsequent to the measurement date for pensions/OPEB are deferred outflows of resources; this will be applied to the net pension/OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension/OPEB liability are shown as a deferred outflow or inflow. This difference will be recognized in pension/OPEB expense over the closed five year period.
- Difference between projected and actual earnings on pension/OPEB plan investments are shown as a deferred outflow or inflow. This difference will be recognized in pension/OPEB expense over the closed five year period.
- Changes in assumptions on pension plan or OPEB investments are shown as a deferred outflow or inflow. This difference will be recognized in pension or OPEB expense over the remaining service life of the employees subject to the plan.

(Continued)



**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**K. Deferred Outflows/Inflows of Resources (Continued)**

- Changes in proportion. This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Unavailable revenue which occurs only under a modified accrual basis of accounting. This item is reported only in the governmental funds balance sheet as a deferred inflow. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year-end and property taxes levied to fund future years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Tax collections or governmental grants received before the period in which they are eligible for use are shown as a deferred inflow.

**L. Compensated Absences**

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

**M. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximate the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

(Continued)



**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**N. Pensions and OPEB**

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

**O. Use of Estimates**

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

**P. Net Position**

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

**Q. Net Position Flow Assumption**

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

**R. Fund Equity**

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

**Nonspendable Fund Balance** – Amounts that cannot be expended as they are either: (a) in nonspendable form; or, (b) legally or contractually required to be maintained intact by the governmental entity. Items in a nonspendable form include inventories and prepaid items. The corpus of an endowment is an example of an amount that is legally or contractually required to be maintained intact and is not available for expenditure.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**R. Fund Equity (Continued)**

**Restricted Fund Balance** – Amounts that are legally constrained for a specific purpose by external parties, constitutional provisions, bond indenture, or enabling legislation. External parties include creditors, grantors, contributors or laws and regulations. Enabling legislation includes any act of law or regulation that authorizes the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the enabling legislation. An act of law can originate external to the government or be self-imposed through the enactment of an ordinance by the governmental body. The expenditure of resources restriction must originate within the enabling legislation; whereas funds restricted outside originating legislation will be considered committed or assigned.

**Committed Fund Balance** – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

**Assigned Fund Balance** – Amounts constrained for a specific purpose by the County Administrator. Assignments shall not create a deficit in any fund or segment of fund balance.

**Unassigned Fund Balance** – Amounts not classified as nonspendable, restricted, committed, or assigned as noted above. The General Fund is the only fund that would report a positive unassigned fund balance.

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

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

In the general fund, the County strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 15% of the actual GAAP basis revenues and other financing sources and uses.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**R. Fund Equity (Continued)**

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

	<b>General Fund</b>	<b>Airport Fund</b>	<b>Debt Service Fund</b>	<b>County Capital Improvements Fund</b>	<b>Other Governmental Fund</b>	<b>Total</b>
<b>Fund Balances:</b>						
Nonspendable:						
Prepaid items	\$ 557,826	\$ 1,844	\$ -	\$ 65,737	\$ 685	\$ 626,092
Total Nonspendable Fund Balances	557,826	1,844	-	65,737	685	626,092
<b>Restricted</b>						
Public safety	35,234	-	-	-	-	35,234
Public works	2,257	-	-	-	-	2,257
Capital projects	-	-	-	1,388,725	-	1,388,725
Total Restricted Fund Balance	37,491	-	-	1,388,725	-	1,426,216
<b>Committed:</b>						
General Government	150,758	-	-	-	-	150,758
Capital projects	-	-	8,243	16,586,805	-	16,595,048
Total Committed Fund Balance	150,758	-	8,243	16,586,805	-	16,745,806
<b>Assigned:</b>						
Subsequent appropriation	-	115,612	1,091,992	-	-	1,207,604
Total Assigned Fund Balance	-	115,612	1,091,992	-	-	1,207,604
<b>Unassigned:</b>	9,639,951	-	-	-	(685)	9,639,266
Total Fund Balances	<u>\$ 10,386,026</u>	<u>\$ 117,456</u>	<u>\$ 1,100,235</u>	<u>\$ 18,041,267</u>	<u>\$ -</u>	<u>\$ 29,644,984</u>

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 2. Stewardship, Compliance, and Accounting**

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

Preparation of the annual budget is a two-step process consisting of the five-year Capital Improvement Plan (CIP) and the Annual Operating Budget. Funding for the first year of the five-year CIP budget is incorporated into the Annual Operating Budget which is approved by the Board of Supervisors in May. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Budgets are legally adopted for the General Fund, Special Revenue Funds (Human Services and Airport), Debt Service Fund, and Capital Project Funds of the Primary Government and Component Unit-School Board.

1. On or before December 1 of each year, all agencies of the County submit requests for appropriations to the County Administrator so that a budget may be prepared. The proposed operating and capital budget are presented to the County's Board of Supervisors for review. The Board holds informational budget sessions, budget work sessions, and a public hearing to obtain detailed information on budgetary issues and citizen input. A final budget is legally adopted through passage of a Budget Appropriation motion no later than June 30 for a fiscal year commencing on July 1. The Budget Appropriation motion establishes budgetary appropriation amounts at the fund level. The operating and capital budget includes proposed expenditures and the means to financing them.
2. The Board reviews its Bylaws at its January meeting and amends, as necessary, and readopts Bylaws at the February meeting. Included in the Bylaws are procedures for financial control. The Bylaws effectively establish a *legal level of budgetary* control, the lowest level at which the County Administrator may not reallocate resources without Board approval, at the department level. He is authorized to transfer appropriations by line item within departments, except for payroll and employee benefits line items. The County Administrator does not have authority to transfer appropriations between departments within the primary government's governmental funds. The Board of Supervisors must approve all other transfers and all requests for supplemental appropriations. The Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories unless the transfer crosses functions. However, any transfer that crosses functions or supplemental appropriation that increases the School's total appropriated budget requires subsequent Board of Supervisors approval.
3. Budgets are monitored and reported to the Board of Supervisors on a monthly basis.
4. Appropriations lapse on June 30, for all County departments. Encumbrances and committed fund balances outstanding at June 30 are reappropriated in the succeeding year on a case-by-case basis.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 3. Deposits and Investments**

**Deposits**

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

**Investments**

Investment policy

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

Pursuant to Sec. 2.1-234.7 of the *Code*, 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 and the carrying value of the position in LGIP and SNAP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share in accordance with GASB 79).

Custodial credit risk

The County’s investment policy requires that all securities purchased for the County be held by the County or by the County’s designated custodian. The County’s investments at June 30, 2017 were held by the County or in the County’s name by the County’s custodial banks. The investments also should have a credit rating no less than AA rated by *Standard and Poor’s* or *Aa* by *Moody’s Investor Service*.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 3. Deposits and Investments (Continued)**

**Credit Risk of Debt Securities**

The County's rated debt investments as of June 30, 2018 were rated by *Standard and Poor's* and the ratings are presented below using the *Standard and Poor's* rating scale. The County's investment policy limits investments to those allowed by the *Code of Virginia*. The County may however restrict investments beyond the limits imposed by the *Code of Virginia* as such restrictions serve the purpose of further safeguarding County funds or are in the best interest of the County.

<b>County's Rated Debt Investments' Values</b>	
<b><u>Rated Debt Investments</u></b>	<b><u>Fair Quality Ratings</u></b>
	<b><u>AAAm</u></b>
Local Government Investment Pool	<u>\$ 3,995</u>

**Interest Rate Risk**

According to the County's investment policy, no more than 50% of the portfolio may be invested in securities maturing in greater than 1 year. There were no investments with interest rate risk at year end.

**Note 4. Due From Other Governments**

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

	<b><u>Primary Government</u></b>	<b><u>Component Unit</u></b>
		<b><u>School Board</u></b>
Commonwealth of Virginia:		
State sales tax	\$ -	\$ 418,090
Department of social services	30,194	-
Constitutional officers reimbursement	116,672	-
E-911 wireless funds	8,647	-
Recordation tax	35,448	-
Victim witness grant	13,078	-
Comprehensive services	109,476	-
Communication sales tax	87,533	-
Airport grant	4,963	-
Local sales tax	311,213	-
Other state grants	71,740	-
Federal Government:		
School fund grants	-	276,123
Welfare	62,801	-
Airport grant	1,755	-
Other federal grants	98,021	-
Total due from other governments	<u>\$ 951,540</u>	<u>\$ 694,213</u>

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2018 is as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Transfers and Increases</b>	<b>Transfers and Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 3,313,901	\$ -	\$ -	\$ 3,313,901
Construction in progress	879,542	1,688,185	426,610	2,141,117
Total capital assets, not being depreciated	4,193,443	1,688,185	426,610	5,455,018
Capital assets, being depreciated:				
Buildings	29,583,125	451,824	-	30,034,949
Machinery and equipment	16,614,806	943,139	243,580	17,314,365
Capital improvements	4,313,449	-	-	4,313,449
Intangible assets	1,578,247	55,702	222,818	1,411,131
Jointly owned assets - buildings	52,283,152	-	2,861,207	49,421,945
Total capital assets being depreciated	104,372,779	1,450,665	3,327,605	102,495,839
Accumulated depreciation:				
Buildings	7,301,579	847,872	-	8,149,451
Machinery and equipment	8,318,463	1,494,882	199,769	9,613,576
Capital improvements	1,147,008	128,801	-	1,275,809
Intangible assets	76,812	26,643	-	103,455
Jointly owned assets - buildings	12,622,006	1,064,721	690,049	12,996,678
Total accumulated depreciation	29,465,868	3,562,919	889,818	32,138,969
Total capital assets, being Depreciated. net	74,906,911	(2,112,254)	2,437,787	70,356,870
Governmental activities capital assets, net	\$ 79,100,354	\$ (424,069)	\$ 2,864,397	\$ 75,811,888

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 5. Capital Assets (Continued)**

Capital asset activity for the year ended June 30, 2018 is as follows: (Continued)

<b>Business-type activities:</b>	<b>Beginning Balance</b>	<b>Transfers and Increases</b>	<b>Transfers and Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 2,687,355	\$ -	\$ -	\$ 2,687,355
Construction in progress	508,538	690,632	523,958	675,212
Total capital assets, not being depreciated	3,195,893	690,632	523,958	3,362,567
Capital assets, being depreciated:				
Water production and distribution	6,065,398	150,679	-	6,216,077
Machinery and equipment	4,432,630	203,381	35,000	4,601,011
Intangible assets	147,195	-	11,920	135,275
Infrastructure	76,550,069	351,515	-	76,901,584
Total capital assets being depreciated	87,195,292	705,575	46,920	87,853,947
Accumulated depreciation:				
Water production and distribution	2,116,946	131,341	-	2,248,287
Machinery and equipment	2,203,360	199,050	25,666	2,376,744
Intangible assets	17,180	17,180	-	34,360
Infrastructure	8,642,139	1,180,062	-	9,822,201
Total accumulated depreciation	12,979,625	1,527,633	25,666	14,481,592
Total capital assets, being Depreciated. net	74,215,667	(822,057)	21,255	73,372,355
Business-type activities capital assets, net	<u>\$ 77,411,560</u>	<u>\$ (131,425)</u>	<u>\$ 545,213</u>	<u>\$ 76,734,922</u>

(Continued)



**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 5. Capital Assets (Continued)**

Capital asset activity for the year ended June 30, 2018 is as follows: (Continued)

<b>Component Unit – School Board:</b>	Beginning Balance	Transfers and Increases	Transfers and Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,022,600	\$ -	\$ -	\$ 2,022,600
Construction in progress	10,022	19,128	-	29,150
Total capital assets, not being depreciated	2,032,622	19,128	-	2,051,750
Capital assets, being depreciated:				
Buildings	1,182,016	1,257,743	-	2,439,759
Jointly owned assets - buildings	27,586,318	2,861,207	-	30,447,525
Machinery and equipment	6,358,394	780,454	-	7,138,848
Total capital assets being depreciated	35,126,728	4,899,404	-	40,026,132
Accumulated depreciation:				
Buildings	179,117	147,711	-	326,828
Jointly owned assets - buildings	6,640,480	1,251,832	-	7,892,312
Machinery and equipment	4,574,036	527,824	-	5,101,861
Total accumulated depreciation	11,393,633	1,927,368	-	13,321,001
Total capital assets, being Depreciated. net	23,733,095	2,972,036	-	26,075,131
School Board capital assets, net	<u>\$ 25,765,717</u>	<u>\$ 2,991,164</u>	<u>\$ -</u>	<u>\$ 28,756,881</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$ 213,666
Judicial administration	154,889
Public safety	1,330,181
Public works	421,634
Health and welfare	75,992
Education	1,064,721
Parks, recreation, and cultural	51,066
Community development	250,770
Total Governmental activities	<u>\$ 3,562,919</u>

Component Unit School Board	<u>\$ 1,927,368</u>
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Business-type Activities

Water and sewer	\$ 1,208,651
Bottom's Bridge	318,982
Total Business-type activities	<u>\$ 1,527,633</u>

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 5. Capital Assets (Continued)**

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the *Code of Virginia*, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of New Kent, Virginia for the year ended June 30, 2018, is that school financed assets in the amount of \$36,425,267 are reported in the Primary Government for financial reporting purposes.

**Note 6. Interfund Transfers**

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

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General	\$ 126,338	\$ 10,784,603
Human Services	625,764	-
County Capital Improvements	3,444,876	371,020
Debt Service	7,048,794	152,744
Airport	62,595	-
	<u>11,308,367</u>	<u>11,308,367</u>
Total Governmental Funds		
Enterprise Funds:		
Water and Sewer	-	455,177
Bottom’s Bridge	455,177	-
	<u>455,177</u>	<u>455,177</u>
Total Enterprise Funds		
	<u>455,177</u>	<u>455,177</u>
Total Primary Government	<u>\$ 11,763,544</u>	<u>\$ 11,763,544</u>
Component Unit – School Board:		
School Operating	\$ -	\$ 100,000
Textbook	100,000	-
	<u>100,000</u>	<u>-</u>
Total Component Unit – School Board Funds	<u>\$ 100,000</u>	<u>\$ 100,000</u>

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 6. Interfund Transfers (Continued)**

Budget transfers were made throughout the year and at year-end for the Primary Government, Enterprise Funds, and the Component Unit – School Board. Most transfers were included in the Annual Adopted Budget.

**Governmental Funds:**

The largest interfund transfers out were the General Fund's support of the Debt Service and the County Capital Improvements Fund in the amount of \$7,048,794 and \$3,444,876, respectively. The Debt Service Fund is used to account for financial resources committed for the retirement of outstanding debt in accordance with existing amortization tables. All County debt (excluding the Enterprise Fund) is paid from the Debt Service Fund. The General Fund supports the Debt Service Fund through real estate tax and other local taxes collections.

The transfer out of the County Capital Improvements Fund (\$371,020) consists of transfers to the Computer Fund (included with the General Fund) (\$69,708), Airport Fund (\$44,682), Debt Service Fund (\$200,000) and the transfer to the General Fund (\$56,630).

The majority of the transfers in were funds transferred from the General Fund to the other Funds. The largest, as discussed above, is to the Debt Service Fund and the County Capital Improvements Fund. The General Fund also supports the Airport Fund with local funds which totaled \$62,595. The remaining transfers consist of the County's support of Human Services.

**Enterprise Funds:**

The Enterprise Funds made a transfer between Water and Sewer and Bottom's Bridge. The Bottom's Bridge District was established in 2004 as a financing vehicle to provide resources for the construction of water and sewer facilities in the Bottom's Bridge area. Excluding water and sewer volume fees, all revenues collected in the District are legally dedicated to the payment of debt service on the original construction bonds. Because the District did not collect enough funds to pay the debt service, the Water and Sewer Fund provided \$455,177 in additional support.

**Component Unit – School Board:**

A transfer was made to the Textbook Fund from the Operating Fund to provide funding for school textbooks.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 7. Long-Term Obligations**

**Primary Government:**

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

	<b>Beginning Balance, as restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b><u>Governmental Activities</u></b>					
<b>Incurred by County:</b>					
Compensated absences	\$ 809,988	\$ 887,889	\$ (853,639)	\$ 844,238	\$ 705,699
Net pension liability	2,180,442	-	(647,035)	1,533,407	-
Net other postemployment benefit liability	732,161	-	(37,358)	694,803	-
Lease revenue bonds	11,899,179	3,179,000	(962,558)	14,115,621	1,272,544
Capital Lease	1,336,908	-	(222,818)	1,114,090	222,818
Bond premium	330,930	-	(51,008)	279,922	-
Total incurred by County	17,289,608	4,066,889	(2,774,416)	18,582,081	2,201,061
<b>Incurred by School Board:</b>					
General obligation bonds	8,726,826	-	(826,765)	7,900,061	830,897
Lease revenue bonds	31,380,821	-	(2,034,442)	29,346,379	2,097,456
Other long-term obligations	285,804	-	(285,804)	-	-
Bond premium	3,174,529	-	(495,248)	2,679,281	-
Total incurred by School Board	43,567,980	-	(3,642,259)	39,925,721	2,928,353
Total Governmental Activities	<u>\$ 60,857,588</u>	<u>\$ 4,066,889</u>	<u>\$ (6,416,675)</u>	<u>\$ 58,507,802</u>	<u>\$ 5,129,414</u>
<b><u>Business-Type Activities</u></b>					
Compensated absences	\$ 121,280	\$ 101,540	\$ (107,488)	\$ 115,332	\$ 96,406
Net pension liability	287,193	-	(77,772)	209,421	-
Net other postemployment benefit liability	88,008	-	(4,490)	83,518	-
Capital lease	71,520	-	(11,920)	59,600	11,920
Lease revenue bonds	14,106,418	-	(538,730)	13,567,688	559,859
Bond premium	1,142,580	-	(148,085)	994,495	-
	<u>\$ 15,816,999</u>	<u>\$ 101,540</u>	<u>\$ (888,485)</u>	<u>\$ 15,030,054</u>	<u>\$ 668,185</u>

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 7. Long-Term Obligations (Continued)**

**Primary Government: (Continued)**

Governmental activities long-term liabilities, such as compensated absences, and are generally liquidated by the general fund.

The gross amount of software acquired under the capital lease is \$1,559,726.

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

<b>Year Ending June 30</b>	<b>County Obligations</b>		<b>Capital Lease</b>	
	<b>Lease Revenue Bonds</b>		<b>Governmental Activities</b>	<b>Business-Type Activities</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal Only</b>	
2019	\$ 1,272,544	\$ 368,879	\$ 222,818	\$ 11,920
2020	1,305,526	336,130	222,818	11,920
2021	1,340,503	300,483	222,818	11,920
2022	1,377,977	263,314	222,818	11,920
2023	1,416,448	224,898	222,818	11,920
2024-2028	6,372,828	541,387	-	-
2029-2032	1,029,795	34,547	-	-
Total	<u>\$ 14,115,621</u>	<u>\$ 2,069,638</u>	<u>\$ 1,114,090</u>	<u>\$ 59,600</u>

<b>Year Ending June 30</b>	<b>School Obligations</b>			
	<b>General Obligation Bond</b>		<b>Lease Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 830,897	\$ 357,876	\$ 2,097,456	\$ 1,198,740
2020	835,474	318,106	2,178,474	1,117,593
2021	840,284	278,104	2,286,497	1,006,441
2022	845,807	237,388	2,408,023	886,144
2023	850,329	197,672	2,538,552	759,388
2024-2028	3,697,270	398,077	14,592,172	1,890,687
2029-2032	-	-	3,245,205	50,706
Total	<u>\$ 7,900,061</u>	<u>\$ 1,787,223</u>	<u>\$ 29,346,379</u>	<u>\$ 6,909,699</u>

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 7. Long-Term Obligations (Continued)**

**Primary Government: (Continued)**

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

<u>Year Ending June 30</u>	<u>Enterprise Obligations</u>	
	<u>Lease</u>	
	<u>Revenue Bond</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 559,859	\$ 540,570
2020	591,011	512,842
2021	622,188	483,553
2022	658,389	452,599
2023	679,616	420,209
2024-2028	3,902,403	1,588,234
2029-2033	4,629,222	730,327
2034-2035	1,925,000	60,547
Total	<u>\$ 13,567,688</u>	<u>\$ 4,788,881</u>

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 7. Long-Term Obligations (Continued)**

**Primary Government: (Continued)**

Details of long-term indebtedness are as follows:

	<u>Year Issued</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities Obligations:</b>					
<b>Incurred by County:</b>					
Lease revenue Bonds					
2015 lease revenue bond	2015	2.35%	10/1/2025	\$ 3,968,000	\$ 457,000
2014 refunding lease revenue bond	2015	2.125%-5.125%	10/1/2028	3,253,621	232,544
2016a lease revenue bond	2016	2.13%	10/1/2031	2,117,000	131,000
2016b refunding lease revenue bond	2007	1.84%	02/1/2027	1,598,000	165,000
2017 lease revenue bond	2017	2.16%	10/1/2027	3,179,000	287,000
Total incurred by County				14,115,621	1,272,544
<b>Incurred by School Board:</b>					
General obligation bonds					
2007 School bond	2008	5.10%	7/15/2027	3,585,607	346,134
2006 School bond	2007	4.225%-5.10%	7/15/2026	3,307,016	362,648
2005 School bond - primary school	2006	4.60%-5.10%	7/15/2025	1,007,438	122,115
Total general obligation bonds				7,900,061	830,897
Lease revenue bond					
2014 refunding lease revenue bond	2015	2.125%-5.125%	10/1/2028	29,346,379	2,097,456
Total incurred by School Board				37,246,440	2,928,353
Capital lease – financial software	2017	-0-%	2023	1,114,090	222,818
Total Governmental Activities Obligations				\$ 52,476,151	\$ 4,423,715
<b>Business-type Activities Obligations:</b>					
Lease revenue bonds					
2014 lease revenue bond	2015	2.09%	9/1/2034	\$ 907,688	\$ 54,859
2012B lease revenue bond	2012	2.279-5.125%	10/1/2029	7,610,000	475,000
2012C lease revenue bond	2012	2.172-4.839%	10/1/2034	5,050,000	30,000
Capital lease – financial software	2017	-0-%		59,600	11,920
Total Business-type Obligations				\$ 13,627,288	\$ 571,779

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 7. Long-Term Obligations (Continued)**

**Primary Government: (Continued)**

**Rate Covenant**

The 2016 lease revenue bond prescribes that the County shall fix, charge and collect such charges for the use of and for the services furnished by the water and sewer system so that net revenues available for debt service in any fiscal year is equal to or greater than 115% of annual debt service required to be paid for bonds in that fiscal year. The following calculation shows the County's compliance with this rate covenant:

Fiscal Year	Total Revenues	Cash Reserves *1	Total Revenue and Cash Available for Debt Service	Adjusted Expenditures	Net Revenues and Cash Available For Debt Service	Fiscal Year Debt Service All W&S Bonds	Percentage of
							Net Revenues Available Debt Services
2015	\$4,678,319	\$6,742,068	\$11,420,387	\$2,448,304	\$8,972,083	\$1,078,141	832%
2016	4,653,440	7,499,084	12,152,524	2,434,877	9,717,647	1,087,807	883%
2017	5,652,980	8,777,855	14,430,835	2,534,537	11,896,298	1,106,391	1075%
2018	5,047,654	9,324,811	14,372,465	3,302,774	11,069,691	1,105,022	1002%

\*1 - Uncommitted cash at June 30th

**Component Unit – School Board:**

The following is a summary of long-term obligations of the Component Unit – School Board for the year ended June 30, 2018:

	Beginning Balance, as restated	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 310,051	\$ -	\$ (15,003)	\$ 295,048	\$ 269,636
Net pension liability	27,924,889	-	(3,461,154)	24,463,735	-
Other postemployment benefits	5,626,344	253,656	-	5,880,000	-
	<u>\$ 30,595,757</u>	<u>\$ 253,656</u>	<u>\$ (3,476,157)</u>	<u>\$ 30,638,783</u>	<u>\$ 269,636</u>

(Continued)



**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 8. Unearned and Deferred/Unavailable Revenue**

Unearned and deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned and deferred/unavailable revenue is comprised of the following:

Unavailable Revenue: Revenue representing uncollected tax billings of \$2,159,838 and proffers totaling \$500,000 are not available for funding of current expenditures.

Prepaid Property Taxes: Property taxes due subsequent to June 30 but paid in advance by the tax payers totaled \$172,168.

Unearned Revenue: Other miscellaneous unearned revenue consisting of unearned utility connection fees totaled \$40,821.

**Note 9. Commitments and Contingencies**

Special Purpose Grants

Federal programs in which the County and all discretely presented component units participate were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

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

Construction Commitments

Approximately \$946,000 related to the purchase of a fire truck is included in the County's construction in progress and accounts payable at June 30, 2018. Four additional trucks, approximately \$2,055,000 have been ordered as part of the new Bank of America capital lease. The following construction contracts were outstanding at June 30, 2018:

<b>Fund</b>	<b>Project</b>	<b>Contractor</b>	<b>Amount of Contract</b>	<b>Contract Outstanding June 30, 2018</b>
Capital Projects	Fire Station #5 Construction	Henderson, Inc.	\$ 2,518,692	\$ 2,428,309

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 10. Risk Management**

County

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County joined together with other local governments in Virginia to form the Virginia Municipal League, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The County pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool 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. Through this coverage, the County obtains general liability coverage of \$1,000,000 per occurrence, auto liability coverage of \$1,000,000 per occurrence, property coverage at functional replacement up to policy limits for real and personal property, workers' compensation up to the statutory limits, public officials/excess general liability of \$2,000,000 per occurrence and crime blanket coverage of \$250,000. Settlements have not exceeded coverage for each of the past three fiscal years.

Component Units

The component units – School Board and Economic Development Authority, carry commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School Board retains a portion of the risks through a self-insurance health insurance plan. Plan participants are eligible for medical benefits from the School Board health insurance internal service fund. The School Board records an estimated liability for healthcare claims liability for 2018, 2017, and 2016:

<b>Fiscal Year Ended</b>	<b>Beginning Liability</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Ending Liability</b>
June 30, 2018	\$ 340,046	\$ 3,307,119	\$ 3,324,844	\$ 322,321
June 30, 2017	308,562	3,619,447	3,587,963	340,046
June 30, 2016	259,251	3,470,913	3,421,602	308,562

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan**

**County of New Kent**

**Plan Description**

All full-time, salaried permanent employees of the County of New Kent, Virginia, (the “Political Subdivision”) are automatically covered by VRS Retirement Plan upon employment. This plan is 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 as follows:

**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.

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. 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.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% 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.
- **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.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Plan Description (Continued)**

**Plan 1 (Continued)**

- **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.
- **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.
- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **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%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **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. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.
- **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. Age 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Plan Description (Continued)**

**Plan 1 (Continued)**

- **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
  - **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
  - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
    - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
    - The member retires on disability.
    - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
    - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
    - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- **Disability Coverage** – 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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. 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.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Plan Description (Continued)**

**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.

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. 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.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
  - **Eligibility** – Same as Plan 1.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Plan Description (Continued)**

**Plan 2 (Continued)**

- **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
  - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

**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. The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

- **Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; 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.
- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
- **Retirement Contributions** – 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.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

• **Creditable Service –**

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

• **Vesting –**

- **Defined Benefit Component** – Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. 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.
- **Defined Contributions Component** – Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.

• **Calculating the Benefit –**

- **Defined Benefit Component** – See definition under Plan 1.
  - **Defined Contribution Component** – The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation** – Same as Plan 2 for the defined benefit component of the plan.

(Continued)



**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

- **Service Retirement Multiplier** – The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age** –
  - **Defined Benefit Component** – Same as Plan 2, however, not applicable for hazardous duty employees.
  - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility** –
  - **Defined Benefit Component** – Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
  - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Reduced Retirement Eligibility** –
  - **Defined Benefit Component** – Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
  - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement** –
  - **Defined Benefit Component** – Same as Plan 2.
  - **Defined Contribution Component** – Not Applicable.
  - **Eligibility** – Same as Plan 1 and 2.
  - **Exceptions to COLA Effective Dates** – Same as Plan 1 and 2.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

- **Disability Coverage** – Employees of political subdivisions (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. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** –
  - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
    - 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.
  - **Defined Contribution Component** – Not Applicable.

**Employees Covered by Benefit Terms**

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>82</u>
Inactive members:	
Vested inactive members	35
Non-vested inactive members	47
Inactive members active elsewhere in VRS	<u>80</u>
Total inactive members	162
Active members	<u>173</u>
Total covered employees	<u><u>417</u></u>

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% 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 political subdivision's contractually required contribution rate for the year ended June 30, 2018 was 8.72% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$794,290 and \$741,927 for the years ended June 30, 2018 and June 30, 2017, respectively.

**Net Pension Liability**

The political subdivision's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Actuarial Assumptions**

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, 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 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: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

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

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjustment to rates of retirement by increasing rate at 50 and lowering rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, and no changes to salary scale.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Long-Term Expected Rate of Return**

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

<b><u>Asset Class (Strategy)</u></b>	<b><u>Target Allocation</u></b>	<b><u>Arithmetic Long-Term Expected Rate of Return</u></b>	<b><u>Weighted Average Long-Term Expected Rate of Return</u></b>
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		<u>4.80 %</u>
	Inflation		<u>2.50 %</u>
	*Expected arithmetic nominal return		<u>7.30 %</u>

- \* The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2016, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2016	\$ 25,127,027	\$ 22,659,392	\$ 2,467,635
Changes for the year:			
Service cost	1,101,847	-	1,101,847
Interest	1,725,540	-	1,725,540
Change in assumptions	(135,401)	-	(135,401)
Differences between expected and actual experience	525,074	-	525,074
Contributions – employer	-	741,927	(741,927)
Contributions – employee	-	450,503	(450,503)
Net investment income	-	2,787,517	(2,787,517)
Benefit payments, including refunds of employee contributions	(952,919)	(952,919)	-
Administrative expenses	-	(15,573)	15,573
Other changes	-	(2,507)	2,507
Net changes	2,264,141	2,988,948	(724,807)
Balances at June 30, 2017	\$ 27,391,168	\$ 25,648,340	\$ 1,742,828

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

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

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

	<b><u>1.00% Decrease (6.00%)</u></b>	<b><u>Current Discount Rate (7.00%)</u></b>	<b><u>1.00% Increase (8.00%)</u></b>
Political subdivision's net pension liability (asset)	\$ 5,659,659	\$ 1,742,828	\$ (1,478,164)

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

For the year ended June 30, 2018, the political subdivision recognized pension expense of \$722,488. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 418,174	\$ 4,578
Change in assumptions	-	98,707
Net difference between projected and actual earnings on pension plan investments	-	376,312
Employer contributions subsequent to the measurement date	794,290	-
Total	<u>\$ 1,212,464</u>	<u>\$ 479,597</u>

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

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

The \$794,290 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2019	\$ (99,270)
2020	212,197
2020	64,512
2022	(238,862)
2023	-
Thereafter	-

**Pension Plan Data**

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

(Continued)



**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**School Board Nonprofessionals**

**Plan Description**

All full-time, salaried permanent non-professional employees (non-teachers) of the New Kent County Schools, (the "School division") are automatically covered by VRS Retirement Plan upon employment. This plan is 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. The plan provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described earlier in this note in relation to the County plan.

**Employees Covered by Benefit Terms**

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>48</u>
Inactive members:	
Vested inactive members	18
Non-vested inactive members	36
Inactive members active elsewhere in VRS	<u>22</u>
Total inactive members	76
Active members	<u>47</u>
Total covered employees	<u><u>171</u></u>

**Contributions**

The school division's contractually required contribution rate for the year ended June 30, 2018 was 6.48% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

Contributions to the pension plan from the school division were \$77,559 and \$76,102 for the years ended June 30, 2018 and June 30, 2017, respectively.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**School Board Nonprofessionals (Continued)**

**Changes in Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2016	\$ 4,901,768	\$ 4,512,879	\$ 388,889
Changes for the year:			
Service cost	118,032	-	118,032
Interest	335,264	-	335,264
Change in assumptions	7,127	-	7,127
Differences between expected and actual experience	(165,385)	-	(165,385)
Contributions – employer	-	76,102	(76,102)
Contributions – employee	-	60,153	(60,153)
Net investment income	-	547,610	(547,610)
Benefit payments, including refunds of employee contributions	(224,566)	(224,566)	-
Administrative expenses	-	(3,187)	3,187
Other changes	-	(486)	486
Net changes	70,472	455,626	(385,154)
Balances at June 30, 2017	\$ 4,972,240	\$ 4,968,505	\$ 3,735

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

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

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
School division's net pension liability	\$ 639,779	\$ 3,735	\$ (526,240)

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**School Board Nonprofessionals (Continued)**

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

For the year ended June 30, 2018, the school division recognized pension expense of \$4,326. At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 13,185	\$ 85,489
Change in assumptions	3,684	-
Net difference between projected and actual earnings on pension plan investments	-	70,692
Employer contributions subsequent to the measurement date	77,559	-
Total	<u>\$ 94,428</u>	<u>\$ 156,181</u>

The \$77,559 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2019	\$ (108,381)
2020	15,927
2021	129
2022	(46,987)
2023	-
Thereafter	-

**Pension Plan Data**

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

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Plan**

**General Information about the Teacher Cost Sharing Plan**

*Plan Description*

All full-time, salaried permanent (professional) employees of Virginia public school divisions, including New Kent County Schools, (the “School Division”), are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is 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 employers 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 funded service.

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described in Note 11.

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division’s contractually required contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$2,628,954 and \$2,263,303 for the years ended June 30, 2018 and June 30, 2017, respectively.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)**

**General Information about the Teacher Cost Sharing Plan (Continued)**

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

At June 30, 2018, the school division reported a liability of \$24,460,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.19890% as compared to 0.19649% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$1,899,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ -	\$ 1,732,000
Change in assumptions	357,000	-
Net difference between projected and actual earnings on pension plan investments	-	889,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	466,000	168,000
Employer contributions subsequent to the measurement date	<u>2,628,954</u>	<u>-</u>
Total	<u><u>\$ 3,451,954</u></u>	<u><u>\$ 2,789,000</u></u>

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)**

**General Information about the Teacher Cost Sharing Plan (Continued)**

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

The \$2,628,954 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Reduction to Pension Expense</u>
2019	\$ (867,000)
2020	(18,000)
2021	(270,000)
2022	(758,000)
2023	(53,000)
Thereafter	-

*Net Pension Liability*

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

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

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 12. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)**

**General Information about the Teacher Cost Sharing Plan (Continued)**

*Net Pension Liability (Continued)*

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

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

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

	<b><u>1.00% Decrease (6.00%)</u></b>	<b><u>Current Discount Rate (7.00%)</u></b>	<b><u>1.00% Increase (8.00%)</u></b>
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	\$ 36,528,000	\$ 24,460,000	\$ 14,478,000

*Pension Plan Fiduciary Net Position*

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

**Note 13. Deferred Compensation Plan**

Eligible employees of the County may participate in a deferred compensation plan in accordance with Internal Revenue Code section 457. The plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination of employment, retirement, death or unforeseen emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts deferred and all income attributable to those amounts, property or rights are held in trust for the participants. The County does not make or match contributions.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 14. Other Postemployment Benefits – School Local Plan**

**Health Insurance**

**Plan Description**

Beginning in fiscal year 2009, the School Board implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. The standard addresses how local governments should account for and report their costs related to postemployment health care and other non-pension benefits, such as the School Board retiree health benefit subsidy. Historically, the School Board subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 75 requires that the School Board accrue the cost of the retiree health subsidy and other postemployment benefits during the period of the employees' active employment, while the benefits are being earned. This funding methodology mirrors the funding approach used for pension benefits.

**Benefits Provided**

New Kent County Public Schools retirees must meet one of the following requirements to be eligible for health benefits.

- retire with an immediate benefit from the Virginia Retirement System.
- has medical coverage prior to retirement.
- Retirees are eligible for the School's wellness program. The wellness program provides a subsidy of \$720 per year for participants who meet certain wellness criteria.

Health benefits include medical and dental. The retirees are responsible for 100% of the premiums. Benefits end at the age of 65.

**Employees Covered by Benefit Terms**

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<b><u>Number</u></b>
Inactive employees or beneficiaries:	
Currently receiving benefits	10
Entitled to but not yet receiving benefits	<u>-</u>
Total inactive employees	10
Active plan members	<u>389</u>
	<u><u>399</u></u>

(Continued)



**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 14. Other Postemployment Benefits – School Local Plan (Continued)**

**Total OPEB Liability**

The School's total OPEB liability of \$1,984,000 was measured as of July 1, 2017 and was determined based on an actuarial valuation performed as of July 1, 2016

**Actuarial Assumptions and other inputs**

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

Actuarial Cost Method	Entry Age Actuarial Cost Method
Discount Rate	3.56%
Salary increases, including inflation	4.00%
Healthcare cost trend rates	4.00 % for fiscal year 2017 6.50% for fiscal year 2018, decreasing 0.50% per year to an ultimate rate of 5.00%

Mortality rates: RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2017.

**Changes in the Total OPEB Liability**

Balance at July 1, 2017	<u>\$ 1,886,000</u>
Changes for the year:	
Service cost	94,000
Interest	69,000
Benefit payments	<u>(65,000)</u>
Net changes	<u>98,000</u>
Balance at June 30, 2018*	<u><u>\$ 1,984,000</u></u>

\*Measurement date is July 1, 2017

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 14. Other Postemployment Benefits – School Local Plan (Continued)**

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

The following presents the total OPEB liability of the Schools, as well as what the School's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

	<b><u>1.00% Decrease (2.56%)</u></b>	<b><u>Current Discount Rate (3.56%)</u></b>	<b><u>1.00% Increase (4.56%)</u></b>
Total OPEB liability	\$ 2,172,000	\$ 1,984,000	\$ 1,811,000

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

The following presents the total OPEB liability of the Schools, as well as what the School's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current healthcare cost trend rates:

	<b><u>1.00% Decrease (5.5%)</u></b>	<b><u>Current Healthcare Cost Trend Rates (6.5%)</u></b>	<b><u>1.00% Increase (7.5%)</u></b>
Total OPEB liability	\$ 1,731,000	\$ 1,984,000	\$ 2,290,000

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the Schools recognized OPEB expense of \$163,000. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Employer contributions subsequent to the measurement date	\$ 65,000	-
Total	<u>\$ 65,000</u>	<u>\$ -</u>

The \$65,000 reported as deferred outflows of resources related to OPEB resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB Liability in the year ended June 30, 2019.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans**

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the County and Schools also participate in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

**Plan Descriptions**

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

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

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

Teacher Employee Health Insurance Credit Program

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

Specific information about the Teacher HIC is available at <https://www.varetire.org/retirees/insurance/healthinscredit/index.asp>

The GLI and Teacher HIC are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple employer, cost sharing plans.

General Employee Health Insurance Credit Program

The General Employee Health Insurance Credit Program (HIC) is available for all full time, salaried employees of local government entities other than Teachers. The General Employee HIC provides all the same benefits as the Teacher HIC, except that this plan is considered a multi-employer agent plan.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>1</u>
Inactive members:	
Vested inactive members	2
Non-vested inactive members	-
Inactive members	<u>-</u>
Total inactive members	3
Active members	<u>94</u>
Total covered employees	<u><u>97</u></u>

**Contributions**

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2015. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2018 Contribution – County	\$47,528
June 30, 2017 Contribution – County	\$45,455
June 30, 2018 Contribution – Schools	\$92,748
June 30, 2017 Contribution - Schools	\$88,156

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**Contributions (Continued)**

Teacher Health Insurance Credit Program

Governed by:	<i>Code of Virginia</i> 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.23% of covered employee compensation.
June 30, 2018 Contribution	\$200,861
June 30, 2017 Contribution	\$173,500

General Employee Health Insurance Credit Program

Governed by:	<i>Code of Virginia</i> 51.1-1402(E) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	.20% of covered employee compensation.
June 30, 2018 Contribution	\$10,076
June 30, 2017 Contribution	\$9,547

**OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB**

The net OPEB liabilities were measured as of June 30, 2017 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

	<b>County</b>	<b>Schools</b>
June 30, 2018 proportionate share of liability	\$713,000	\$1,383,000
June 30, 2017 proportion	.04739 %	.09191%
June 30, 2016 proportion	.04606 %	.09001%
June 30, 2018 expense	\$12,000	\$22,000

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)**

Teacher Health Insurance Credit Program

June 30, 2018 proportionate share of liability	\$2,513,000
June 30, 2017 proportion	.19806%
June 30, 2016 proportion	.19648%
June 30, 2018 expense	\$207,000

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

General Employee Health Insurance Credit Program

For the year ended June 30, 2018, the County recognized HIC OPEB expense of \$10,837. Changes in net OPEB liability of the General Employee Health Insurance Credit Program were as follows:

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a) – (b)</b>
Balances at June 30, 2016	\$ 69,171	\$ -	\$ 69,171
Changes for the year:			
Service cost	6,996	-	6,996
Interest	4,844	-	4,844
Benefit changes	-	-	-
Differences between expected and actual experience	-	-	-
Assumption changes	(5,581)	-	(5,581)
Contributions – employer	-	9,547	(9,547)
Net investment income	-	586	(586)
Benefit payments	78	78	-
Administrative expenses	-	(24)	24
Other changes	-	-	-
Net changes	6,337	10,187	(3,850)
Balances at June 30, 2017	\$ 75,508	\$ 10,187	\$ 65,321

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)**

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program - County

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 15,000
Change in assumptions	-	37,000
Net difference between projected and actual earnings on OPEB plan investments	-	27,000
Changes in proportion	19,000	-
Employer contributions subsequent to the measurement date	47,528	-
Total	<u>\$ 66,528</u>	<u>\$ 79,000</u>

Group Life Insurance Program - Schools

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 31,000
Change in assumptions	-	71,000
Net difference between projected and actual earnings on OPEB plan investments	-	52,000
Changes in proportion	27,000	-
Employer contributions subsequent to the measurement date	92,748	-
Total	<u>\$ 119,748</u>	<u>\$ 154,000</u>

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)**

Teacher Health Insurance Credit Program

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	25,000
Net difference between projected and actual earnings on OPEB plan investments	-	5,000
Changes in proportion	17,000	-
Employer contributions subsequent to the measurement date	200,861	-
Total	<u>\$ 217,861</u>	<u>\$ 30,000</u>

General Employee Health Insurance Credit Program

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	4,940
Net difference between projected and actual earnings on OPEB plan investments	-	200
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	10,076	-
Total	<u>\$ 10,076</u>	<u>\$ 5,140</u>

The deferred outflows of resources related to OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

(Continued)



**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)**

Group Life Insurance Program

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>	
	<b>County</b>	<b>Schools</b>
2019	\$ (12,000)	\$ (26,000)
2020	(12,000)	(26,000)
2021	(12,000)	(26,000)
2022	(12,000)	(26,000)
2023	(7,000)	(13,000)
Thereafter	(5,000)	(10,000)

Teacher Health Insurance Credit Program

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2019	\$ (2,156)
2020	(2,156)
2021	(2,156)
2022	(2,155)
2023	(1,670)
Thereafter	(2,707)

General Employee Health Insurance Credit Program

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2019	\$ (691)
2020	(691)
2021	(691)
2022	(691)
2023	(641)
Thereafter	(1,735)

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**Actuarial Assumptions and Other Inputs**

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2016, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Inflation	2.5%
Salary increases, including inflation:	
• Locality- general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
• Teachers	3.5 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	GLI & HIC: 7.0%

- \* 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 rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 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 the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 11.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**Net OPEB Liabilities**

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	<b>Group Life Insurance Program</b>	<b>Teacher Employee HIC OPEB Plan</b>
Total OPEB Liability	\$ 2,942,426	\$ 1,364,702
Plan fiduciary net position	1,437,586	96,091
Employers' net OPEB liability (asset)	\$ 1,504,840	\$ 1,268,611
Plan fiduciary net position as a percentage of total OPEB liability	48.86%	7.04%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

**Long-Term Expected Rate of Return**

**Group Life Insurance and Health Insurance Credit Programs**

The long-term expected rate of return on VRS 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 OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**Long-Term Expected Rate of Return (Continued)**

Group Life Insurance and Health Insurance Credit Programs (Continued)

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		4.80 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.30 %

- \* The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

**Discount Rate**

The discount rate used to measure the GLI and HIC OPEB 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 Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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 OPEB liability.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 15. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liabilities of the County, as well as what the County's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
GLI Net OPEB liability - County	\$ 923,000	\$ 713,000	\$ 544,000
GLI Net OPEB liability - Schools	\$ 1,789,000	\$ 1,383,000	\$ 1,055,000
Teacher HIC Net OPEB liability	\$ 2,804,784	\$ 2,513,000	\$ 2,265,018
General Employee HIC Net OPEB liability	\$ 74,843	\$ 65,321	\$ 57,327

**OPEB Plan Fiduciary Net Position**

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 16. Summary of Other Postemployment Benefit Elements**

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Schools</u>
Deferred outflows of resources - OPEB				
Changes in proportion				
VRS- Group Life Insurance	\$ 16,961	\$ 2,039	\$ 19,000	\$ 27,000
VRS – Teacher HIC	-	-	-	17,000
Employer contributions subsequent to the measurement date				
Local Plan	-	-	-	65,000
VRS- Group Life Insurance	42,428	5,100	47,528	92,748
VRS – Teacher HIC	-	-	-	200,861
VRS – General Employee HIC	8,995	1,081	10,076	-
Total deferred outflow of resources - OPEB	<u>\$ 68,384</u>	<u>\$ 8,220</u>	<u>\$ 76,604</u>	<u>\$ 402,609</u>
Net OPEB liability				
Local Plan	\$ -	\$ -	\$ -	\$ 1,984,000
VRS- Group Life Insurance	636,491	76,509	713,000	1,383,000
VRS – Teacher HIC	-	-	-	2,513,000
VRS – General Employee HIC	58,312	7,009	65,321	-
Total net OPEB liability	<u>\$ 694,803</u>	<u>\$ 83,518</u>	<u>\$ 778,321</u>	<u>\$ 5,880,000</u>
Deferred inflows of resources - OPEB				
Differences between expected and actual experience				
VRS- Group Life Insurance	\$ 13,390	\$ 1,610	\$ 15,000	\$ 31,000
Changes of assumptions				
VRS- Group Life Insurance	33,029	3,971	37,000	71,000
VRS – Teacher HIC	-	-	-	25,000
VRS – General Employee HIC	4,410	530	4,940	-
Net difference between projected and actual earnings on plan investments				
VRS- Group Life Insurance	24,103	2,897	27,000	52,000
VRS – Teacher HIC	-	-	-	5,000
VRS – General Employee HIC	179	21	200	-
Total deferred inflow of resources - OPEB	<u>\$ 75,111</u>	<u>\$ 9,029</u>	<u>\$ 84,140</u>	<u>\$ 184,000</u>

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 17. Adoption of New Standard and Prior Period Restatement**

In the current year the City adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This standard replaces the requirements of GASB Statement No. 45 as it relates to governments that provide postemployment benefits other than pensions. The new Statement requires governments providing defined benefit postemployment benefits to recognize the long-term obligation for those benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of other postemployment benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the plans are determined, and assumptions and methods used to calculate the liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

	<u>Governmental Activities</u>	<u>Water and Sewer Fund</u>	<u>Schools</u>
Net position, June 30, 2017, as previously reported	\$ 49,443,585	\$ 66,438,113	\$ 2,368,962
Recognition of other post-employment benefit related liabilities and related deferred outflows/inflows in accordance with GASB No. 75	(732,161)	(88,008)	(4,763,344)
To correct prior year pension contributions subsequent to the measurement date	-	-	(270,741)
Net position, June 30, 2017, as restated	<u>\$ 48,711,424</u>	<u>\$ 66,350,105</u>	<u>\$ (2,665,123)</u>

**Note 18. Subsequent Events**

In July 2018, the County approved entering into a \$2.8 million contract for construction of Fire Station 5.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 19. New Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

The GASB issued **Statement No. 83**, *Certain Asset Retirement Obligations* in November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 84**, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87**, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 88**, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in March 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 90**, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.



**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 19. New Accounting Standards (Continued)**

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**COUNTY OF NEW KENT, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
General property taxes	\$ 28,310,335	\$ 28,310,335	\$ 28,892,482	\$ 582,147
Other local taxes	4,226,454	4,226,454	4,784,482	558,028
Permits, privilege fees, and regulatory licenses	492,145	492,145	727,158	235,013
Fines and forfeitures	252,200	252,200	249,528	(2,672)
Revenue from the use of money and property	469,000	469,000	589,996	120,996
Charges for services	506,517	514,203	567,623	53,420
Miscellaneous	305,886	436,715	512,924	76,209
Recovered costs	370,000	404,610	468,767	64,157
Intergovernmental revenues:				
Commonwealth	5,815,349	5,917,894	5,090,408	(827,486)
Federal	-	166,430	869,377	702,947
Total revenues	<u>40,747,886</u>	<u>41,189,986</u>	<u>42,752,745</u>	<u>1,562,759</u>
<b>EXPENDITURES</b>				
General government administration	3,805,208	3,898,091	3,692,815	205,276
Judicial administration	1,605,619	1,606,510	1,525,220	81,290
Public safety	8,216,374	8,968,980	8,315,161	653,819
Public works	1,590,165	1,763,803	1,674,574	89,229
Health and welfare	1,868,076	1,879,050	1,749,036	130,014
Education	13,776,895	13,801,895	13,180,794	621,101
Parks, recreation, and cultural	787,369	823,092	732,024	91,068
Community development	1,090,104	1,143,687	955,763	187,924
Total expenditures	<u>32,739,810</u>	<u>33,885,108</u>	<u>31,825,387</u>	<u>2,059,721</u>
Excess of revenues over expenditures	<u>8,008,076</u>	<u>7,304,878</u>	<u>10,927,358</u>	<u>3,622,480</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	69,708	126,338	126,338	-
Transfers out	(7,653,076)	(8,530,479)	(10,784,603)	(2,254,124)
Total other financing sources (uses)	<u>(7,583,368)</u>	<u>(8,404,141)</u>	<u>(10,658,265)</u>	<u>(2,254,124)</u>
Net change in fund balance	<u>424,708</u>	<u>(1,099,263)</u>	<u>269,093</u>	<u>1,368,356</u>
<b>FUND BALANCE, JULY 1</b>	<u>(424,708)</u>	<u>1,099,263</u>	<u>10,116,933</u>	<u>9,017,670</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,386,026</u>	<u>\$ 10,386,026</u>

## COUNTY OF NEW KENT, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
AIRPORT FUND  
Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Revenue from use of money and property	\$ 92,460	\$ 92,460	\$ 83,448	\$ (9,012)
Charges for services	77,250	77,250	49,137	(28,113)
Recovered costs	-	1,015	1,015	-
Intergovernmental revenues:				
Commonwealth	210,084	292,848	42,220	(250,628)
Federal	1,785,700	2,232,053	389,515	(1,842,538)
Total revenues	<u>2,165,494</u>	<u>2,695,626</u>	<u>565,335</u>	<u>(2,130,291)</u>
<b>EXPENDITURES</b>				
Public works	194,977	204,260	176,356	27,904
Capital projects	<u>2,034,112</u>	<u>2,606,056</u>	<u>439,783</u>	<u>2,166,273</u>
Total expenditures	<u>2,229,089</u>	<u>2,810,316</u>	<u>616,139</u>	<u>2,194,177</u>
Excess (deficiency) of revenues over expenditures	<u>(63,595)</u>	<u>(114,690)</u>	<u>(50,804)</u>	<u>63,886</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>62,595</u>	<u>62,595</u>	<u>62,595</u>	<u>-</u>
Total other financing sources (uses)	<u>62,595</u>	<u>62,595</u>	<u>62,595</u>	<u>-</u>
Net change in fund balance	(1,000)	(52,095)	11,791	63,886
<b>FUND BALANCE, JULY 1</b>	<u>105,665</u>	<u>105,665</u>	<u>105,665</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ 104,665</u>	<u>\$ 53,570</u>	<u>\$ 117,456</u>	<u>\$ 63,886</u>

## COUNTY OF NEW KENT, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**PRIMARY GOVERNMENT**  
**Year Ended June 30, 2018**

	Plan Year			
	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 1,101,847	\$ 1,020,689	\$ 947,373	\$ 940,029
Interest on total pension liability	1,725,540	1,603,231	1,490,526	1,375,536
Changes of assumptions	(135,401)	-	-	-
Difference between actual and expected experience	525,074	69,930	(17,916)	-
Benefit payments, including refunds of employee contributions	(952,919)	(940,234)	(679,609)	(666,080)
<b>Net change in total pension liability</b>	<b>2,264,141</b>	<b>1,753,616</b>	<b>1,740,374</b>	<b>1,649,485</b>
<b>Total pension liability (beginning)</b>	<b>25,127,027</b>	<b>23,373,411</b>	<b>21,633,037</b>	<b>19,983,552</b>
<b>Total pension liability (ending)</b>	<b>27,391,168</b>	<b>25,127,027</b>	<b>23,373,411</b>	<b>21,633,037</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	741,927	830,373	789,667	888,904
Contributions - employee	430,503	432,382	409,532	388,169
Net investment income	2,787,517	399,167	958,373	2,755,972
Benefit payments, including refunds of employee contributions	(952,919)	(940,234)	(679,609)	(666,080)
Administrative expenses	(15,573)	(13,345)	(12,422)	(14,214)
Other	(2,507)	(166)	(207)	145
<b>Net change in plan fiduciary net position</b>	<b>2,988,948</b>	<b>708,177</b>	<b>1,465,334</b>	<b>3,352,896</b>
<b>Plan fiduciary net position - beginning</b>	<b>22,659,392</b>	<b>21,951,215</b>	<b>20,485,881</b>	<b>17,132,985</b>
<b>Plan fiduciary net position - ending</b>	<b>25,648,340</b>	<b>22,659,392</b>	<b>21,951,215</b>	<b>20,485,881</b>
<b>Net pension liability (asset) - ending</b>	<b>\$ 1,742,828</b>	<b>\$ 2,467,635</b>	<b>\$ 1,422,196</b>	<b>\$ 1,147,156</b>
Plan fiduciary net position as a percentage of total pension liability	93.64%	90.18%	93.92%	94.70%
Covered payroll	\$ 8,724,191	\$ 8,259,154	\$ 7,802,880	\$ 7,546,356
Net pension liability (asset) as a percentage of covered payroll	20%	30%	18%	15%

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

## COUNTY OF NEW KENT, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**COMPONENT UNIT - SCHOOL NONPROFESSIONAL**  
**Year Ended June 30, 2018**

	Plan Year			
	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 118,032	\$ 133,967	\$ 152,260	\$ 148,983
Interest on total pension liability	335,264	314,163	295,305	279,406
Changes of assumptions	7,127	-	-	-
Difference between actual and expected experience	(165,385)	74,505	34,975	-
Benefit payments, including refunds of employee contributions	(224,566)	(217,821)	(208,453)	(194,074)
<b>Net change in total pension liability</b>	<b>70,472</b>	<b>304,814</b>	<b>274,087</b>	<b>234,315</b>
<b>Total pension liability (beginning)</b>	<b>4,901,768</b>	<b>4,596,954</b>	<b>4,322,867</b>	<b>4,088,552</b>
<b>Total pension liability (ending)</b>	<b>4,972,240</b>	<b>4,901,768</b>	<b>4,596,954</b>	<b>4,322,867</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	76,102	79,204	85,947	122,227
Contributions - employee	60,153	58,414	63,501	73,877
Net investment income	547,610	77,785	198,775	596,911
Benefit payments, including refunds of employee contributions	(224,566)	(217,821)	(208,453)	(194,074)
Administrative expenses	(3,187)	(2,818)	(2,745)	(3,189)
Other	(486)	(33)	(42)	32
<b>Net change in plan fiduciary net position</b>	<b>455,626</b>	<b>(5,269)</b>	<b>136,983</b>	<b>595,784</b>
<b>Plan fiduciary net position - beginning</b>	<b>4,512,879</b>	<b>4,518,148</b>	<b>4,381,165</b>	<b>3,785,381</b>
<b>Plan fiduciary net position - ending</b>	<b>4,968,505</b>	<b>4,512,879</b>	<b>4,518,148</b>	<b>4,381,165</b>
<b>Net pension liability (asset) - ending</b>	<b>\$ 3,735</b>	<b>\$ 388,889</b>	<b>\$ 78,806</b>	<b>\$ (58,298)</b>
Plan fiduciary net position as a percentage of total pension liability	99.92%	92.07%	98.29%	101.35%
Covered payroll	\$ 1,318,452	\$ 1,159,928	\$ 1,250,311	\$ 1,454,410
Net pension liability (asset) as a percentage of covered payroll	0%	34%	6%	-4%

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



## COUNTY OF NEW KENT, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY**  
**VRS TEACHER RETIREMENT PLAN**  
**June 30, 2018**

<b>Year Ended June 30*</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Employer's Covered Payroll</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2018	0.19890%	\$ 24,460,000	\$ 16,108,787	151.84%	72.92%
2017	0.19649%	\$ 27,536,000	\$ 17,119,983	160.84%	68.28%
2016	0.19574%	\$ 24,636,000	\$ 14,877,589	165.59%	70.68%
2015	0.19841%	\$ 23,977,000	\$ 14,161,834	169.31%	70.88%

\* The amounts presented have a measurement date of the previous fiscal year end.

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

## COUNTY OF NEW KENT, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS**  
**June 30, 2018**

<b>Year Ended June 30</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Primary Government</b>					
2018	\$ 794,290	\$ 794,290	\$ -	\$ 9,131,109	8.70%
2017	741,927	741,927	-	8,724,191	8.50%
2016	789,667	789,667	-	8,259,154	9.56%
2015	888,961	888,961	-	7,802,880	11.39%
2014	823,149	823,149	-	7,546,356	10.91%
2013	655,039	655,039	-	6,987,684	9.37%
2012	628,773	628,773	-	7,020,784	8.96%
2011	389,299	389,299	-	6,739,258	5.78%
2010	384,390	384,390	-	6,609,492	5.82%
2009	527,465	527,465	-	6,526,149	8.08%
<b>Schools - Nonprofessional Employees</b>					
2018	\$ 77,559	\$ 77,559	\$ -	\$ 1,344,177	5.77%
2017	76,102	76,102	-	1,318,452	5.77%
2016	86,299	80,035	(6,264)	1,159,928	6.90%
2015	93,023	85,947	(7,076)	1,250,311	6.87%
2014	122,170	122,170	-	1,454,410	8.40%
2013	111,960	111,960	-	1,332,855	8.40%
2012	87,173	87,173	-	1,263,373	6.90%
2011	80,730	80,730	-	1,170,006	6.90%
2010	59,910	59,910	-	1,165,562	5.14%
2009	79,029	79,029	-	1,537,521	5.14%
<b>Schools - Professional Employees</b>					
2018	\$ 2,628,954	\$ 2,628,954	\$ -	\$ 16,108,787	16.32%
2017	2,263,303	2,263,303	-	17,119,983	13.22%
2016	2,091,789	2,091,789	-	14,877,589	14.06%
2015	2,110,075	2,110,075	-	14,552,241	14.50%
2014	2,409,714	2,409,714	-	14,464,067	16.66%
2013	2,300,413	2,300,413	-	13,808,000	16.66%
2012	1,530,447	1,530,447	-	13,507,914	11.33%
2011	1,165,167	1,165,167	-	13,047,781	8.93%
2010	1,504,950	1,504,950	-	13,327,914	11.29%
2009	1,948,314	1,948,314	-	14,107,995	13.81%

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

## COUNTY OF NEW KENT

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**June 30, 2018**

	<u>County</u> <u>VRS Health</u> <u>Insurance Credit</u> <u>General</u> <u>Employees</u>	<u>Schools</u>  <u>Local Plan</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 6,996	\$ 94,000
Interest on total OPEB liability	4,844	69,000
Changes in benefit terms	-	-
Difference between expected and actual experience	-	-
Changes in assumptions	(5,581)	-
Benefit payments	78	(65,000)
	<hr/>	<hr/>
Net change in total OPEB liability	6,337	98,000
<b>Total OPEB liability - beginning</b>	69,171	1,886,000
<b>Total OPEB liability - ending</b>	<hr/> <b>75,508</b>	<hr/> <b>1,984,000</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	9,547	-
Contributions - employee	-	-
Net investment income	586	-
Benefit payments	78	-
Administrative expenses	(24)	-
Other	-	-
	<hr/>	<hr/>
Net change in plan fiduciary net position	10,187	-
<b>Plan fiduciary net position - beginning</b>	-	-
<b>Plan fiduciary net position - ending</b>	<hr/> <b>10,187</b>	<hr/> <b>-</b>
<b>Net OPEB liability - ending</b>	<hr/> <b>\$ 65,321</b>	<hr/> <b>\$ 1,984,000</b>
Plan fiduciary net position as a percentage of total OPEB liability	<hr/> <b>13%</b>	<hr/> <b>0%</b>
Covered payroll	<hr/> <b>\$ 4,773,364</b>	<hr/> <b>\$ 17,018,000</b>
Net OPEB liability as a percentage of covered payroll	<hr/> <b>1%</b>	<hr/> <b>12%</b>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2017 information was presented in the entity's fiscal year 2018 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

## COUNTY OF NEW KENT

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
**June 30, 2018**

<b>Entity Fiscal Year Ended June 30</b>	<b>Actuarially Determined Employer Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>VRS Health Insurance Credit General Employees</b>					
2018	\$ 10,076	\$ 10,076	\$ -	\$ 5,019,989	0.20%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year of data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

## COUNTY OF NEW KENT

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY**  
**June 30, 2018**

<b>Entity Fiscal Year Ended June 30</b>	<b>Employer's Proportion of the Net OPEB Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset)</b>	<b>Employer's Covered Payroll</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
<b>Virginia Retirement System - Health Insurance Credit - Teachers</b>					
2018	0.20%	\$ 2,513,000	\$ 16,382,434	15.34%	7.04%
<b>Virginia Retirement System - Group Life Insurance - General Employees</b>					
2018	0.05%	713,000	9,120,151	7.82%	48.86%
<b>Virginia Retirement System - Group Life Insurance - Schools</b>					
2018	0.92%	1,383,000	17,719,061	7.81%	48.86%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

## COUNTY OF NEW KENT

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF OPEB CONTRIBUTIONS - COST-SHARING PLANS**  
**June 30, 2018**

<b>Entity Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Virginia Retirement System - Health Insurance Credit - Teachers</b>					
2018	\$ 200,861	\$ 200,861	\$ -	\$ 16,382,434	1.23%
<b>Virginia Retirement System - Group Life Insurance - General Employees</b>					
2018	\$ 47,528	\$ 47,528	\$ -	\$ 9,120,151	0.52%
<b>Virginia Retirement System - Group Life Insurance - Schools</b>					
2018	\$ 92,748	\$ 92,748	\$ -	\$ 17,719,061	0.52%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

## COUNTY OF NEW KENT, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2018**Note 1. Changes of Benefit Terms**Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Other Postemployment Benefits (OPEB)

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

**Note 2. Changes of Assumptions**

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

## Largest 10 – Non-Hazardous Duty:

- Update mortality table
- Lowered in rates of service retirement
- Update withdrawal rates to better fit experience
- Lowered in rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates
- Applicable to: Pension, GLI OPEB, and HIC OPEB

## Largest 10 –Hazardous Duty/Public Safety Employees:

- Update mortality table
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates
- Applicable to: Pension and GLI OPEB

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

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 14% to 15%
- Applicable to: Pension and GLI OPEB

**COUNTY OF NEW KENT, VIRGINIA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2018**

**Note 2. Changes of Assumptions (Continued)**

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Applicable to: Pension and GLI OPEB

Teacher cost-sharing pool

- Update mortality table
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Applicable to: Pension, GLI OPEB, and HIC OPEB



**OTHER  
SUPPLEMENTARY INFORMATION**

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*COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES*

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## COUNTY OF NEW KENT, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
DEBT SERVICE FUND  
Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	\$ 3,823,766	\$ 3,823,766	\$ 3,823,765	\$ 1
Interest and other fiscal charges	3,025,028	3,072,284	1,980,293	1,091,991
Total expenditures	6,848,794	6,896,050	5,804,058	1,091,992
Excess (deficiency) of revenues over expenditures	(6,848,794)	(6,896,050)	(5,804,058)	1,091,992
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	6,848,794	7,048,794	7,048,794	-
Transfers out	-	(152,744)	(152,744)	-
Total other financing sources (uses)	6,848,794	6,896,050	6,896,050	-
Net change in fund balance	-	-	1,091,992	1,091,992
<b>FUND BALANCE, JULY 1</b>	-	-	8,243	8,243
<b>FUND BALANCE, JUNE 30</b>	\$ -	\$ -	\$ 1,100,235	\$ 1,100,235

## COUNTY OF NEW KENT, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
COUNTY CAPITAL IMPROVEMENTS FUND  
Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Revenue from use of money and property	\$ -	\$ 69,957	\$ 69,508	\$ (449)
Contributions and proffers	-	-	849,474	849,474
Miscellaneous	-	183,172	183,172	-
Intergovernmental revenues:				
Commonwealth	240,036	240,036	157,047	(82,989)
Federal	427,555	427,555	-	(400,000)
Total revenues	667,591	920,720	1,259,201	366,036
<b>EXPENDITURES</b>				
Education	200,000	320,000	320,000	-
Capital projects	2,199,706	14,323,295	4,874,138	9,449,157
Total expenditures	2,399,706	14,643,295	5,194,138	9,449,157
Excess (deficiency) of revenues over expenditures	(1,732,115)	(13,722,575)	(3,934,937)	9,815,193
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	3,179,000	3,179,000	-
Transfers in	-	1,030,147	3,444,876	2,414,729
Transfers out	(114,390)	(371,020)	(371,020)	-
Total other financing sources (uses)	(114,390)	3,838,127	6,252,856	2,414,729
Net change in fund balance	(1,846,505)	(9,884,448)	2,317,919	12,229,922
<b>FUND BALANCE, JULY 1</b>	1,846,505	9,884,448	15,723,348	(5,838,900)
<b>FUND BALANCE, JUNE 30</b>	\$ -	\$ -	\$ 18,041,267	\$ 6,391,022

## COUNTY OF NEW KENT, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
NONMAJOR SPECIAL REVENUE FUND  
Year Ended June 30, 2018**

	Human Services Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 9,734	\$ 9,734
Intergovernmental revenues:				
Commonwealth	862,498	862,498	587,990	(274,508)
Total revenues	862,498	862,498	597,724	(264,774)
EXPENDITURES				
Health and welfare	1,648,867	1,648,867	1,223,488	425,379
Total expenditures	1,648,867	1,648,867	1,223,488	425,379
Excess (deficiency) of revenues over expenditures	(786,369)	(786,369)	(625,764)	160,605
OTHER FINANCING SOURCES				
Transfers in	786,369	\$ 786,369	625,764	(160,605)
Total other financing sources	786,369	786,369	625,764	(160,605)
Net change in fund balance	-	-	-	-
FUND BALANCE, JULY 1	-	-	-	-
FUND BALANCE, JUNE 30	\$ -	\$ -	\$ -	\$ -

## COUNTY OF NEW KENT, VIRGINIA

**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**June 30, 2018**

	<u>Special Welfare</u>	<u>SSI Dedicated</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,548	\$ 3,437	\$ 11,985
Total assets	<u>\$ 8,548</u>	<u>\$ 3,437</u>	<u>\$ 11,985</u>
<b>LIABILITIES</b>			
Amounts held for social services clients	\$ 8,548	\$ 3,437	\$ 11,985
Total liabilities	<u>\$ 8,548</u>	<u>\$ 3,437</u>	<u>\$ 11,985</u>



## COUNTY OF NEW KENT VIRGINIA

**COMBINING STATEMENT OF CHANGES IN  
ASSETS AND LIABILITIES  
AGENCY FUNDS  
Year Ended June 30, 2018**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Special Welfare Fund</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,764	\$ 3,575	\$ 3,791	\$ 8,548
Total assets	<u>\$ 8,764</u>	<u>\$ 3,575</u>	<u>\$ 3,791</u>	<u>\$ 8,548</u>
<b>LIABILITIES</b>				
Amounts held for social services clients	\$ 8,764	\$ 3,575	\$ 3,791	\$ 8,548
Total liabilities	<u>\$ 8,764</u>	<u>\$ 3,575</u>	<u>\$ 3,791</u>	<u>\$ 8,548</u>
<b>SSI Dedicated Fund</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,140	\$ 11,966	\$ 10,669	\$ 3,437
Total assets	<u>\$ 2,140</u>	<u>\$ 11,966</u>	<u>\$ 10,669</u>	<u>\$ 3,437</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 2,140	\$ 11,966	\$ 10,669	\$ 3,437
Total liabilities	<u>\$ 2,140</u>	<u>\$ 11,966</u>	<u>\$ 10,669</u>	<u>\$ 3,437</u>
<b>Totals – All Agency Funds</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,904	\$ 15,541	\$ 14,460	\$ 11,985
Total assets	<u>\$ 10,904</u>	<u>\$ 15,541</u>	<u>\$ 14,460</u>	<u>\$ 11,985</u>
<b>LIABILITIES</b>				
Amounts held for social service clients	\$ 10,904	\$ 15,541	\$ 14,460	\$ 11,985
Total liabilities	<u>\$ 10,904</u>	<u>\$ 15,541</u>	<u>\$ 14,460</u>	<u>\$ 11,985</u>

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*DISCRETELY PRESENTED COMPONENT UNIT*

*SCHOOL BOARD*

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## COUNTY OF NEW KENT VIRGINIA

**COMBINING BALANCE SHEET**  
**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**June 30, 2018**

	School Operating Fund	Nonmajor Governmental Funds	Total Component Unit
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,531,331	\$ 1,101,457	\$ 3,632,788
Accounts receivable, net	23,196	2,752	25,948
Due from other governmental units	670,998	23,215	694,213
Total assets	<u>\$ 3,225,525</u>	<u>\$ 1,127,424</u>	<u>\$ 4,352,949</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 280,908	\$ 12,505	\$ 293,413
Accrued liabilities	2,944,617	58,800	3,003,417
Total liabilities	<u>3,225,525</u>	<u>71,305</u>	<u>3,296,830</u>
Fund balances:			
Committed			
Cafeteria fund	-	276,145	276,145
Textbook fund	-	779,974	779,974
Total fund balances	<u>-</u>	<u>1,056,119</u>	<u>1,056,119</u>
Total liabilities and fund balances	<u>\$ 3,225,525</u>	<u>\$ 1,127,424</u>	<u>\$ 4,352,949</u>
<b>Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1)</b>			
<b>are different because:</b>			
Total fund balances – governmental funds			\$ 1,056,119
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets cost		\$ 42,077,882	
Less: accumulated depreciation		<u>(13,321,001)</u>	28,756,881
Financial statement elements related to pension are applicable to future periods and, therefore, are not reported in the funds.			
Pension related deferred outflows		3,546,382	
Pension related deferred inflows		(2,945,181)	
Net pension liability		<u>(24,463,735)</u>	(23,862,534)
Financial statement elements related to other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.			
Other postemployment benefit related deferred outflows		402,609	
Other postemployment benefit related deferred inflows		(184,000)	
Other postemployment benefit liability		<u>(5,880,000)</u>	(5,661,391)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.			2,328,789
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Compensated absences			<u>(295,048)</u>
<b>Net position of governmental activities</b>			<u><u>\$ 2,322,816</u></u>

## COUNTY OF NEW KENT, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD  
Year Ended June 30, 2018**

	School Operating Fund	Nonmajor Governmental Funds	Total Component Unit
<b>REVENUES</b>			
Revenue from the use of money and property	\$ -	\$ 1,741	\$ 1,741
Charges for services	142,754	728,950	871,704
Miscellaneous revenues	67,495	41,220	108,715
Intergovernmental revenues:			
Contributions from County	13,478,494	-	13,478,494
Commonwealth	16,043,847	221,668	16,265,515
Federal	1,061,597	399,461	1,461,058
Total revenues	<u>30,794,187</u>	<u>1,393,040</u>	<u>32,187,227</u>
<b>EXPENDITURES</b>			
Current:			
Education	<u>30,694,187</u>	<u>1,326,535</u>	<u>32,020,722</u>
Excess of revenues over expenditures	<u>100,000</u>	<u>66,505</u>	<u>166,505</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	<u>(100,000)</u>	<u>100,000</u>	<u>-</u>
Net change in fund balances	-	166,505	166,505
<b>FUND BALANCES AT JULY 1</b>	<u>-</u>	<u>889,614</u>	<u>889,614</u>
<b>FUND BALANCES AT JUNE 30</b>	<u>\$ -</u>	<u>\$ 1,056,119</u>	<u>\$ 1,056,119</u>
<b>Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:</b>			
Net change in fund balances – total governmental funds			\$ 166,505
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital asset additions		4,918,532	
Depreciation expense		<u>(1,927,368)</u>	2,991,164
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense.			
Employer pension contributions			2,706,513
Pension expense			(1,909,685)
Other postemployment benefit contributions			358,609
Other postemployment benefit expense			(393,656)
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.			
Decrease in compensated absences			15,003
Internal services funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue of the internal service fund is reported with governmental activities.			<u>1,053,486</u>
<b>Change in net position of governmental activities</b>			<u>\$ 4,987,939</u>

## COUNTY OF NEW KENT, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD  
Year Ended June 30, 2018**

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ 136,200	\$ 136,200	\$ 142,754	\$ 6,554
Miscellaneous revenues	77,500	77,500	67,495	(10,005)
Intergovernmental revenues:				
Local government	13,954,595	14,099,595	13,478,494	(621,101)
Commonwealth	15,775,861	15,775,861	16,043,847	267,986
Federal	974,529	1,044,239	1,061,597	17,358
Total revenues	30,918,685	31,133,395	30,794,187	(339,208)
EXPENDITURES				
Current:				
Education	30,918,685	31,133,395	30,694,187	439,208
Excess of revenues over expenditures	-	-	100,000	100,000
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(100,000)	(100,000)
Total other financing sources (uses)	-	-	(100,000)	(100,000)
Net change in fund balances	-	-	-	-
FUND BALANCES, JULY 1	-	132,879	-	(132,879)
FUND BALANCES, JUNE 30	\$ -	\$ 132,879	\$ -	\$ (132,879)

## COUNTY OF NEW KENT, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD  
Year Ended June 30, 2018**

	School Nutrition Fund				Textbook Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
<b>REVENUES</b>								
Revenue from the use of money and property	\$ -	\$ -	\$ 1,741	\$ 1,741	\$ -	\$ -	\$ -	\$ -
Charges for services	718,000	730,416	728,950	(1,466)	-	-	-	-
Miscellaneous revenues	-	-	41,220	41,220	-	-	-	-
Intergovernmental revenues:								
Commonwealth	17,372	17,372	18,910	1,538	199,018	299,018	202,758	(96,260)
Federal	375,000	375,000	399,461	24,461	-	-	-	-
Total revenues	1,110,372	1,122,788	1,190,282	67,494	199,018	299,018	202,758	(96,260)
<b>EXPENDITURES</b>								
Current:								
Education	1,110,372	1,122,788	1,201,889	(79,101)	199,018	299,018	124,646	174,372
Excess (deficiency) of revenues over expenditures	-	-	(11,607)	-	-	-	78,112	78,112
<b>OTHER FINANCING SOURCES</b>								
Transfers in	-	-	-	-	-	132,879	100,000	(32,879)
Total other financing sources	-	-	-	-	-	132,879	100,000	(32,879)
Net change in fund balances	-	-	(11,607)	-	-	132,879	178,112	45,233
<b>FUND BALANCES, JULY 1</b>	-	(7,040)	287,752	294,792	-	-	601,862	601,862
<b>FUND BALANCES, JUNE 30</b>	\$ -	\$ (7,040)	\$ 276,145	\$ 294,792	\$ -	\$ 132,879	\$ 779,974	\$ 647,095



## COUNTY OF NEW KENT, VIRGINIA

**STATEMENT OF FIDUCIARY NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**June 30, 2018**

	<u><b>Bridging Communities</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 364,756
Accounts receivable, net	4,631
Due from other governments	<u>21,755</u>
Total assets	<u>391,142</u>
<b>LIABILITIES</b>	
Accounts payable	11,762
Accrued liabilities	<u>79,750</u>
Total liabilities	<u>91,512</u>
<b>NET POSITION</b>	
Held in trust for education	<u><u>\$ 299,630</u></u>

## COUNTY OF NEW KENT, VIRGINIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD  
Year Ended June 30, 2018**

	<b><u>Bridging Communities</u></b>
<b>ADDITIONS</b>	
Tuition	\$ 905,220
Grants from the Commonwealth of Virginia	60,323
Contributions	6,631
Other revenues	432
Total additions	<u>972,606</u>
<b>DEDUCTIONS</b>	
Instruction	888,637
Operation and maintenance	60,660
Technology	11,355
Total deductions	<u>960,652</u>
Change in net position	11,954
<b>Net position, beginning</b>	<u>287,676</u>
<b>Net position, ending</b>	<u><u>\$ 299,630</u></u>

## COUNTY OF NEW KENT, VIRGINIA

**STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUND -**  
**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**June 30, 2018**

	<u>Self-Insurance Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,081,504
Accounts receivable, net	<u>919,628</u>
Total assets	<u>3,001,132</u>
<b>LIABILITIES</b>	
Claims payable	322,321
Accrued Expenses	<u>350,022</u>
Total liabilities	<u>672,343</u>
<b>NET POSITION</b>	
Unrestricted	<u>2,328,789</u>
Total net position	<u><u>\$ 2,328,789</u></u>

## COUNTY OF NEW KENT, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUND -**  
**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**Year Ended June 30, 2018**

	<u>Self-Insurance Fund</u>
<b>OPERATING REVENUES</b>	
Insurance premiums	\$ 4,342,490
Total revenues	<u>4,342,490</u>
<b>OPERATING EXPENSES</b>	
Insurance claims and expenses	<u>3,307,119</u>
Total expenses	<u>3,307,119</u>
Operating income	<u>1,035,371</u>
<b>NONOPERATING REVENUE</b>	
Investment income	<u>18,115</u>
Change in net position	<u>1,053,486</u>
<b>Net position, beginning</b>	<u>1,275,303</u>
<b>Net position, ending</b>	<u><u>\$ 2,328,789</u></u>

## COUNTY OF NEW KENT VIRGINIA

**STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUND -  
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD  
Year Ended June 30, 2018**

	<b>Self-Insurance Fund</b>
<b>OPERATING ACTIVITIES</b>	
Receipts for insurance premiums	\$ 3,892,419
Payments for premiums	<u>(2,974,887)</u>
Net cash provided by operating activities	<u>917,532</u>
<b>INVESTING ACTIVITIES</b>	
Investment income	<u>18,115</u>
Net cash provided by investing activities	<u>18,115</u>
Net increase in cash and cash equivalents	935,647
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning at July 1	<u>1,145,857</u>
Ending at June 30	<u><u>\$ 2,081,504</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 1,035,371
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts receivable	(450,071)
Decrease in claims payable	(17,790)
Increase in accrued expenses	<u>350,022</u>
Total adjustments	<u>(117,839)</u>
Net cash provided by operating activities	<u><u>\$ 917,532</u></u>

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*DISCRETELY PRESENTED COMPONENT UNIT*

*ECONOMIC DEVELOPMENT AUTHORITY*

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## COUNTY OF NEW KENT, VIRGINIA

**STATEMENT OF NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNIT –**  
**ECONOMIC DEVELOPMENT AUTHORITY**  
**June 30, 2018**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 328,362
Investments	556
Inventories	<u>721,508</u>
Total assets	<u>1,050,426</u>
<b>NET POSITION</b>	
Unrestricted	<u><u>\$ 1,050,426</u></u>

## COUNTY OF NEW KENT, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNIT –**  
**ECONOMIC DEVELOPMENT AUTHORITY**  
**Year Ended June 30, 2018**

**OPERATING REVENUES**

Contributions from County	\$ 150,000
Total revenues	<u>150,000</u>

**OPERATING EXPENSES**

Other charges	<u>55,715</u>
Total expenses	<u>55,715</u>

Operating Income	<u>94,285</u>
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**NONOPERATING REVENUE**

Investment income	<u>890</u>
Total nonoperating revenue	<u>890</u>

Change in net position	<u>95,175</u>
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Net position, beginning	<u>955,251</u>
Net position, ending	<u><u>\$ 1,050,426</u></u>

## COUNTY OF NEW KENT VIRGINIA

**STATEMENT OF CASH FLOWS**  
**DISCRETELY PRESENTED COMPONENT UNIT –**  
**ECONOMIC DEVELOPMENT AUTHORITY**  
**Year Ended June 30, 2018**

**OPERATING ACTIVITIES**

Contribution from County	\$ 150,000
Payments for operating activities	<u>(55,715)</u>
Net cash provided by operating activities	<u>94,285</u>

**INVESTING ACTIVITIES**

Investment income	<u>882</u>
Net increase in cash and cash equivalents	95,167

**CASH AND CASH EQUIVALENTS**

Beginning at July 1	<u>233,195</u>
Ending at June 30	<u><u>\$ 328,362</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET****CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income	<u>\$ 94,285</u>
Net cash provided by operating activities	<u><u>\$ 94,285</u></u>

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# STATISTICAL SECTION

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*This part of the 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.*

## **Contents**

## **Table**

### **Financial Trends**

**1-4**

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

### **Revenue Capacity**

**5-9**

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

### **Debt Capacity**

**10-11**

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

### **Demographic and Economic Information**

**12-13**

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

### **Operating Information**

**14-16**

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

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

**COUNTY OF NEW KENT, VIRGINIA**

**Net Position by Component**

**Last Ten Fiscal Years**

(accrual basis of accounting)

**Table 1**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 15,885,375	\$ 24,889,762	\$ 20,138,682	\$ 21,006,854	\$ 22,838,671	\$ 24,578,103	\$ 21,130,986	\$ 24,011,223	\$ 22,251,160	\$ 20,656,456
Restricted	5,017,970	-	-	33,738	36,885	111,638	97,487	34,668	29,215	37,491
Unrestricted	22,836,534	21,701,270	26,045,094	25,006,307	23,895,010	22,545,554	25,034,225	24,913,810	27,163,210	30,661,519
Total governmental activities net position	\$ 43,739,879	\$ 46,591,032	\$ 46,183,776	\$ 46,046,899	\$ 46,770,566	\$ 47,235,295	\$ 46,262,698	\$ 48,959,701	\$ 49,443,585	\$ 51,355,466
Business-type activities										
Net investment in capital assets	\$ 38,497,889	\$ 52,595,933	\$ 66,749,297	\$ 67,060,987	\$ 66,062,606	\$ 65,443,647	\$ 64,641,023	\$ 63,704,883	\$ 62,981,757	\$ 62,113,139
Unrestricted	28,769,945	19,181,071	7,694,815	7,320,135	7,224,382	6,406,631	6,761,564	7,482,355	9,068,490	10,066,347
Total business-type activities net position	\$ 67,267,834	\$ 71,777,004	\$ 74,444,112	\$ 74,381,122	\$ 73,286,988	\$ 71,850,278	\$ 71,402,587	\$ 71,187,238	\$ 72,050,247	\$ 72,179,486
Primary Government										
Net investment in capital assets	\$ 54,383,264	\$ 77,485,695	\$ 86,887,979	\$ 88,067,841	\$ 88,901,277	\$ 90,021,750	\$ 85,772,009	\$ 87,716,106	\$ 85,232,917	\$ 82,769,595
Restricted	5,017,970	-	-	33,738	36,885	111,638	97,487	34,668	29,215	37,491
Unrestricted	51,606,479	40,882,341	33,739,909	32,326,442	31,119,392	28,952,185	31,795,789	32,396,165	36,231,700	40,727,866
Total Primary government net position	\$ 111,007,713	\$ 118,368,036	\$ 120,627,888	\$ 120,428,021	\$ 120,057,554	\$ 119,085,573	\$ 117,665,285	\$ 120,146,939	\$ 121,493,832	\$ 123,534,952

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

Table 2  
Page 1 of 2

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities										
General government administration	\$ 3,112,985	\$ 3,178,178	\$ 3,127,903	\$ 3,249,773	\$ 3,108,766	\$ 3,540,907	\$ 3,460,790	\$ 3,570,793	\$ 4,208,623	\$ 4,110,361
Judicial administration	1,340,241	1,281,668	1,626,082	1,689,574	1,724,039	1,958,406	1,467,720	1,561,953	1,653,498	1,678,249
Public safety	6,448,840	6,974,536	6,873,657	8,096,297	7,591,790	7,748,268	7,874,442	8,551,676	10,401,870	9,813,316
Public works	2,029,548	2,111,602	2,135,389	1,917,625	1,874,687	2,020,146	1,382,495	1,956,184	2,126,022	2,309,528
Health and welfare	2,549,020	2,470,269	2,632,900	2,443,203	2,425,394	2,547,174	2,533,163	2,978,320	3,088,212	3,047,140
Education	5,617,649	15,413,852	13,735,944	14,503,170	14,343,635	16,107,096	16,771,912	16,932,338	14,609,161	18,628,193
Parks, recreation and cultural	764,787	707,331	710,686	711,281	943,381	754,994	736,236	825,223	815,284	782,790
Community development	1,389,121	1,017,515	1,194,287	894,520	824,551	855,116	950,049	1,232,325	1,628,657	1,205,772
Interest and other financial charges	3,211,074	3,141,450	2,896,772	2,713,149	2,642,703	2,581,399	2,572,651	1,915,549	3,415,662	1,762,805
Total governmental activities	\$ 26,463,265	\$ 36,296,401	\$ 34,933,620	\$ 36,218,592	\$ 35,478,946	\$ 38,113,506	\$ 37,749,458	\$ 39,524,361	\$ 41,946,989	\$ 43,338,154
Business-type activities										
Water and Sewer	\$ 2,892,413	\$ 2,665,738	\$ 3,043,612	\$ 3,380,899	\$ 4,328,428	\$ 4,573,366	\$ 4,016,909	\$ 4,011,047	\$ 3,952,777	\$ 4,014,301
Bottoms Bridge	932,255	1,053,599	1,040,173	1,026,936	1,018,674	889,145	875,271	856,142	837,766	816,106
Total business-type activities	\$ 3,824,668	\$ 3,719,337	\$ 4,083,785	\$ 4,407,835	\$ 5,347,102	\$ 5,462,511	\$ 4,892,180	\$ 4,867,189	\$ 4,790,543	\$ 4,830,407
<b>Total primary government expenses</b>	<b>\$ 30,287,933</b>	<b>\$ 40,015,738</b>	<b>\$ 39,017,405</b>	<b>\$ 40,626,427</b>	<b>\$ 40,826,048</b>	<b>\$ 43,576,017</b>	<b>\$ 42,641,638</b>	<b>\$ 44,391,550</b>	<b>\$ 46,737,532</b>	<b>\$ 48,168,561</b>
<b>Program Revenues</b>										
Governmental activities										
Charges for services:										
General government administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Judicial administration	393,169	351,749	363,772	329,291	399,170	457,005	396,566	368,540	369,159	407,834
Public safety	467,676	437,179	319,879	461,092	390,953	401,785	569,757	550,385	717,286	735,618
Public works	110,879	45,231	50,901	126,347	145,479	122,127	111,840	69,039	101,822	95,825
Health and welfare	-	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-
Parks, recreation and cultural	268,455	294,890	263,089	276,852	271,041	298,204	317,367	301,733	358,905	353,261
Community development	2,440	87,478	106,075	63,701	1,305	1,636	2,305	2,240	999	908
Operating grants and contributions	3,534,316	3,541,020	3,361,044	3,850,528	3,680,325	3,966,842	3,542,972	4,147,197	4,098,977	4,109,975
Capital Grants and contributions	428,223	26,451	14,818	-	397,482	336,649	-	1,544,281	442,713	1,896,036
Total governmental activities	\$ 5,205,158	\$ 4,783,998	\$ 4,479,578	\$ 5,107,811	\$ 5,285,755	\$ 5,584,248	\$ 4,940,807	\$ 6,983,415	\$ 6,089,861	\$ 7,599,457
Business-type activities										
Charges for services:										
Water and Sewer	\$ 3,094,791	\$ 4,155,390	\$ 3,191,329	\$ 3,456,940	\$ 3,470,827	\$ 3,431,765	\$ 3,945,220	\$ 3,834,861	\$ 4,700,134	\$ 4,373,542
Bottoms Bridge	271,412	98,928	292,400	372,700	588,950	408,475	467,175	533,775	603,400	260,161
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	3,798,166	2,942,658	305,348	-	-	-	-	-	-
Total business-type activities	\$ 3,366,203	\$ 8,052,484	\$ 6,426,387	\$ 4,134,988	\$ 4,059,777	\$ 3,840,240	\$ 4,412,395	\$ 4,368,636	\$ 5,303,534	\$ 4,633,703
<b>Total primary government revenues</b>	<b>\$ 8,571,361</b>	<b>\$ 12,836,482</b>	<b>\$ 10,905,965</b>	<b>\$ 9,242,799</b>	<b>\$ 9,345,532</b>	<b>\$ 9,424,488</b>	<b>\$ 9,353,202</b>	<b>\$ 11,352,051</b>	<b>\$ 11,393,395</b>	<b>\$ 12,233,160</b>

**COUNTY OF NEW KENT, VIRGINIA**

**Net Position by Component**

**Last Ten Fiscal Years**

(accrual basis of accounting)

**Table 2**  
**(Continued)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (21,258,107)	\$ (31,512,403)	\$ (30,454,042)	\$ (31,110,781)	\$ (30,193,191)	\$ (32,529,258)	\$ (32,808,651)	\$ (32,540,946)	\$ (35,857,128)	\$ (35,738,697)
Business-type activities	(458,465)	4,333,147	2,342,602	(272,847)	(1,287,325)	(1,622,271)	(479,785)	(498,553)	512,991	(196,704)
Total primary government net expense	<u>\$ (21,716,572)</u>	<u>\$ (27,179,256)</u>	<u>\$ (28,111,440)</u>	<u>\$ (31,383,628)</u>	<u>\$ (31,480,516)</u>	<u>\$ (34,151,529)</u>	<u>\$ (33,288,436)</u>	<u>\$ (33,039,499)</u>	<u>\$ (35,344,137)</u>	<u>\$ (35,935,401)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes										
Property taxes	\$ 22,352,347	\$ 22,330,764	\$ 22,263,513	\$ 23,080,188	\$ 23,669,284	\$ 25,046,147	\$ 25,661,803	\$ 26,514,680	\$ 28,017,446	\$ 29,199,673
Other local taxes	4,093,622	3,665,210	3,884,188	3,428,191	3,620,732	3,869,620	4,069,547	4,244,523	4,550,095	4,784,482
Investment earnings	1,631,096	872,932	797,493	632,029	582,919	538,920	553,401	827,194	558,206	742,952
Miscellaneous	305,112	858,794	781,793	865,267	816,074	614,507	354,380	689,860	817,821	705,830
Non-categorical aid from the Commonwealth	2,286,922	6,635,296	2,323,459	2,968,229	2,952,844	2,924,793	2,924,756	2,960,092	2,968,427	2,949,802
Loss on disposal of net assets	-	-	-	-	-	-	-	-	-	-
Transfers	-	560	(3,660)	-	-	-	-	1,600	625	-
Total governmental activities	<u>\$ 30,669,099</u>	<u>\$ 34,363,556</u>	<u>\$ 30,046,786</u>	<u>\$ 30,973,904</u>	<u>\$ 31,641,853</u>	<u>\$ 32,993,987</u>	<u>\$ 33,563,887</u>	<u>\$ 35,237,949</u>	<u>\$ 36,912,620</u>	<u>\$ 38,382,739</u>
Business-type activities:										
Taxes	\$ 94,877	\$ 112,973	\$ 117,658	\$ 127,667	\$ 120,765	\$ 132,638	\$ 213,391	\$ 231,748	\$ 281,546	\$ 302,336
Investment earnings	378,363	63,610	203,188	82,190	72,426	52,923	52,533	53,056	58,839	106,059
Miscellaneous	-	-	-	-	-	-	-	-	10,258	5,556
Transfers	-	(560)	3,660	-	-	-	-	(1,600)	(625)	-
Total business-type activities	<u>\$ 473,240</u>	<u>\$ 176,023</u>	<u>\$ 324,506</u>	<u>\$ 209,857</u>	<u>\$ 193,191</u>	<u>\$ 185,561</u>	<u>\$ 265,924</u>	<u>\$ 283,204</u>	<u>\$ 350,018</u>	<u>\$ 413,951</u>
<b>Total primary government</b>	<u><u>\$ 31,142,339</u></u>	<u><u>\$ 34,539,579</u></u>	<u><u>\$ 30,371,292</u></u>	<u><u>\$ 31,183,761</u></u>	<u><u>\$ 31,835,044</u></u>	<u><u>\$ 33,179,548</u></u>	<u><u>\$ 33,829,811</u></u>	<u><u>\$ 35,521,153</u></u>	<u><u>\$ 37,262,638</u></u>	<u><u>\$ 38,796,690</u></u>
<b>Changes in Net Position</b>										
Governmental activities	\$ 9,410,992	\$ 2,851,153	\$ (407,256)	\$ (136,877)	\$ 1,448,662	\$ 464,729	\$ 755,236	\$ 2,697,003	\$ 1,055,492	\$ 2,644,042
Business-type activities	14,775	4,509,170	2,667,108	(62,990)	(1,094,134)	(1,436,710)	(213,861)	(215,349)	863,009	217,247
<b>Total primary government</b>	<u>\$ 9,425,767</u>	<u>\$ 7,360,323</u>	<u>\$ 2,259,852</u>	<u>\$ (199,867)</u>	<u>\$ 354,528</u>	<u>\$ (971,981)</u>	<u>\$ 541,375</u>	<u>\$ 2,481,654</u>	<u>\$ 1,918,501</u>	<u>\$ 2,861,289</u>



**COUNTY OF NEW KENT, VIRGINIA**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years (1)**

**Table 3**

*(modified accrual basis of accounting)*

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General fund</b>										
Reserved	\$ 324,244	\$ 296,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	8,828,235	8,409,015	-	-	-	-	-	-	-	-
Nonspendable	-	-	3,934	9,319	43,994	367,300	297,507	310,819	508,094	557,826
Restricted	-	-	46,118	33,738	36,885	111,638	97,487	34,668	29,215	37,491
Committed	-	-	82,456	55,837	133,399	110,812	73,339	75,444	81,050	150,758
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	7,688,117	7,718,777	7,603,739	7,674,050	8,169,368	8,738,479	9,498,574	9,639,951
Total general fund	\$ 9,152,479	\$ 8,705,715	\$ 7,820,625	\$ 7,817,671	\$ 7,818,017	\$ 8,263,800	\$ 8,637,701	\$ 9,159,410	\$ 10,116,933	\$ 10,386,026
<b>All other governmental funds</b>										
Reserved for:										
Construction	\$ 5,017,970	\$ 4,405,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid items	1,629,190	31,734	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	275,033	450,208	-	-	-	-	-	-	-	-
Capital projects funds	10,802,647	10,674,722	-	-	-	-	-	-	-	-
Debt service funds	1,093,216	1,821,150	-	-	-	-	-	-	-	-
Nonspendable	-	-	1,255,909	1,251,693	134,892	19,880	8,469	8,753	104,777	68,266
Restricted	-	-	4,137,075	-	-	-	-	-	-	1,388,725
Committed	-	-	673,763	305,772	900,499	1,089,353	1,392,202	1,097,498	15,643,941	16,595,048
Assigned	-	-	12,187,794	15,439,060	15,290,274	13,155,730	15,904,990	14,991,927	89,244	1,207,604
Unassigned	-	-	-	-	-	(29,118)	(13,757)	76,123	(706)	(685)
Total all other governmental funds	\$ 18,818,056	\$ 17,383,107	\$ 18,254,541	\$ 16,996,525	\$ 16,325,665	\$ 14,235,845	\$ 17,291,904	\$ 16,174,301	\$ 15,837,256	\$ 19,258,958
<b>Total Fund Balance</b>	<b>\$ 27,970,535</b>	<b>\$ 26,088,822</b>	<b>\$ 26,075,166</b>	<b>\$ 24,814,196</b>	<b>\$ 24,143,682</b>	<b>\$ 22,499,645</b>	<b>\$ 25,929,605</b>	<b>\$ 25,333,711</b>	<b>\$ 25,954,189</b>	<b>\$ 29,644,984</b>

**Note:**

In FY2011 the County implemented GASB 54 and therefore fund balance classifications have been changed accordingly. Restatement of prior year balances is not feasible. Therefore, ten years of fund balance information in accordance with GASB 54 is not available, but will be accumulated over time.

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

**Table 4**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
General property taxes	\$ 22,029,662	\$ 22,222,442	\$ 22,297,958	\$ 22,901,566	\$ 23,426,941	\$ 24,678,308	\$ 25,641,948	\$ 26,453,183	\$ 28,181,751	\$ 28,892,482
Other local taxes	4,093,622	3,665,210	3,884,188	3,428,191	3,620,732	3,869,620	4,069,547	4,244,523	4,551,333	4,784,482
Permits, privilege fees and licenses	459,232	430,902	310,578	377,288	385,976	395,155	561,042	542,595	706,972	727,158
Fines and Forfeitures	219,372	191,841	215,521	242,185	243,811	289,644	244,896	216,030	230,561	249,528
Revenue from use of money & property	1,631,096	872,932	797,493	632,029	582,919	538,920	553,401	827,194	558,207	742,952
Charges for services	564,015	593,784	577,617	637,810	578,161	595,958	591,897	533,312	609,756	616,760
Contributions and proffers	-	-	-	-	-	-	-	-	-	849,474
Miscellaneous	1,011,475	858,794	781,793	865,267	816,074	614,507	354,380	689,860	843,826	705,830
Recovered costs	736,896	594,960	485,748	495,986	454,320	265,097	617,157	475,656	427,766	469,782
Commonwealth of Virginia	5,384,875	4,869,299	4,823,858	5,244,698	5,471,597	5,668,219	5,529,241	5,840,270	6,057,272	5,877,665
Federal Government	864,586	990,768	875,463	1,574,059	1,559,054	1,560,065	938,487	2,811,300	998,718	1,258,892
Total revenues	\$ 36,994,831	\$ 35,290,932	\$ 35,050,217	\$ 36,399,079	\$ 37,139,585	\$ 38,475,493	\$ 39,101,996	\$ 42,633,923	\$ 43,166,162	\$ 45,175,005
<b>Expenditures</b>										
General government administration	\$ 2,966,220	\$ 2,892,335	\$ 2,859,703	\$ 3,111,352	\$ 3,018,483	\$ 3,291,289	\$ 3,366,101	\$ 3,332,137	\$ 3,510,891	\$ 3,692,815
Judicial administration	1,271,699	1,271,058	1,293,438	1,355,640	1,379,237	1,445,417	1,413,082	1,457,164	1,469,075	1,525,220
Public Safety	5,803,309	6,223,255	6,757,429	8,028,355	7,561,349	7,459,094	7,796,549	7,301,905	8,131,676	8,315,161
Public works	1,797,806	1,825,072	1,832,237	1,782,409	1,640,421	1,597,591	1,596,335	1,605,279	1,667,035	1,850,930
Health and welfare	2,536,125	2,487,966	2,529,648	2,354,831	2,349,627	2,500,813	2,517,092	2,947,998	3,002,358	2,972,524
Education	10,199,591	9,292,122	10,689,229	11,314,721	11,343,488	12,789,955	12,527,071	12,905,854	13,052,292	13,500,794
Parks, recreation and cultural	656,906	668,412	652,519	617,971	635,788	697,661	691,829	724,004	735,648	732,024
Community development	1,290,168	964,421	1,118,510	763,602	714,269	711,650	777,280	889,349	1,017,152	955,763
Capital projects	12,079,368	3,473,438	1,649,068	2,639,793	3,573,424	3,958,484	4,296,214	6,852,692	6,511,025	5,313,921
Debt service										
Principal retirement	3,697,636	4,705,781	2,626,864	2,704,858	2,787,611	2,941,726	2,967,281	3,095,530	5,477,112	3,823,765
Interest and other fiscal charges	3,556,595	3,369,345	3,102,636	2,986,517	2,877,650	2,725,850	2,577,144	2,119,505	2,097,463	1,980,293
Bond issuance costs	-	-	-	-	-	-	707,305	-	39,582	-
Total Expenditures	\$ 45,855,423	\$ 37,173,205	\$ 35,111,281	\$ 37,660,049	\$ 37,881,347	\$ 40,119,530	\$ 41,233,283	\$ 43,231,417	\$ 46,711,309	\$ 44,663,210
Revenues over (under) expenditures	\$ (8,860,592)	\$ (1,882,273)	\$ (61,064)	\$ (1,260,970)	\$ (741,762)	\$ (1,644,037)	\$ (2,131,287)	\$ (597,494)	\$ (3,545,147)	\$ 511,795
<b>Other financing sources (uses)</b>										
Transfers in	\$ 11,739,565	\$ 13,193,093	\$ 9,455,572	\$ 11,595,115	\$ 8,816,327	\$ 8,165,591	\$ 8,740,963	\$ 10,925,576	\$ 11,700,187	\$ 11,308,367
Transfers out	(11,739,565)	(13,192,533)	(9,459,232)	(11,595,115)	(8,816,327)	(8,165,591)	(8,740,963)	(10,923,976)	(11,699,562)	(11,308,367)
Issuance of debt	-	-	-	-	-	-	4,850,000	-	2,246,000	3,179,000
Bond issuance premium	-	-	-	-	-	-	4,620,242	-	-	-
Refunding of bonds	-	-	-	-	-	-	39,195,000	-	1,919,000	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	(43,103,995)	-	-	-
Sale of capital assets	-	-	51,068	-	71,248	-	-	-	-	-
Total other financing sources (uses)	\$ -	\$ 560	\$ 47,408	\$ -	\$ 71,248	\$ -	\$ 5,561,247	\$ 1,600	\$ 4,165,625	\$ 3,179,000
Net change in fund balances	\$ (8,860,592)	\$ (1,881,713)	\$ (13,656)	\$ (1,260,970)	\$ (670,514)	\$ (1,644,037)	\$ 3,429,960	\$ (595,894)	\$ 620,478	\$ 3,690,795
Debt service as a percentage of noncapital expenditures	25.33%	22.63%	16.72%	16.01%	16.43%	15.29%	14.69%	10.22%	10.14%	10.33%

**COUNTY OF NEW KENT, VIRGINIA**  
**Principal Real Property Taxpayers**  
**Current and Nine Years Ago**

**Table 5**

Taxpayer	2018			2009		
	Rank	Assessed Valuation (1)	Percentage of Total Assessed Valuation	Rank	Assessed Valuation (2)	Percentage of Total Assessed Valuation
City of Newport News	1	\$ 28,177,559	1.06%	3	\$ 25,545,339	1.08%
Kent Farms Holding Company LLC	2	26,646,000	1.00%		-	-
Kinney Jonathan C Trustee	3	21,930,800	0.82%	5	15,931,300	0.67%
New Kent Farms LLC	4	21,287,500	0.80%	1	33,370,100	1.41%
Colonial Downs Holdings Inc	5	20,785,000	0.78%	2	30,721,200	1.30%
Kentland Investments LLC	6	13,040,800	0.49%	6	13,006,100	0.55%
SPF Investments LLC	7	11,405,300	0.43%		-	-
Criss Cross Properties LLC	8	8,834,200	0.33%		-	-
AHS Cumberland Hospital LLC	9	8,225,700	0.31%	10	6,565,000	0.28%
Patriots Landing Mgmt Corp	10	5,985,300	0.23%	7	12,275,600	0.52%
The Stizer - INGO Co.		-	-	8	9,433,200	0.40%
NKP LB5 LLC		-	-	4	16,735,400	0.71%
Curtis Group, The		-	-	9	7,252,900	0.31%
Total		<u>\$ 166,318,159</u>	6.26%		<u>170,836,139</u>	7.23%
Total Assessed Valuation of RE		<u>\$ 2,658,816,300</u>	100.00%		<u>2,363,096,079</u>	100.00%

**Notes:**

(1) Based on January 1, 2017 Real Estate Assessments Less AFD

(2) Based on January 1, 2008 Real Estate Assessments Less AFD

**COUNTY OF NEW KENT, VIRGINIA**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

**Table 6**

Fiscal Year	Taxes Levied for the Fiscal Year (2)	Collected within the Fiscal Year of the Levy		Adjustments to Levy in Subsequent Years	Total Adjusted Levy	Collections In Subsequent Years	Total Collections to Date	
		Amount (1)	Percentage of Levy				Amount (1)	Percentage of Levy
2018	\$ 21,754,066	\$ 21,103,580	97.01%	\$ -	\$ 21,754,066	\$ -	\$ 21,103,580	97.01%
2017	21,283,082	20,587,847	96.73%	1,369	21,284,451	449,658	21,037,505	98.84%
2016	20,167,115	19,423,778	96.31%	(25,321)	20,141,794	543,905	19,967,683	99.14%
2015	19,858,010	19,127,721	96.32%	358	19,858,367	606,515	19,734,235	99.37%
2014	19,552,791	18,769,457	95.99%	7,879	19,560,670	685,337	19,454,794	99.46%
2013	18,281,426	17,694,331	96.79%	15,619	18,297,044	540,750	18,235,082	99.66%
2012	18,212,680	17,636,241	96.83%	4,130	18,216,810	535,928	18,172,169	99.75%
2011	18,024,674	17,412,481	96.60%	3,165	18,027,839	587,050	17,999,532	99.84%
2010	18,150,753	17,481,715	96.31%	(130,933)	18,019,820	522,260	18,003,975	99.91%
2009	17,544,380	16,928,858	96.49%	(21,191)	17,523,189	584,270	17,513,128	99.94%

**Notes:**

Includes data for Real Estate taxes only. Personal Property not included.

Notes are presented on a fiscal year and cash basis.

(1) Exclusive of penalties and interest.

(2) Includes Original Assessment, Abatements and Supplements for the Current Fiscal Year.

**COUNTY OF NEW KENT, VIRGINIA**

**Table 7**

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

Fiscal Year	Residential/ Agricultural Property (4) (5)	Commercial Property (4)	Total Assessed Value	Less: Land-Use Property (4)	Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Value (1)	Taxable Assessed Value as a % of Est. Actual Value
2018	\$ 2,412,608,040	\$ 339,698,160	\$ 2,752,306,200	\$ 93,489,900	\$ 2,658,816,300	\$ 0.83	\$ 2,732,596,403	97.30% (2)
2017	2,356,232,640	317,636,760	2,673,869,400	86,620,500	2,587,248,900	0.83	2,697,861,210	95.90%
2016	2,199,446,161	287,800,983	2,487,247,144	76,160,300	2,411,086,844	0.84	2,623,955,210	91.89%
2015	2,159,481,911	286,468,033	2,445,949,944	71,259,400	2,374,690,544	0.84	2,563,888,830	92.62%
2014	2,168,009,978	211,393,700	2,379,403,678	76,100,600	2,303,303,078	0.85	2,425,487,949	94.96%
2013	2,135,222,057	211,238,700	2,346,460,757	75,552,700	2,270,908,057	0.81	2,358,252,017	96.30%
2012	2,446,399,899	242,290,949	2,688,690,848	75,360,400	2,613,330,448	0.70	2,448,716,619	106.72%
2011	2,408,011,129	235,381,426	2,643,392,555	72,264,750	2,571,127,805	0.70	2,569,542,911	100.06%
2010	2,372,385,106	188,049,050	2,560,434,156	66,421,900	2,494,012,256	0.73	2,530,073,277	98.57%
2009	2,249,924,409	171,828,270	2,421,752,679	58,656,600	2,363,096,079	0.73	2,527,925,552	93.48%

**Notes:**

Real property is the County's primary local source revenue. Assessment information for other property taxes is provided in Table 8.

(1) Estimated true full value of real estate as computed by the Virginia Department of Taxation and published in their annual Assessment/Sales Ratio Study.

(2) Ratio based on 2018 Estimated Ratio provided by the Department of Taxation.

(3) Tax rate per \$100 of assessed value.

(4) Source, Real Estate Assessments from Commissioner of Revenue.

(5) Includes Land Use Exemptions.

**COUNTY OF NEW KENT, VIRGINIA****Table 8****Assessed Value of Taxable Property Other than Real Property  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Personal Property (1)</b>	<b>Machinery &amp; Tools (1)</b>	<b>Aircraft (1)</b>	<b>Public Service (2,3)</b>	<b>Total</b>
2018	\$ 221,039,645	\$ 8,901,837	\$ 1,318,080	\$ 136,421,200	\$ 367,680,762
2017	208,527,111	637,147	1,342,334	134,966,269	345,472,861
2016	194,598,143	513,582	1,220,227	128,928,446	325,260,398
2015	187,360,448	590,954	1,227,874	120,632,737	309,812,013
2014	177,749,271	906,954	1,076,630	119,599,045	299,331,900
2013	177,404,046	407,528	1,237,663	110,051,084	289,100,321
2012	167,618,216	411,632	1,390,736	97,839,996	267,260,580
2011	159,680,205	507,358	1,508,951	84,794,487	246,491,001
2010	155,957,292	18,000	1,352,404	82,047,884	239,375,580
2009	170,220,143	18,000	1,271,150	74,410,649	245,919,942

**Notes:**

Real property shown on Table 7 is the County's primary local source revenue. Assessment information for other property taxes is provided above for additional reference.

(1) Source - Assessments from Commissioner of Revenue; includes Mobile Homes.

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

(3) Includes Real Estate.

**COUNTY OF NEW KENT, VIRGINIA****Table 9****Direct Property Tax Rates  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Public Service</b>		<b>Machinery &amp; Tools</b>	<b>Aircraft</b>	<b>Mobile Homes</b>
	<b>Real Estate</b>	<b>Personal Property</b>			
2018	\$ 0.83	\$ 3.75	\$ 1.50	\$ 0.75	\$ 0.83
2017	0.83	3.75	1.50	0.75	0.83
2016	0.84	3.75	1.50	0.75	0.84
2015	0.84	3.75	1.50	0.75	0.84
2014	0.85	3.75	1.50	0.75	0.85
2013	0.81	3.75	1.50	0.75	0.81
2012	0.70	3.75	1.50	0.75	0.70
2011	0.70	3.75	1.50	0.75	0.70
2010	0.73	3.75	1.50	0.75	0.73
2009	0.73	3.75	1.50	0.75	0.73

**Note:**

Per \$100 of assessed value. There are no overlapping property tax rates with other governments.

**COUNTY OF NEW KENT, VIRGINIA**  
**Ratio of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

**Table 10**

Fiscal Year	Governmental Activities				Business-Type Activities			Summary Totals		
	General Obligation Bonds	State Literary Funds Loans	Capital Lease and Other Long Term Obligations	Lease Revenue & Acquisition Bond	Revenue Bonds	Capital Lease Obligations	Bond Premium	Total Primary Government	Percentage of Total Personal Income	Per Capita Personal Income (1)
2018	\$ 7,900,061	\$ -	\$ 1,114,090	\$ 43,462,000	\$ 13,567,688	\$ 59,600	\$ 3,953,698	\$ 70,057,137	N/A	N/A
2017	8,726,826	-	1,622,712	43,280,000	14,106,418	71,520	4,648,039	72,455,514	5.00%	66,794
2016	9,548,336	-	-	43,770,602	14,624,042	-	5,378,815	73,321,795	5.60%	62,213
2015	10,363,309	-	-	46,051,159	15,099,947	-	6,140,431	77,654,846	6.94%	54,876
2014	11,274,259	-	-	43,397,490	14,535,000	-	2,940,805	72,147,554	6.88%	52,442
2013	12,253,753	-	-	45,359,722	14,995,000	-	3,275,157	75,883,632	7.85%	49,581
2012	13,162,303	-	-	47,238,783	15,755,000	-	1,662,288	77,818,374	8.68%	46,790
2011	14,062,018	-	-	49,043,926	16,160,000	-	1,846,825	81,112,769	9.60%	45,009
2010	14,953,146	-	-	50,779,662	16,555,000	-	2,038,724	84,326,532	10.66%	42,643
2009	16,085,397	-	-	54,353,091	16,940,000	-	2,237,826	89,616,315	11.61%	42,734

**Notes:**

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

(1) Total personal income and per capita personal income data for 2010 through 2017 was obtained from Calculations by the Virginia Regional Economic Analysis Project (VA-REAP) with data provided by the U.S. Department of Commerce, Bureau of Economic Analysis - BEARFACTS

N/A - This information was not available.



COUNTY OF NEW KENT, VIRGINIA

Table 11

Ratio of General Bonded Debt Outstanding  
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	State Literary Fund Loans	Total General Bonded Debt	Net Bonded Debt Per Capita	Percent of General Bonded Debt to Assessed Real Property Value
2018	\$ 7,900,061	\$ -	\$ 7,900,061	\$ 362	0.29%
2017	8,726,826	-	8,726,826	402	0.33%
2016	9,548,336	-	9,548,336	452	0.38%
2015	10,363,309	-	10,363,309	511	0.42%
2014	11,274,259	-	11,274,259	566	0.47%
2013	12,253,753	-	12,253,753	627	0.52%
2012	13,162,303	-	13,162,303	687	0.49%
2011	14,062,018	-	14,062,018	749	0.53%
2010	14,953,146	-	14,953,146	806	0.58%
2009	16,085,398	-	16,085,398	891	0.66%

**Notes:**

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

See Table 7 for property value data.

Population data can be found in Table 12.

**COUNTY OF NEW KENT, VIRGINIA**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**

**Table 12**

<b>Year</b>	<b>Population (4)</b>	<b>Total Personal Income (in thousands) (1)</b>	<b>Per Capita Personal Income (1)</b>	<b>Unemployment Rate (2)</b>	<b>School Enrollment (3)</b>
2018	(5) 21,850	N/A	N/A	3.1	3,307
2017	21,682	1,365,304	66,794	3.3	3,244
2016	21,147	1,308,332	62,213	3.4	3,156
2015	20,424	1,119,023	54,876	4.0	3,027
2014	20,019	1,048,795	52,442	4.7	2,977
2013	19,504	966,330	49,581	5.4	3,001
2012	19,159	896,075	46,790	5.7	2,940
2011	18,773	844,736	45,009	6.5	2,938
2010	18,558	791,406	42,643	7.0	2,888
2009	18,057	771,650	42,734	6.8	2,854

**Notes:**

- (1) Total personal income and per capital personal income data for 2010 through 2017 was obtained from Calculations by the Virginia Regional Economic Analysis Project (VA-REAP) with data provided by the U.S. Department of Commerce, Bureau of Economic Analysis - BEARFACTS
- (2) U.S. Bureau of Labor Statistics - Unemployment Rates by County, Not Seasonally Adjusted at June of each year.
- (3) Virginia Department of Education Fall Membership Reports (division totals)  
 Fall Membership is the number of students enrolled in public school on September 30th of each year.
- (4) United States Census Bureau, Population Estimates of the Resident Population for Counties of Virginia.
- (5) New Kent County Department of Community Development - Estimate for June 2018.

N/A - This information was not available.

COUNTY OF NEW KENT, VIRGINIA

Table 13

Principal Employers

Current and Nine Years Ago

Employer	2018			2009		
	Employees	Rank	Percentage of Total County Employment**	Employees	Rank	Percentage of Total County Employment**
New Kent County School Board	500 to 999	1		500 to 999	1	
Curtis Contracting Inc	250 to 499	2		50 to 99	10	
County of New Kent	250 to 499	3		100 to 249	3	
AHS Cumberland Hospital	100 to 249	4		250 to 499	2	
Food Lion	100 to 249	5		100 to 249	4	
County of Henrico	100 to 249	6		100 to 249	6	
Denton Concrete Paving Company	50 to 99	7				
Cornerstone Support Services	50 to 99	8				
McDonald's	50 to 99	9				
Loves Travel Stops & Country Stores Inc	50 to 99	10				
Colonial Downs				100 to 249	5	
Ccc Transportation LLC				100 to 249	7	
Interior Specialty Cons Inc				50 to 99	8	
Kerkim Inc				50 to 99	9	

Notes:

Source: Virginia Employment Commission

Quarterly Census of Employment and Wages (QCEW)

Data for 2018: 2nd Quarter 2018

Data for 2009: 2nd Quarter 2009

\*\*The Virginia Employment Commission is precluded from disclosing the actual number of employees per the Confidential Information Protection and Statistical Efficiency Act - Title V of Public Law 107-347.

COUNTY OF NEW KENT, VIRGINIA

Table 14

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

Function / Department	Full-time Equivalent Employees as of June 30									
	2018 (2)	2017 (2)	2016 (2)	2015 (2)	2014 (2)	2013 (2)	2012 (1)	2011	2010	2009
General government:										
Clerk of the Board	3.9	3.9	4.1	5.5	5.0	5.0	5.0	4.5	4.5	4.5
Commissioner of the Revenue	8.6	8.6	7.9	8.9	8.1	7.1	7.0	6.0	6.0	6.0
Treasurer	4.9	5.0	4.9	4.9	5.1	5.0	5.0	4.0	4.0	4.0
Finance	5.7	5.5	5.5	5.5	5.5	5.5	5.5	4.0	4.0	4.0
Human Resources	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Information Technologies	4.0	4.0	3.7	3.7	3.0	3.0	3.0	3.0	3.0	3.0
Registrar	2.5	2.7	2.6	2.6	2.7	2.4	2.5	2.0	2.0	2.0
County Attorney	-	-	-	0.8	1.0	2.0	2.0	2.0	2.0	2.5
Total General Government	31.7	31.7	30.7	33.9	32.4	32.0	32.0	27.5	27.5	28.0
Judicial Administration:										
Clerk of the Circuit Court	4.1	3.9	4.1	4.4	4.3	4.5	4.5	3.0	3.0	3.0
Circuit Court Judge	1.0	1.0	1.0	0.9	1.0	1.0	1.0	1.0	1.0	1.0
Victim Witness	1.7	1.6	1.1	0.7	1.0	1.0	1.0	1.0	1.0	1.0
Commonwealth Attorney	3.8	4.1	4.0	3.6	4.1	4.1	3.5	3.5	3.5	3.5
Total Judicial Administration	10.7	10.5	10.1	9.6	10.4	10.6	10.0	8.5	8.5	8.5
Public Safety:										
Sheriff and Animal Control	56.5	54.7	53.9	54.6	55.1	55.6	50.5	41.0	39.0	39.0
Fire and Emergency Mgmt.	40.6	38.4	32.4	32.4	30.8	27.6	22.5	16.0	16.0	13.0
Building Inspections	5.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Total Public Safety	102.8	98.2	91.3	92.0	90.9	88.2	78.0	62.0	60.0	57.0
Public Works:										
Refuse	9.4	9.5	9.4	9.6	10.0	9.6	9.0	10.0	10.0	10.0
General Services	9.1	8.6	8.1	8.0	7.3	8.0	9.0	8.0	8.0	8.0
Total Public Works	18.5	18.1	17.5	17.6	17.3	17.6	18.0	18.0	18.0	18.0
Health and Welfare:										
Social Services	16.5	16.1	16.7	14.2	16.5	18.7	16.5	15.5	12.5	12.5
Human Services	1.5	2.0	2.0	1.5	2.0	1.0	1.0			
Total Health and Welfare	18.0	18.1	18.7	15.7	18.5	19.7	17.5	15.5	12.5	12.5
Community Development										
Planning/Environmental/Permitting	8.2	9.7	8.4	7.4	9.0	7.0	7.0	9.0	9.0	9.0
Extension	0.5	0.5	0.6	0.5	0.5	0.5	0.5			
Economic Development	3.5	2.4	2.5	7.6	2.1	2.1	1.0	2.0	2.0	2.0
Airport	1.8	1.7	1.7	1.5	1.3	1.8	1.5	1.0	1.0	1.0
Total Community Development	14.1	14.3	13.2	17.0	12.9	11.4	10.0	12.0	12.0	12.0
Parks, Recreation and Cultural										
Parks and Recreation	8.9	8.3	8.1	7.6	7.4	5.4	3.5	3.5	4.0	4.0
Total Parks, Recreation and Cultural	8.9	8.3	8.1	7.6	7.4	5.4	3.5	3.5	4.0	4.0
Total Governmental	204.7	199.0	189.5	193.4	189.8	184.9	169.0	147.0	142.5	140.0
Public Utilities										
Water/Sewer	18.5	18.5	18.8	17.6	18.0	20.0	18.0	17.0	16.0	16.0
Total Public Utilities	18.5	18.5	18.8	17.6	18.0	20.0	18.0	17.0	16.0	16.0
Total County	223.3	217.5	208.2	211.0	207.8	204.9	187.0	164.0	158.5	156.0

Source: Human Resources Department, Human Resources Specialist

(1) Source: Human Resources Department, Human Resources Assistant

Definition refined for 2012 to include Constitutional Officers. Most increases are a result of this change versus an expansion of staff.

(2) Source: Workers' Compensation Report From BAI System

**COUNTY OF NEW KENT, VIRGINIA**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

**Table 15**

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety (1)										
Fire and rescue companies	1	1	1	1	1	1	1	1	1	1
Number of Stations	4	4	4	4	4	4	4	4	4	3
Public Utilities (2)										
Active Vehicles	18	18	18	18	18	18	18	18	17	17
Refuse Collection (3)										
Refuse collected (tons per year)	6,094	5,716	5,836	5,985	5,580	5,561	6,134	5,820	6,195	6,449
Number of refuse sites	4	4	4	4	4	4	4	4	4	4
Recyclables Collected										
Metal (tons)	297	287	254	202	199	201	222	260	277	284
ONP (tons) (7)	-	-	-	-	76	77	91	92	91	128
OCC (tons)	158	126	100	88	81	93	89	93	79	99
Mixed Paper	300	316	-	-	-	-	-	-	-	-
Propane Tanks (units)	96	55	56	82	35	51	58	105	73	126
Batteries (units)	268	229	367	121	156	158	178	127	309	280
Used Oil (gallons)	12,056	11,725	10,995	9,857	9,034	12,095	10,368	12,381	12,320	12,210
Antifreeze (gallons)	265	315	228	352	394	353	560	475	515	480
Oil Filters (gallons)	660	935	1,100	770	1,045	1,045	880	935	935	1,210
Category 1 (gallons)	1,540	1,320	1,650	1,540	1,155	1,155	1,375	1,485	1,265	1,320
Co-Mix (8)	2,176	2,176	-	-	-	-	-	-	-	-
Parks, Recreation & Cultural (4)										
Land acres	330	330	330	330	330	330	275	275	275	275
Trails (miles)	6	6	6	6	6	6	6	6	5	5
Number of visitors	35,025	32,550	32,550	32,300	32,125	26,725	26,725	26,725	24,750	24,750
Library (5)										
Material circulated	44,898	44,924	46,803	45,594	47,805	48,922	52,592	50,637	43,230	41,589
Library patrons	33,357	28,214	22,039	24,156	23,382	24,193	26,466	26,763	25,937	24,123
Education (6)										
Elementary Schools										
Buildings	2	2	2	2	2	2	2	2	2	2
Primary Schools										
Buildings	0	0	0	0	0	0	0	0	0	0
Middle Schools										
Buildings	1	1	1	1	1	1	1	1	1	1
Capacity	750	750	750	750	750	750	750	750	750	750
High Schools										
Buildings	1	1	1	1	1	1	1	1	1	1
Capacity	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200
Number of school buses	57	54	54	55	58	60	60	60	60	60

**Sources:**

- (1) New Kent County Fire Department
- (2) Public Utilities
- (3) New Kent County General Services and CVWMA (Central Virginia Waste Management Authority)
- (4) New Kent County Parks and Recreation
- (5) Heritage Public Library
  - The Heritage Public Library in the past had served two localities, New Kent County and Charles City County.
  - FY09 was the first full year the library recorded separate statistics for New Kent and Charles City County.
  - The Library migrated systems the week of January 21, 2013 and some data was lost during the migration.
- (6) New Kent County Public Schools
- (7) As of FY15 Old News Print (ONP) is collected with mixed paper
- (8) FY17 was the first full year of revenue from Co-Mix Collection under our new contract,

**COUNTY OF NEW KENT, VIRGINIA**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

Table 16

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Sheriff's Department (1)</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	19	19	19	19	19	19	19	19	19	19
Total Calls Dispatched	45,970	51,131	40,097	38,426	38,204	34,651	34,964	34,884	31,094	34,087
Calls dispatched for traffic	10,821	12,200	10,624	9,152	9,035	8,702	6,810	6,628	4,043	3,503
Calls dispatched for rescue	1,861	3,072	2,879	2,899	1,756	1,524	2,994	2,765	1,707	1,620
Number of criminal warrants served	1,157	1,317	1,125	1,223	1,189	1,419	1,359	1,318	1,161	1,129
Number of civil warrants and traffic notices	5,849	5,975	4,714	9,422	7,914	6,108	6,829	7,171	7,165	8,424
<b>Fire and Rescue (2)</b>										
Companies	1	1	1	1	1	1	1	1	1	1
Stations	4	4	4	4	4	4	4	4	4	3
Emergency responses	3,236	3,053	2,714	2,415	2434*	3,255	3,010	2,765	2,891	1,418
Fires extinguished	75	84	83	104	56	132	112	168	224	289
Inspections	453	466	50	84	176	357	784	810	688	594
<b>Parks and recreation (3)</b>										
Number of parks maintained	8	8	8	8	8	8	7	7	7	7
Park acreage owned by the County	330	330	330	330	330	330	275	275	275	275
<b>Library (4)</b>										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Number of bookmobiles (non-operational)	-	-	-	-	-	-	-	-	-	1
<b>Public Utilities (5)</b>										
<b>Water</b>										
Daily average consumption (gallons)	739,100	689,000	631,233	583,000	660,071	502,263	667,000	828,208	572,212	697,149
Number of connections	3,031	2,847	2,675	2,583	2,418	2,400	2,133	2,101	1,990	1,918
<b>Wastewater</b>										
Average daily wastewater treated (thousands of gallons)	271,000	270,000	272,877	283,000	239,069	244,000	255,000	234,000	320,000	340,000
Number of connections	1,658	1,515	1,365	1,246	1,154	1,142	951	916	809	733
<b>Reclaimed</b>										
Daily average consumption (gallons)	91,870****	203,000***	71,584**	92,000	240,000	240,000	198,000	-	-	-
Number of connections	4	3	3	3	3	3	3	-	-	-

\* The Volunteer Fire & Rescue numbers decreased in FY2014 due to a new Fire Record Management System. Historically, the County documented all calls at each station which gave credit multiple times for a single incident. The Management System eliminated the double counting.

\*\* For FY16 Reclaimed Water billing was only sent for two months out of the year because Colonial Downs closed and the golf courses used very little.

\*\*\*\* For FY17 6,100,000 total gallons were sent to reclaim over a thirty day period to the Colonial Downs racetrack for track maintenance.

\*\*\*\*\* For FY18, 11,300,000 total gallons were sent to reclaim over a four month period. WestRock log storage yard was added as a new customer but due to the rain, closing of Royal New Kent Golf Course, and sale of Brickshire Golf Course there was not as much demand for reclaimed.

**Sources:**

- (1) New Kent County Sheriff's Office
- (2) New Kent County Fire Department
- (3) New Kent County Parks & Recreation
- (4) Heritage Public Library
- (5) New Kent County Public Utilities

## COMPLIANCE SECTION

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**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 Board of Supervisors  
County of New Kent, 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* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of New Kent, Virginia, (the "County") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 30, 2018.

**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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of County's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is identified in the schedule of findings and questioned costs as Item 2018-001.**

## County of New Kent, Virginia's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 30, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

To the Honorable Members of Board of Supervisors  
County of New Kent, Virginia

**Report on Compliance for Each Major Federal Program**

We have audited the County of New Kent, Virginia's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended June 30, 2018. 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 the County's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the County of New Kent, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

## 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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, material weaknesses may exist that have not been identified.**

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

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 30, 2018

**COUNTY OF NEW KENT, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2018**

As more fully described in the 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*, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants shown below:

**STATE COMPLIANCE MATTERS**

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Comprehensive Services Act

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Economic Development Opportunity Funds

Sheriff Internal Controls

Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Education

**FEDERAL COMPLIANCE MATTERS**

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

COUNTY OF NEW KENT, VIRGINIA

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

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Clusters	Federal Expenditures
<b>Department of Agriculture:</b>				
Pass Through Payments:				
Department of Education:				
School Breakfast Program	10.553	17901-40591	\$ 98,885	
National School Lunch Program	10.555	17901-40623	300,576	
Department of Agriculture:				
National School Lunch Program - Commodities	10.555	17901-45707	43,099	
<b>Total School Nutrition Cluster</b>				442,560
Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	10111		173,654
<b>Total Department of Agriculture</b>			\$	616,214
<b>Department of Justice:</b>				
Direct payments:				
Bulletproof Vest Partnership Program	16.607	N/A	\$	379
Pass Through Payments:				
Department of Criminal Justice Service:				
Victim Witness Grant	16.575			68,909
DCJS VSTOP Grant	16.588			1,654
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-51100		28,725
<b>Total Department of Justice</b>			\$	99,666
<b>Department of Transportation:</b>				
Pass Through Payments:				
Department of Aviation:				
Airport Improvement Program	20.106	N/A	\$	389,515
Department of Motor Vehicles:				
State and Community Highway Safety	20.600	60507-53150		7,680
Alcohol Open Container Requirements	20.607	60507-53137		21,716
National Priority Safety Programs	20.616	60507-54084		5,340
<b>Total Department of Transportation</b>			\$	424,251
<b>Department of Education:</b>				
Pass Through Payments:				
Department of Education:				
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$	241,855
Special Education Grants to States	84.027	17901-43071	643,238	
Special Education Preschool Grants	84.173	17901-462521	15,038	
<b>Total Special Education Cluster</b>				658,276
Safe & Drug Free Schools - State Grants (Title IV, Part A)	84.186			8,166
Career and Technical Education -- Basic Grants to States	84.048	17901-61095		31,562
Advanced Placement Program	84.330	17901-60957		
Supporting Effective Instruction State Grants	84.367	17901-61480		59,872
<b>Total Department of Education</b>			\$	999,731

COUNTY OF NEW KENT, VIRGINIA

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Clusters	Federal Expenditures
<b>Department of Health and Human Services:</b>				
Pass Through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950115/0950116	\$	353
Temporary Assistance for Needy Families	93.558	0400115/0400116		103,753
Refugee and Entrant Assistance State Administered Programs	93.566	0500115/0500116		166
Low-Income Home Energy Assistance	93.568	0600415/0600416		17,783
Child Care Mandatory and Matching Funds	93.596	0760115/0760116		13,539
Child Care Assistance	93.575			2,167
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115/0900116		279
Foster Care - Title IV-E	93.658	1100115/1100116		67,411
Adoption Assistance	93.659	1120115/1120116		73,510
Social Services Block Grant	93.667	1000115/1000116		67,633
Chafee Foster Care Independence Program	93.674	9150115/9150116		606
Children's Health Insurance Program	93.767	0540115/0540116		6,697
Medical Assistance Program	93.778	1200115/1200116		177,269
<b>Total Department of Health and Human Services</b>				\$ 531,166
<b>Department of Homeland Security:</b>				
Pass Through Payments:				
Department of Emergency Services:				
Emergency Management Performance Grants	97.042	77501-52743	\$	27,932
Disaster Grants - Public Assistance	97.036	77602-155		-
<b>Total Department of Homeland Security</b>				\$ 27,932
Total Expenditure of Federal Awards				\$ 2,698,961

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2018**

**Note 1. Basis of Presentation**

The Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting as contemplated by generally accepted accounting principles.

**Note 2. Non-Cash Assistance**

The County of New Kent participated in the National School Lunch Program, CFDA Number 10.555, which provides non-cash benefits. The Schedule of Expenditures of Federal Awards includes commodity distributions of \$55,514 from the National School Lunch Program.

**Note 3. De Minimis Rate**

The County of New Kent has not elected to use the 10% de minimis cost rate.

**Note 4. Outstanding Loan Balances**

At June 30, 2018, the County of New Kent, had no outstanding loan balances requiring continuing disclosure.



COUNTY OF NEW KENT, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements are reported in the 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings** relating to major programs.
7. The programs tested as major programs include:

<u>Name of Program:</u>	<u>CFDA #</u>
Title VI-B Special Education Cluster	
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The County was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

**2018-001: Timely Disclosure Statement Filings**

***Condition:***

Four disclosure statements of appointed board members were filed after the February 1, 2018 deadline. This is not in compliance with the deadline as stated in the *Code of Virginia*.

***Recommendation:***

We recommend all disclosure statements be submitted prior to the annual deadline, specified in the *Code of Virginia*.

***Views of Responsible Officials and Planned Corrective Action:***

While there are still some late filings, this has improved over the prior year. The Deputy Clerk of the Board will continue to follow up with board members regarding these filings.

**COUNTY OF NEW KENT, VIRGINIA**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**Year Ended June 30, 2018**

**A. FINDINGS – COMMONWEALTH OF VIRGINIA**

**2017-001: Timely Disclosure Statement Filings**

***Condition:***

Seven disclosure statements of appointed board members were filed after the January 17, 2017 deadline. This is not in compliance with the deadline as stated in the *Code of Virginia*.

***Current Status:***

While there are still some late filings, this has improved over the prior year. The Deputy Clerk of the Board will continue to follow up with board members regarding these filings.

**2017-002: Social Services Business Continuity Plan**

***Condition:***

The Business Continuity Plan has not been updated within the previous twelve months as required by the Virginia Department of Social Services, (VDSS). The Plan was last updated on July 13, 2015.

***Current Status:***

Implemented. The Business Continuity Plan was reviewed for updates in the past 12 months.