



2017 King William County

Comprehensive Annual Financial Report

For the year ended June 30, 2017

www.kingwilliamcounty.us



**COUNTY OF KING WILLIAM, VIRGINIA
TABLE OF CONTENTS**

INTRODUCTORY SECTION

| | Page |
|--|-------------|
| Directory of Principal Officials | i |
| Organizational Chart..... | ii |
| Certificate of Achievement for Excellence in Financial Reporting | iii |
| Letter of Transmittal | iv |

FINANCIAL SECTION

| | |
|---|---|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis..... | 4 |

Basic Financial Statements

Government-wide Financial Statements

| | | |
|-----------|--------------------------------|---|
| Exhibit 1 | Statement of Net Position..... | 6 |
| Exhibit 2 | Statement of Activities | 7 |

Fund Financial Statements

| | | |
|---|---|-----------|
| Exhibit 3 | Balance Sheet – Governmental Funds | 8 |
| Exhibit 4 | Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 9 |
| Exhibit 5 | Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds..... | 10 |
| Exhibit 6 | Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 11 |
| Exhibit 7 | Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund | 12 |
| Exhibit 8 | Statement of Fiduciary Net Position – Agency Funds | 13 |
| Notes to Financial Statements..... | | 14 |

Required Supplementary Information

| | | |
|------------|--|----|
| Exhibit 9 | Schedules of Funding Progress – Other Post-Employment Benefits..... | 69 |
| Exhibit 10 | Schedule of Changes in the County Net Pension Liability and Related Ratios..... | 70 |
| Exhibit 11 | Schedule of Changes in the School Board Non-Professional Net Pension Liability and Related Ratios | 71 |
| Exhibit 12 | Schedule of Employer's Share of Net Pension Liability – VRS Teacher Retirement Plan..... | 72 |

COUNTY OF KING WILLIAM, VIRGINIA
TABLE OF CONTENTS
(Continued)

FINANCIAL SECTION
(Continued)

Required Supplementary Information (Continued)

| | | |
|------------|---|----|
| Exhibit 13 | Schedule of Pension Contributions | 73 |
| Exhibit 14 | Schedule of Pension Contributions – VRS Teacher Retirement Plan | 74 |
| | Notes to Required Supplementary Information | 75 |

Supplemental Information

| | | |
|------------|---|----|
| Exhibit 15 | Combining Statement of Net Position – Agency Funds | 77 |
| Exhibit 16 | Combining Statement of Changes in Assets and Liabilities – Agency Funds | 78 |
| Exhibit 17 | Combining Balance Sheet – Discretely Presented Component Unit – School Board..... | 80 |
| Exhibit 18 | Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Discretely Presented Component Unit – School Board | 81 |
| Exhibit 19 | Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Governmental Funds – Discretely Presented Component Unit – School Board..... | 82 |
| Exhibit 20 | Combining Statement of Net Position – School Board – Fiduciary Funds | 83 |
| Exhibit 21 | Combining Statement of Changes in Assets and Liabilities – School Board – All Agency Funds..... | 84 |
| Exhibit 22 | Statement of Net Position – Internal Service Fund – Self-Insurance Fund – School Board | 85 |
| Exhibit 23 | Statement of Revenues, Expenses, and Changes In Net Position – Internal Service Fund – Self-Insurance Fund – School Board | 86 |
| Exhibit 24 | Statement of Cash Flows Internal Service Fund – Self-Insurance Fund – School Board | 87 |

STATISTICAL SECTION

| | | |
|---------|--|----|
| Table 1 | Net Position | 90 |
| Table 2 | Changes in Net Position..... | 91 |
| Table 3 | Fund Balances – Governmental Funds..... | 93 |
| Table 4 | Changes in Fund Balances – Governmental Funds..... | 94 |

COUNTY OF KING WILLIAM, VIRGINIA
TABLE OF CONTENTS
(Continued)

STATISTICAL SECTION
(Continued)

| | | |
|----------|---|-----|
| Table 5 | Tax Revenues By Source – Governmental Funds..... | 95 |
| Table 6 | Assessed and Estimated Value of Taxable Property | 96 |
| Table 7 | Direct Property Tax Rates..... | 97 |
| Table 8 | Principal Taxpayers..... | 98 |
| Table 9 | Property Tax Levies and Collections..... | 99 |
| Table 10 | Ratios of Outstanding Debt by Type and General Bonded Debt Outstanding..... | 100 |
| Table 11 | Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita..... | 101 |
| Table 12 | Computation of Direct and Overlapping Bonded Debt..... | 102 |
| Table 13 | Demographic and Economic Statistics | 103 |
| Table 14 | Principal Employers | 104 |
| Table 15 | Full-Time County Government Employees by Function..... | 105 |
| Table 16 | Operating Indicators by Function/Activity..... | 106 |
| Table 17 | Capital Asset Statistics by Function | 107 |

COMPLIANCE SECTION

SUPPORTING SCHEDULE

| | | |
|------------|---|-----|
| Schedule 1 | Schedule of Expenditures of Federal Awards | 110 |
| | Notes to Schedule of Expenditures of Federal Awards..... | 112 |
| | Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 113 |
| | Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance | 115 |
| | Summary of Compliance Matters | 117 |
| | Schedule of Findings and Questioned Costs..... | 118 |
| | Summary Schedule of Prior Audit Finding | 120 |

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2017

King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2017

www.kingwilliamcounty.us

INTRODUCTORY SECTION

Directory of Principal Officials

Organization of the County Government

Certificate of Achievement for Excellence in
Financial Reporting – 2016

Letter of Transmittal

COUNTY OF KING WILLIAM, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2017

BOARD OF SUPERVISORS

Travis J. Moskalski, Chairman
Stephen K. Greenwood
William L. Hodges
David E. Hansen
Robert W. Ehrhart

COUNTY ADMINISTRATOR

Mark K. Reeter

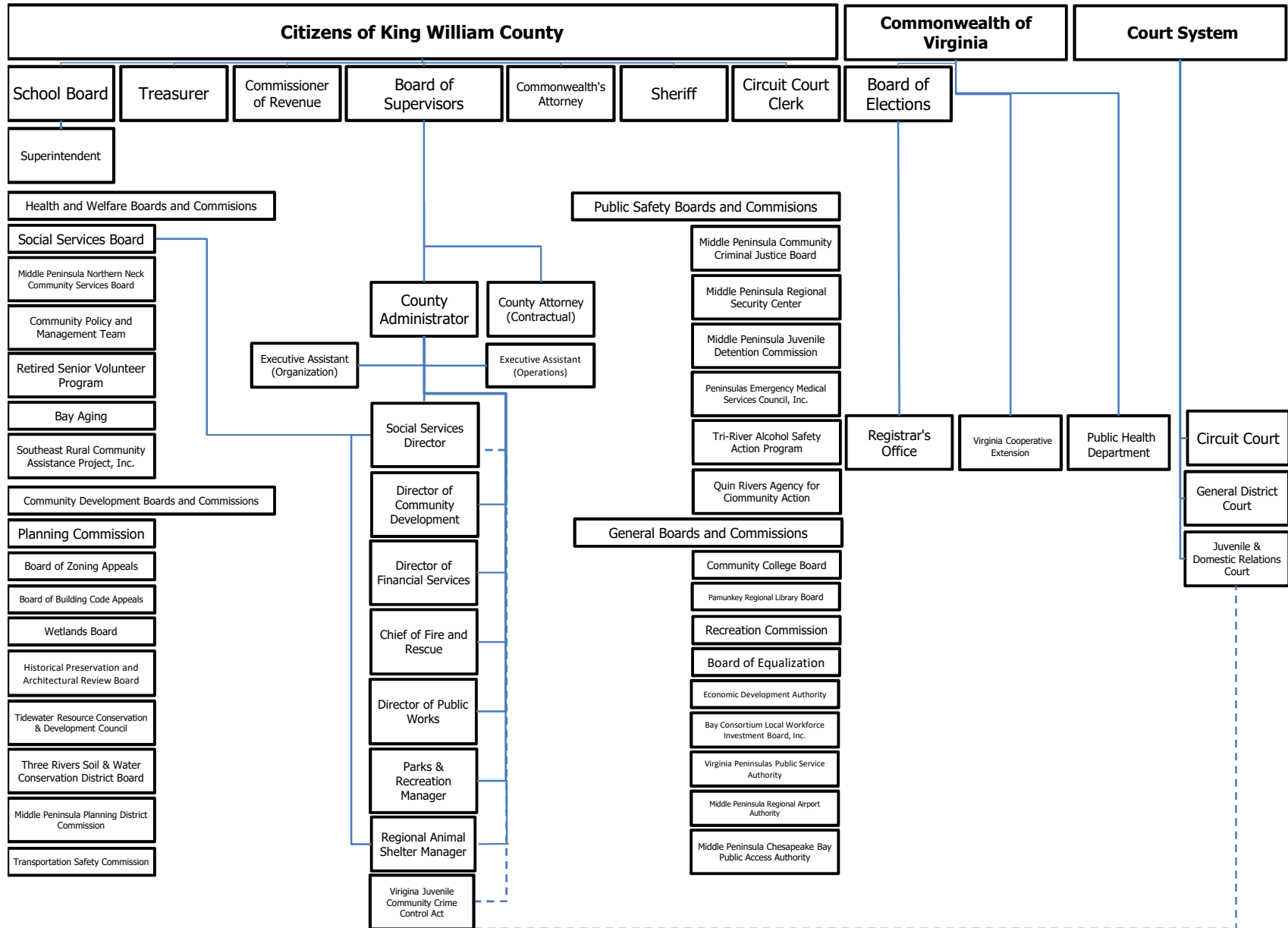
SCHOOL BOARD

Kathy H. Morrison, Chair
Lindsay M. Robinson, Vice Chair
Bryan K. Major
Donald B. Longest, Jr.
Steven M. Tupponce

OTHER OFFICIALS

| | |
|-------------------------------|--|
| Daniel M. Stuck..... | County Attorney |
| Sally W. Pearson | Commissioner of the Revenue |
| J. S. “Jeff” Walton | Sheriff |
| Bobbie H. Tassinari..... | Director of Financial Services |
| Harry L. Whitt | Treasurer |
| Matthew R. Kite | Commonwealth Attorney |
| B. Elliott Bondurant..... | Judge of the Circuit Court |
| Stephanie E Merritt..... | Judge of the General District Court |
| George C. Fairbanks, IV | Judge of the Juvenile and Domestic Relations Court |
| Patricia M. Norman | Clerk of the Circuit Court |
| Anne Mitchell..... | Director of Social Services |

County of King William Organization Chart





Government Finance Officers Association

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

Presented to

**County of King William
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO

King William County Government and Public Schools



FINANCE DEPARTMENT
180 Horse Landing Road #4
King William, VA 23086

Telephone (804) 769-4929

Fax (804) 769-4964

November 15, 2017

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of King William County (the County) for the fiscal year ended June 30, 2017. The *Code of Virginia* requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of audited financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) as established by the Governmental Accounting Standards Board.

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

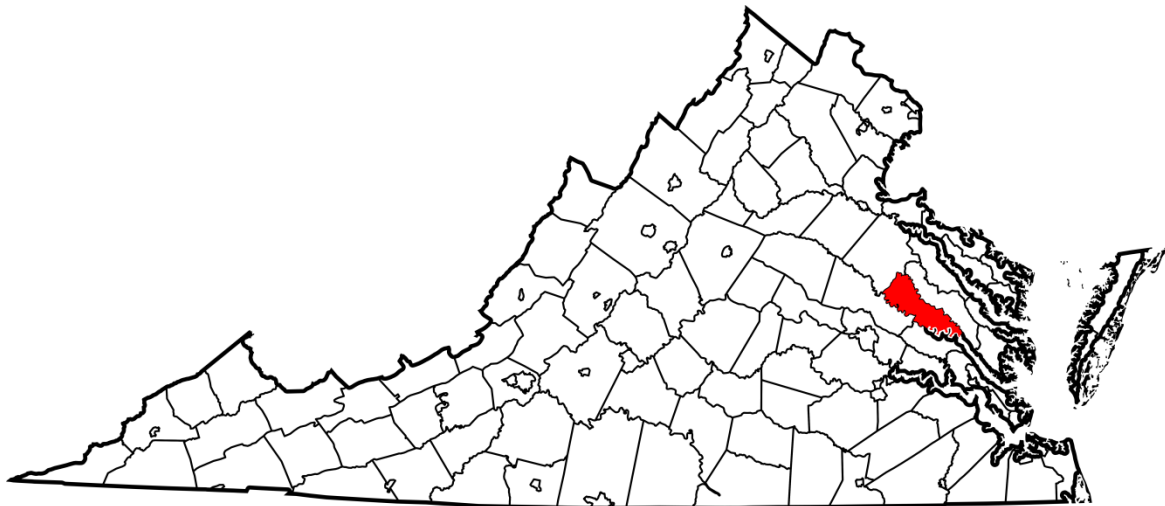
The County's financial statements have been audited by the firm of Brown, Edwards & Company, L.L.P. a firm of licensed certified public accountants, as required by the *Code of Virginia*. The audit was conducted in accordance with generally accepted auditing standards and the Independent Auditors' Report is included as the first component in the Financial Section of this report. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements are fairly presented in conformity with GAAP.

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

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

Profile of King William County, Virginia

King William County (the County), incorporated in 1702, is located in the Middle Peninsula region of Virginia, approximately 35 miles northeast of Richmond, Virginia, and encompasses approximately 286 square miles. Based on estimates calculated by the Weldon Cooper Center for Public Policy, King William County's population is estimated at 16,333 as of July 1, 2016 (published on January 30, 2017, <http://demographics.coopercenter.org/virginia-population-estimates/>). This is a 2.5% increase in population since the 2010 census was completed. Despite population growth, the County remains primarily rural in nature. US Highway 360 runs north-south through the eastern portion of the County. Additionally, State Route 30 traverses through the County from east to west, and State Route 33 traverses through the town of West Point.



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

Government

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

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

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

School Board

King William County is financially accountable for a legally separate school district, which is reported separately within the financial statements as a component unit. The King William County Public Schools (KWCPs) is the single largest service provided by the County. The mission of King William County Public Schools is to "provide rigorous instruction in a challenging atmosphere to meet the educational needs of all students by supporting the efforts of the professional team and encouraging community involvement." The 21st century vision for King William County Schools is outlined in its comprehensive six-year plan, Moving Into the 21st Century: Critical Thinking, Communicating, Collaborating, Creativity. Based upon the research of what works in schools and school divisions and best instructional practices, six principle goals have been developed to guide student academic growth and achievement. King William County Public Schools priorities are as follows:

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

The division is on par or exceeds the state pass rates in standard of learning assessments (SOLs) for the 2016 – 2017 school year and is fully accredited. The school division's one-time graduation rate is 92% with 99.31% of students continuing on to pursue further education (4-year, 2-year, or trade school), joining the military, or securing employment.

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

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

Budget

Virginia law requires the County to maintain a balanced budget in each fiscal year. The annual budget serves as the foundation for the County's financial planning and control. County departments and agencies begin their budget preparation each year in November. In January, all agencies submit their appropriation requests for the fiscal year commencing the following July 1st. The County Administrator submits a proposed capital improvement program in March and the proposed operating and capital budgets in April. The operating and capital budgets include proposed expenditures and the means of financing such expenditures. Public hearings are conducted to obtain citizen comments. In May, the budget is legally enacted through passage of an Appropriations Resolution. The Appropriations Resolution places legal restrictions on expenditures at the fund level and sets budgetary limits for all departments. All budgets are adopted on a basis consistent with GAAP. A budget-to-actual comparison for the general fund is provided in this report in Exhibit 7.

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

Factors Affecting Financial Condition

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

Local economy

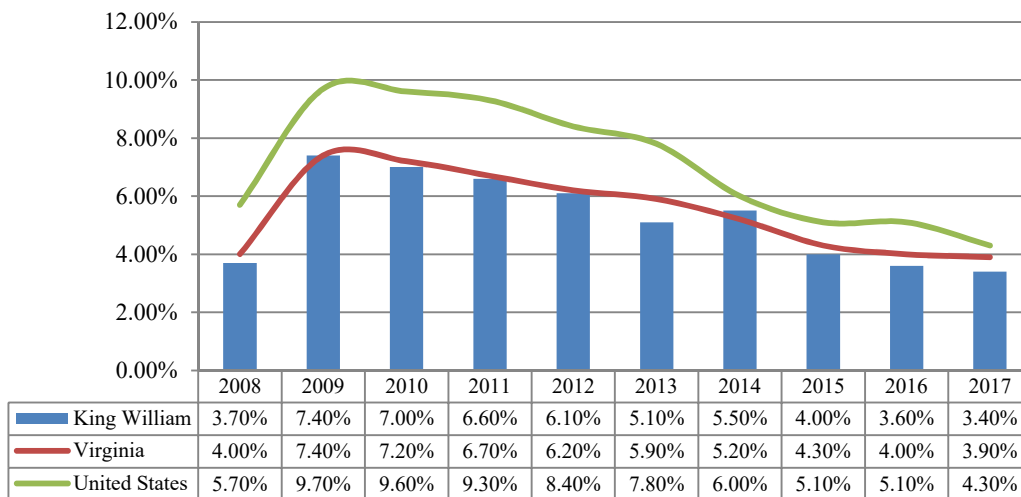
King William County's housing economy, as was the rest of the nation, was significantly impacted by the turmoil in the national housing market. The local real estate housing market continues to improve as the economic environment improves.

The County's real estate valuation is reassessed on a quadrennial basis. The *Code of Virginia*, Section 581.-3252 allows for localities with less than 50,000 citizens to extend the reassessment period up to six years upon approval by the governing authority. The most recent reassessment was conducted in 2014, effective January 1, 2015. In 2017 the general property taxes of the County were derived from real estate (including mobile homes and mines & minerals), personal property (including airplanes), machinery and tools, and public service. A reassessment is scheduled to be conducted in fiscal year 2018 and will be effective January 1, 2019.

Several key economic indicators show that the County's economy continues to show signs of improvement. Local sales tax remained consistent with the prior year which continues to be a positive sign for the King William economy. Local government revenues are prime economic indicators of the confidence of consumers. Increase spending in the County shows our citizens and visitors are feeling more confident as consumers of goods. Permits, privilege fee, and regulatory licenses in 2017 were up 12% from 2016. New residential and commercial construction permits continued to improve during 2017 reflecting an increase of 12%.

The County's unemployment rate trends mirror the state and national rate trends; however, the County's rates generally tend to be lower. During calendar year 2017, unemployment in King William County has consistently posted a lower ratio than the Commonwealth. Historical patterns show unemployment peaks in the month of January and falls throughout the year with a very low rate in April that goes back up to a normal range in May each year. The County's unemployment rate is 3.4% as of August 2017. Unemployment rates are down in the Commonwealth of Virginia (June 2017 3.9%) and nationwide. While the county has a slightly lower rate of unemployment compared to the larger workforce pools it is on par with that trend.

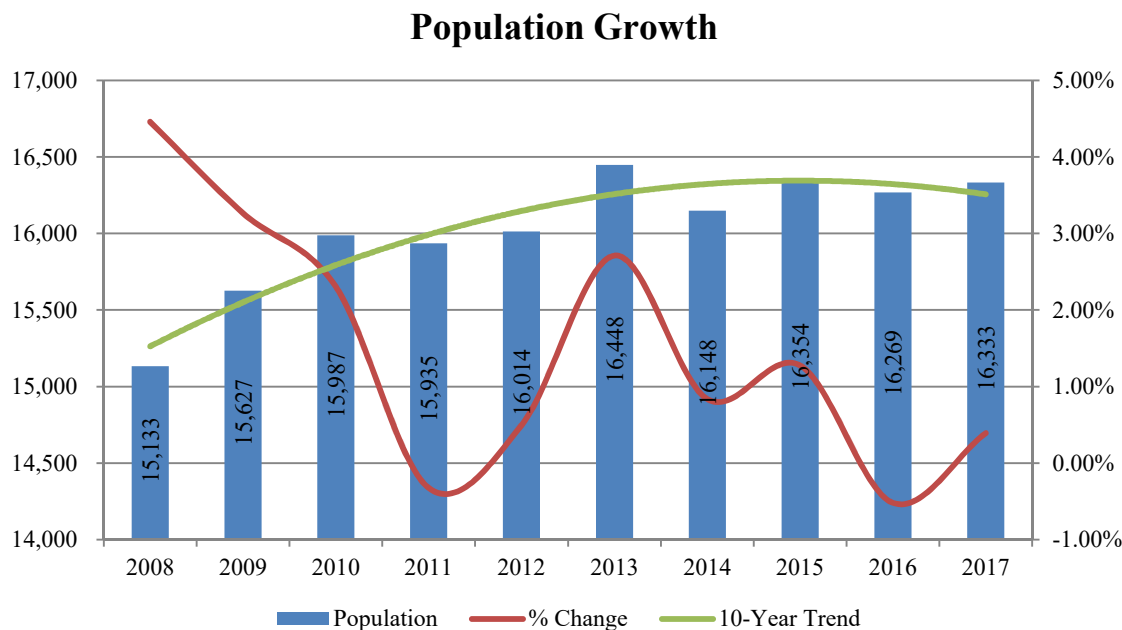
Unemployment Rates



Source: Virginia Labor Market Information (not seasonally adjusted), www.VirginiaLMI.com

Economic Development and Industries

King William County's Board of Supervisors has placed an emphasis on the fact that King William County is a rural community. Preserving the rural nature of the County has resulted in slower population growth. Over the past ten years, King William County's population has increased by approximately 8%, with an average annual growth rate of about 8%. These population trends are reflective of the County's stabilizing focus on long-term planning through land use policies that have been in place since the 1970's. The County manages growth by directing residential, commercial, and industrial zoning in the County.



Source: Statistical Table 13

The primary goal of the County’s economic development efforts is to assist the existing businesses as they grow and expand within the County. The County has joined the Middle Peninsula Alliance to collaboratively seek out economic development options as well as coordinate strategies with other localities within the region. The majority of businesses in King William County are small, with 92% having fewer than 20 employees (VEC LMI).

The County’s commitment to maintaining the rural character of King William is captured in the Comprehensive Plan where the “industrial and commercial zoned” acreage amounts to slightly more than 1.1% of total County acreage.

Long-term financial planning

County policies balance the need for public facilities, as expressed by the countywide land use plan, with the fiscal capabilities of the County to provide for those needs. The five-year Capital Needs Plan submitted annually to the Board of Supervisors is the vehicle through which stated need for public facilities is analyzed against the County’s ability to pay.

The Capital Needs Plan is a planning document intended to provide an analysis of potential long-range funding needs for the acquisition, construction or total replacement of physical facilities. The fiscal year 2017-2021 capital budget for new County and School projects totals \$16.8 million. These projects include:

- \$14.5 million for total school system projects including the expansion and renovation of Hamilton Holmes Middle School
- \$2.3 million for the county government

The Capital Needs Plan defers expenditures where possible and recommends funding consistent with the Board of Supervisors’ financial policies. The FY 2017 Capital Needs budget included vehicle replacement, school bus replacement, and park and road improvements.

Relevant financial policies

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

During FY 2017, the County began to improve financial practices by implementing best practice measures recommended by our audit firm. King William County has a formally adopted purchasing policy, has made improvements in documenting information that relates to employees, and has made improvements in segregation of duties where possible to create greater internal controls. County staff has worked to implement the best practices recommended by our auditors to the best of our abilities where feasible. The County has been working to develop policies and procedures that address processes and provide consistent guidance for County staff. Some examples include County Business Travel, Processing of Leave Request, Fleet Safety and Driving Standards, and Employee Professional Conduct.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to King William County for its Comprehensive Annual Financial Report for the fiscal year ending June 30, 2016. This was the nineteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

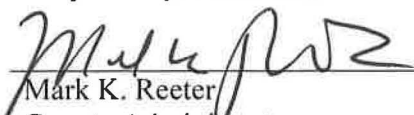
A Certificate of Achievement is valid for a period of one (1) year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements

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

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

Respectfully submitted,


Mark K. Reeter
County Administrator


Bobbie H. Tassinari
Director of Financial Services

2017

King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2017

www.kingwilliamcounty.us

FINANCIAL SECTION

Report of Independent Auditors

Management's Discussion And Analysis

Basic Financial Statements

Required Supplementary Information

Supplemental Information

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia (the "County"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2017, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund 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, fund financial statements of the agency funds and the School Board, 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 fund financial statements of the agency funds and the School Board 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 fund financial statements of the agency funds and School Board and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2017, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of King William, Virginia (County) presents the following discussion and analysis as an overview of the King William County's financial activities for the fiscal year ended June 30, 2017. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter in the Introductory Section of this report and the County's financial statements, which follow this discussion and analysis.

FISCAL YEAR 2017 FINANCIAL HIGHLIGHTS

- The reporting entity, which includes the School Board component unit, has positive net position of \$20.2 million at June 30, 2017.
- The total cost of the County's programs or governmental activities, was \$27 million, an increase of \$1.8 million, or 7% from the prior year's cost of \$25.2 million. Total revenues for governmental activities were \$29.6 million an increase of \$2.1 million from the prior year.
- At June 30, 2017, the County has \$20.2 million of long-term obligations outstanding. This includes \$7.1 million of general obligation bonds, \$9.5 million of revenue bonds, \$2.3 million of capital leases related to assets on the books, \$0.5 million of state literary fund loans, and \$0.4 million of premium bonds. In addition, \$0.3 million in compensated absences.
- The School Board component unit has positive net position of \$1.4 million at June 30, 2017. Revenues, including the County contribution, totaled \$25.5 million, an increase from the prior year, and expenses totaled \$25 million, a decrease of \$0.1 million from the prior year.
- As of June 30, 2017, the County governmental funds reported combined fund balances of \$12.9 million, an increase of \$2.1 million from the prior year. The County's General fund had a total fund balance of \$11.9 million at June 30, 2017. Of the General Fund balance, \$1.5 million is committed fund balance, \$0.2 is restricted for fund balance, \$10.1 million is unassigned fund balance and a negligible amount is committed for assigned fund balance.
- General fund revenues were \$1.7 million over the amended budget. Expenditure savings of \$1.1 million were recognized by County Departments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The introductory section includes the letter of transmittal, a copy of the fiscal year 2016 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association, the County's organizational chart, and a list of principal officials.
- The financial section includes the Independent Auditor's Report, management's discussion and analysis (this section), the basic financial statements, required supplemental information, and combining and individual fund statements and schedules.
- The statistical section includes selected financial and demographic data related to the County, generally presented on a multi-year basis.
- The compliance section is required under the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments and Non-profit Organizations; and includes the auditor's reports on compliance and internal controls. Compliance findings for the current and previous audits along with management plans to rectify future findings are found in the compliance section.

Financial Section Overview

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

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

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

The required supplementary information includes this discussion and analysis, the Schedule of Funding Progress for the Virginia Retirement System, and the Other Postemployment Benefits Program (OPEB) (Exhibit 9).

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

| Table 1 King William County Summary of Net Position (\$ in millions) | | | | | | |
|--|---|----------------|--|---------------|--|----------------|
| | Primary Government Governmental Activities | | Component Unit School Board | | Total Reporting Entity Including School Board | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Assets: | | | | | | |
| Current and Other Assets | \$ 21.4 | \$ 19.8 | \$ 4.8 | \$ 5.0 | \$ 26.2 | \$ 24.8 |
| Capital Assets | 25.8 | 28 | 18.5 | 17.5 | 44.3 | 45.5 |
| Total Assets | 47.2 | 47.8 | 23.3 | 22.5 | 70.5 | 70.3 |
| Deferred Outflows of Resources | 1 | 0.7 | 3.5 | 3 | 4.5 | 3.7 |
| Total Assets and Deferred Outflows of Resources | 48.2 | 48.5 | 26.8 | 25.5 | 75 | 74 |
| Liabilities: | | | | | | |
| Current Liabilities | 1.3 | 2.1 | 2.8 | 2.7 | 4.1 | 4.8 |
| Long-term Liabilities | 21.5 | 23.8 | 21.9 | 20.3 | 43.4 | 44.1 |
| Total Liabilities | 22.8 | 25.9 | 24.7 | 23 | 47.5 | 48.9 |
| Deferred Inflows of Resources | 6.5 | 6.6 | 0.07 | 1.6 | 6.57 | 8.2 |
| Total Liabilities and Deferred Inflows of Resources | 29.3 | 32.5 | 25.4 | 24.6 | 54.7 | 57.1 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 6.4 | 6.1 | 18.5 | 17.5 | 24.9 | 23.6 |
| Restricted | 1.3 | 0.8 | 0 | 0 | 1.3 | 0.8 |
| Unrestricted | 11.1 | 9 | -17.1 | -16.7 | -6 | -7.7 |
| Total Net Position | \$ 18.8 | \$ 15.9 | \$ 1.4 | \$ 0.8 | \$ 20.2 | \$ 16.7 |
| <i>Table 1 may differ from Exhibit 1 due to rounding.</i> | | | | | | |

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

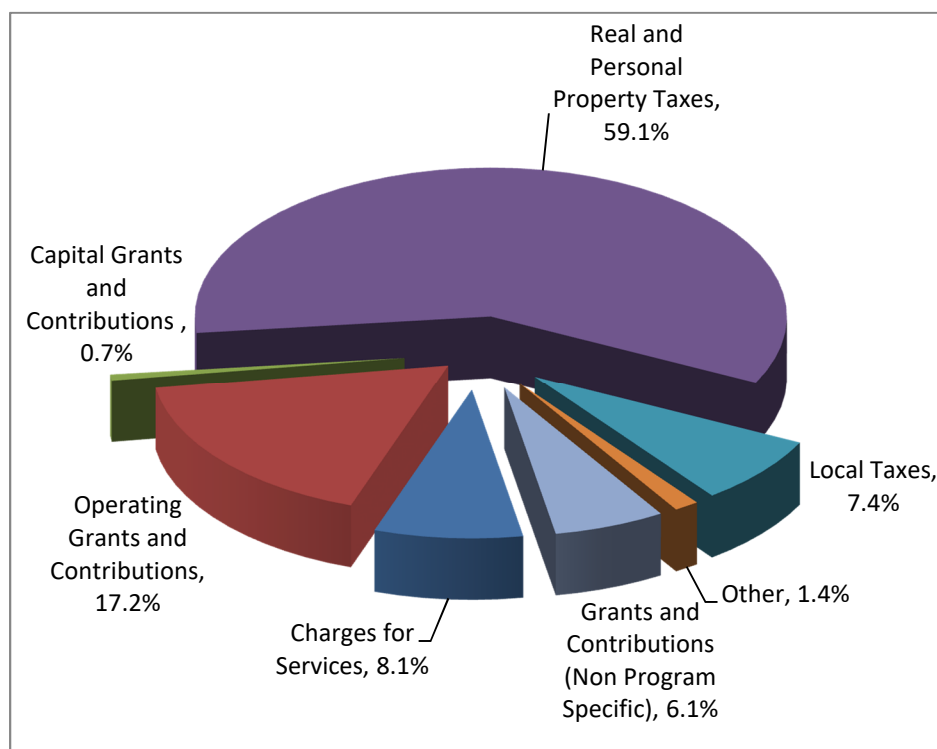
The total reporting entity, which includes the School Board component unit, had positive net position of \$20.2 million at June 30, 2017. Net position increased from the prior year, which reflects the impact of the implementation of the long term liability reporting associated with the retirement system.

The Primary Government: The primary government had net position of \$18.8 million at June 30, 2017, which reflects an increase of \$2.8 million from the prior year. A portion of net position, \$6.4 million, represents the County's investment in capital assets (e.g., land, buildings, and equipment) less the depreciation and outstanding debt associated with asset acquisitions. Total restricted and unrestricted net position of the primary government combine for \$12.4 million, and is mainly the result of the primary government issuing debt in past years to finance assets rather than paying as they acquire assets. These debts include: moral obligation commitments the County provided to the issuance of two bonds in support of utility projects undertaken and capitalized by the County, and debt the primary government has issued on behalf of the School Board component unit. The County's liability for these debts at June 30, 2017 totaled \$20.2 million. Refer to Note 6 for further details regarding long-term obligations and commitments.

CHANGE IN NET POSITION

Governmental Activities: Total governmental net position increased by \$3.3 million from the prior year.

Governmental Activities - Revenues



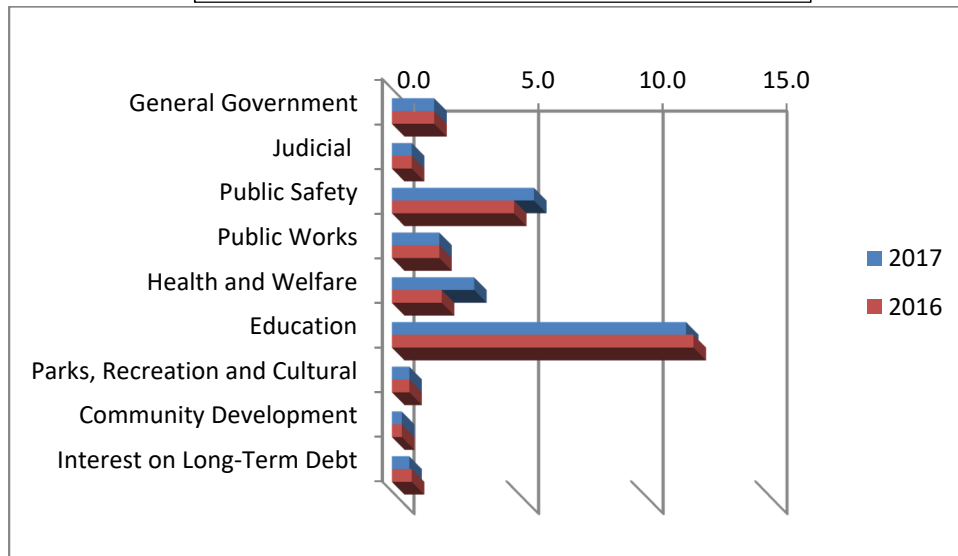
Revenues from governmental activities for fiscal year 2017 totaled \$29.6 million, an increase of \$2.1 million from fiscal year 2016. Taxes comprise the largest source of revenues, totaling \$20.1 million, of which general property taxes account for \$17.5 million, or 67% of total revenues. Program revenues (charges for services, capital grants, and operating grants and contributions) generated a total of \$7.7 million, or 27% of total revenues, while revenues from grants and contributions not restricted to specific programs totaled \$1.8 million, or 6% of total revenues.

Local sales and use tax revenue collections were \$0.9 million. Business license tax exceeded prior year collections due to a continued effort to improve compliance and collect prior year past due amounts. Collections totaled \$0.4 million and exceeded original budgeted projections by \$122 thousand.

Table 2 summarizes the changes in net position from Exhibit 2 in the Financial Section for the primary government and its component unit at June 30, 2017 and 2016.

| King William County Change in Net Position (\$ in millions) | | | | | | | | | | | | |
|---|--------------------|------|------|------|----------------|------|------------------------|------|------|------|------|------|
| | | | | | | | | | | | | |
| | Primary Government | | | | Component Unit | | Total Reporting Entity | | | | | |
| | Governmental | | | | | | Including | | | | | |
| | Activities | | | | School Board | | School Board | | | | | |
| | 2017 | | 2016 | | 2017 | | 2016 | | 2017 | | 2016 | |
| <u>Revenues</u> | | | | | | | | | | | | |
| Program Revenues: | | | | | | | | | | | | |
| Charges for Services | \$ | 2.4 | \$ | 1.4 | \$ | 0.6 | \$ | 0.6 | \$ | 3.0 | \$ | 2.0 |
| Operating Grants and Contributions | | 5.1 | | 5 | | 14.3 | | 14.3 | | 19.4 | | 19.3 |
| Capital Grants and Contributions | | 0.2 | | 0.1 | | - | | - | | 0.2 | | 0.1 |
| General Revenues: | | | | | | | | | | | | |
| Real and Personal Property Taxes | | 17.5 | | 16.9 | | 10.6 | | 10.5 | | 28.1 | | 27.4 |
| Other Taxes | | 2.2 | | 2.3 | | - | | - | | 2.2 | | 2.3 |
| Other | | 0.4 | | 0.4 | | - | | - | | 0.4 | | 0.4 |
| Grants and Contributions (Non Program Specific) | | 1.8 | | 1.6 | | - | | - | | 1.8 | | 1.6 |
| Total Revenues | | 29.6 | | 27.7 | | 25.5 | | 25.4 | | 55.1 | | 53.1 |
| <u>Expenses</u> | | | | | | | | | | | | |
| General Government | | 1.7 | | 1.7 | | - | | - | | 1.7 | | 1.7 |
| Judicial | | 0.8 | | 0.8 | | - | | - | | 0.8 | | 0.8 |
| Public Safety | | 5.7 | | 4.9 | | - | | - | | 5.7 | | 4.9 |
| Public Works | | 1.9 | | 1.9 | | - | | - | | 1.9 | | 1.9 |
| Health and Welfare | | 3.3 | | 2 | | - | | - | | 3.3 | | 2 |
| Education | | 11.8 | | 12.1 | | 25 | | 25.1 | | 36.8 | | 37.2 |
| Parks, Recreation and Cultural | | 0.7 | | 0.7 | | - | | - | | 0.7 | | 0.7 |
| Community Development | | 0.4 | | 0.4 | | - | | - | | 0.4 | | 0.4 |
| Interest on Long-Term Debt | | 0.7 | | 0.8 | | - | | - | | 0.7 | | 0.8 |
| Total Expenses | | 27 | | 25.3 | | 25 | | 25.1 | | 52 | | 50.4 |
| Change in Net Position | | 2.8 | | 2.4 | | 0.5 | | 0.3 | | 3.3 | | 2.7 |
| Beginning Net Position, as Restated | | 16 | | 13.5 | | 0.9 | | 0.6 | | 16.9 | | 14.1 |
| Ending Net Position | \$ | 18.8 | \$ | 15.9 | \$ | 1.4 | \$ | 0.9 | \$ | 20.2 | \$ | 16.8 |
| Table 2 may differ from Exhibit 2 due to rounding. | | | | | | | | | | | | |

Governmental Activities - Expenses



Total expenses for governmental activities for this fiscal year were \$27 million, an increase of 7% from \$25.2 million in fiscal year 2016. The increase of \$1.8 million is due to replacement of key personnel and interim County Administrator and associated benefits, and non-controllable categories such as public safety and health and welfare.

- Increase in Public Safety expenses was due to increased expenditures compared with projected expenditures associated with regional jail facilities and other related activities.
- Cost associated with hiring new personnel in key positions, employing an interim county administrator and a replacement. Also included in the personnel costs are the leave payouts for departing staff which can be substantial.
- Increase in Health and Welfare expenses was due to increased expenditures compared with projected expenditures impacting the match percentage of local government contributions.

Education continues to be the County's largest program and highest priority with the County's contribution totaling \$11.8 million, or 43.7% of total expenses. Public safety expenses, which total \$5.7 million or 21.1%, represent the second largest expense category for governmental activities.

Governmental Activities-Functional Expenses For the Fiscal Year Ended June 30, 2017

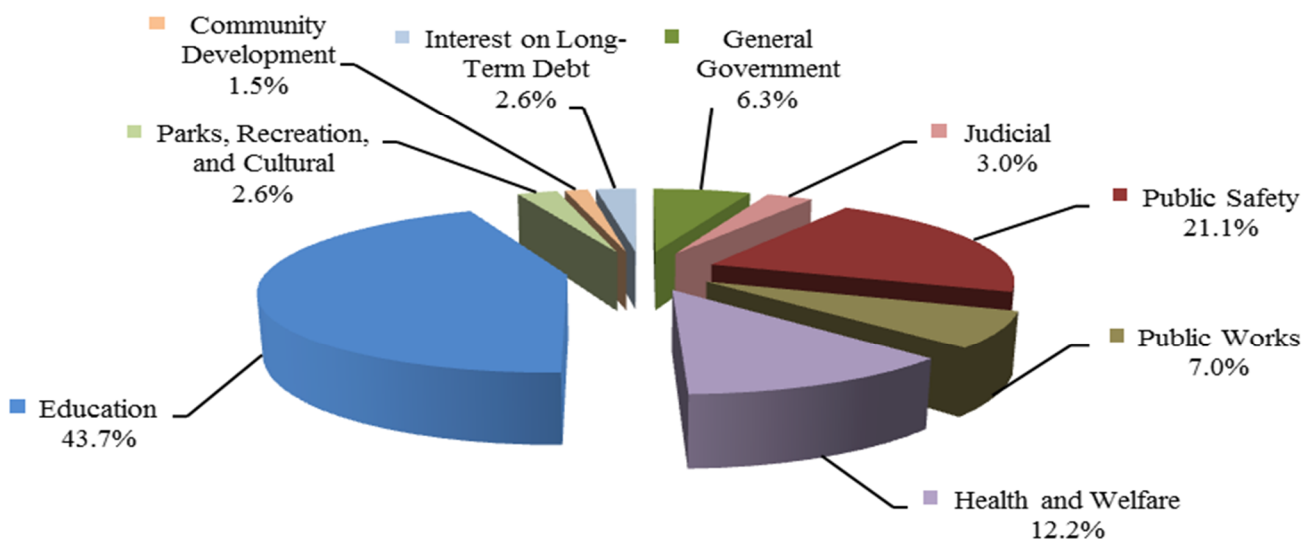


Table 3 illustrates the net cost (total expenses less fees generated by the activities and program-specific governmental aid) for the County's governmental activities. Fees, such as charges for services and program specific aid from other governmental or outside entities, help offset the cost of the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

| Table 3 Net Cost of Governmental Activities For the Fiscal Years Ended June 30, 2017 and 2016 (\$ in millions) | | | | | |
|--|-----------------------------------|----------------|---------------------------------|----------------|--|
| | Total Cost of Services | | Net Cost of Services | | |
| | 2017 | 2016 | 2017 | 2016 | |
| General Government | \$ 1.7 | \$ 1.7 | \$ 0.5 | \$ 1.5 | |
| Judicial | 0.8 | 0.8 | 0.3 | 0.3 | |
| Public Safety | 5.7 | 4.9 | 4.2 | 3.6 | |
| Public Works | 1.9 | 1.9 | 1.2 | 1.3 | |
| Health and Welfare | 3.3 | 2 | 2 | 0.8 | |
| Education | 11.8 | 12 | 9.6 | 9.8 | |
| Parks, Recreation and Cultural | 0.7 | 0.7 | 0.6 | 0.6 | |
| Community Development | 0.4 | 0.4 | 0.1 | 0.1 | |
| Interest on Long-Term Debt and Other | 0.7 | 0.8 | 0.7 | 0.8 | |
| Total | <u>\$ 27.0</u> | <u>\$ 25.2</u> | <u>\$ 19.2</u> | <u>\$ 18.8</u> | |

Table 3 may differ from Exhibit 2 due to rounding.

After recognizing the effect of revenue from these fees, grants, and contributions of \$6.4 million, the net cost of governmental activities was \$19.2 million, compared to a total cost of \$27 million.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

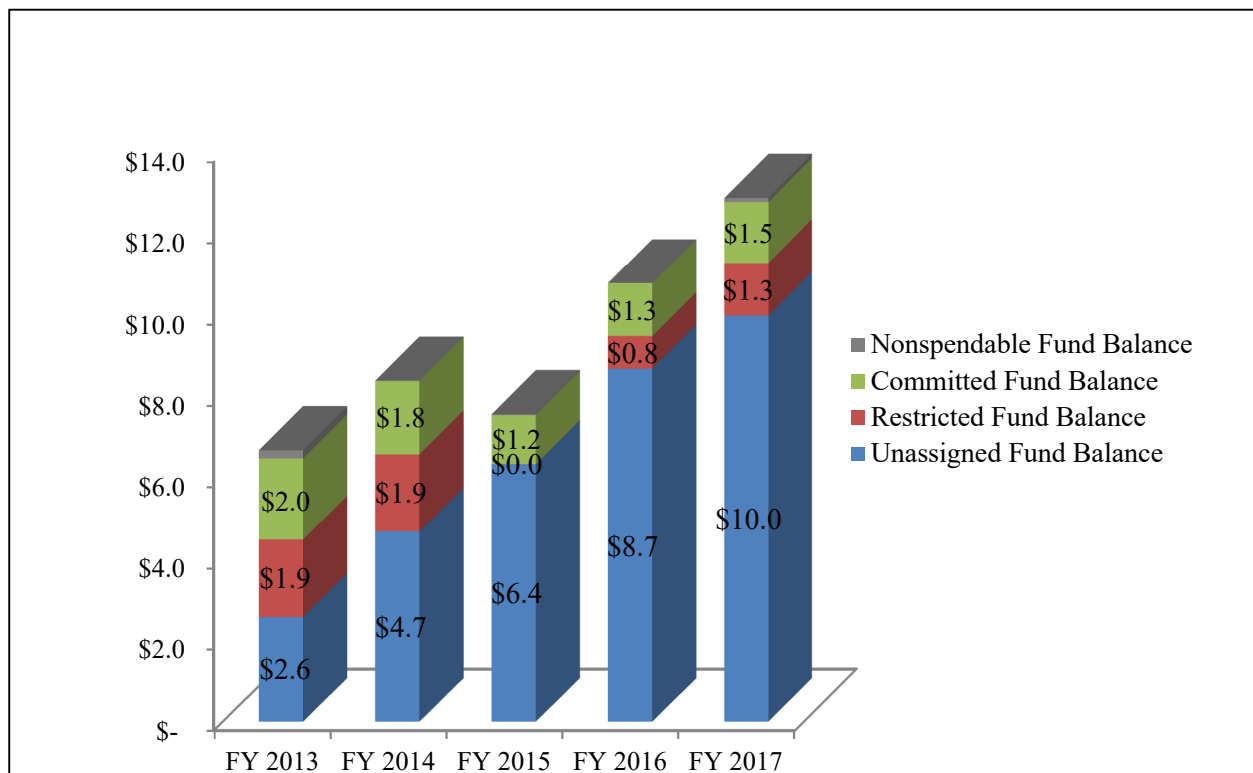
Governmental Funds: As of June 30, 2017, the County's governmental funds reported a combined ending fund balance of \$12.9 million (Exhibit 3), an increase of \$2.1 million as compared with the prior year. The increase is primarily associated with a strong year in revenue collection combined with strong management by departments which offset any planned uses of fund balance.

Other significant outlays in fiscal year 2017 included the following:

- The General Fund contributed \$10.6 million in operating funds to finance the Schools operations and debt service.

The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund revenues. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$10 million (Exhibit 3). This represents 42% of general operating revenues budgeted for the coming year in the General Fund. At this level, when combined with committed and nonspendable fund balances, the County has sufficient funds to operate approximately five months without interrupting service levels. The chart below depicts the composition of the County's General Fund balance for the last five fiscal years.

Composition of General Fund Balance



GENERAL FUND BUDGETARY HIGHLIGHTS

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

| Table 4 Budgetary Comparison General Fund For the Fiscal year Ended June 30, 2017 (\$ in millions) | | | |
|---|----------------------------|---------------------------|----------------|
| | Original Budget | Amended Budget | Actual |
| <u>Revenues</u> | | | |
| Taxes | \$ 18.8 | \$ 18.8 | \$ 20.1 |
| Other | 1.3 | 1.3 | 1.6 |
| Intergovernmental | 4.4 | 4.4 | 4.5 |
| Total Revenues | <u>24.5</u> | <u>24.5</u> | <u>26.2</u> |
| <u>Expenditures</u> | | | |
| Expenditures | <u>23.5</u> | <u>23.5</u> | <u>22.4</u> |
| Excess (deficiency) of Revenues Over (Under) Expenditures | <u>1</u> | <u>1</u> | <u>3.8</u> |
| Other Financing Uses | | | |
| Transfers Out | <u>-1.6</u> | <u>-1.6</u> | <u>-1.9</u> |
| Change in Fund Balance | <u>\$ (0.60)</u> | <u>\$ (0.60)</u> | <u>\$ 1.90</u> |
| <i>Table 4 may differ from Exhibit 7 due to rounding.</i> | | | |

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

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

Final amended budget revenues remained level. Actual expenditures for the General Fund totaled \$22.4 million or \$1.1 million less than the amended budget. Savings are due to County departmental efforts to control spending on contracts and regional partners charging less than expected for services.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

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

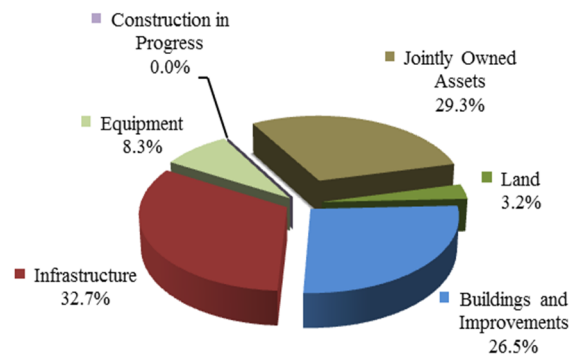
| King William County Capital Assets (\$ in millions) | | | | | | |
|---|--------------------|---------|----------------|---------|------------------------|---------|
| Table 5 | Primary Government | | Component Unit | | Total Reporting Entity | |
| | Governmental | | School Board | | Including School Board | |
| | Activities | | School Board | | Including School Board | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$ 0.8 | \$ 0.8 | \$ 0.1 | \$ 0.1 | \$ 0.9 | \$ 0.9 |
| Building and Improvements | 10.9 | 10.8 | 5.4 | 5.3 | 16.3 | 16.1 |
| Equipment | 5.3 | 5.1 | 3.6 | 3.7 | 8.9 | 8.8 |
| Jointly Owned Assets | 10.4 | 12.1 | 28.2 | 26.6 | 38.6 | 38.7 |
| Land Improvements | 0 | 0 | 0.4 | 0.3 | 0.4 | 0.3 |
| Infrastructure | 13.4 | 13.4 | 0.3 | 0.3 | 13.7 | 13.7 |
| Construction in Progress | 0 | 0 | 0.6 | 0 | 0.6 | 0 |
| Total Capital Assets | 40.8 | 42.2 | 38.6 | 36.3 | 79.4 | 78.5 |
| Less: Accumulated Depreciation/Amortization | -15 | -14.2 | -20.1 | -18.8 | -35.1 | -33 |
| Net Capital Assets | \$ 25.8 | \$ 28.0 | \$ 18.5 | \$ 17.5 | \$ 44.3 | \$ 45.5 |

Table 5 may differ from Exhibit 1 due to rounding.

As of June 30, 2017, the total reporting entity had net capital assets of \$44.3 million in capital assets, a decrease of \$1.2 million from the prior year. This decrease is due to capital investment project costs being less than depreciation expense this year.

Governmental Activities - Net Capital Assets at June 30, 2017

For governmental activities, the County's investment in non-depreciable assets totaled \$0.8 million, while depreciable assets totaled \$25 million (net of depreciation). Total net capital assets for governmental activities decreased by \$2.2 million when compared to the prior year.



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

- Governmental activity additions include \$0.2 million in additions to equipment for elections, HVAC, public safety, and vehicles.
- Governmental activity included a decrease of \$1.7 million jointly owned assets. School Board capital assets are jointly owned by the County and the School Board. The County's share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system. For the year ended June 30, 2017, the County transferred assets with costs of \$1,685,350 and accumulated depreciation of \$553,796 to the School Board.

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

Long-term Obligations

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

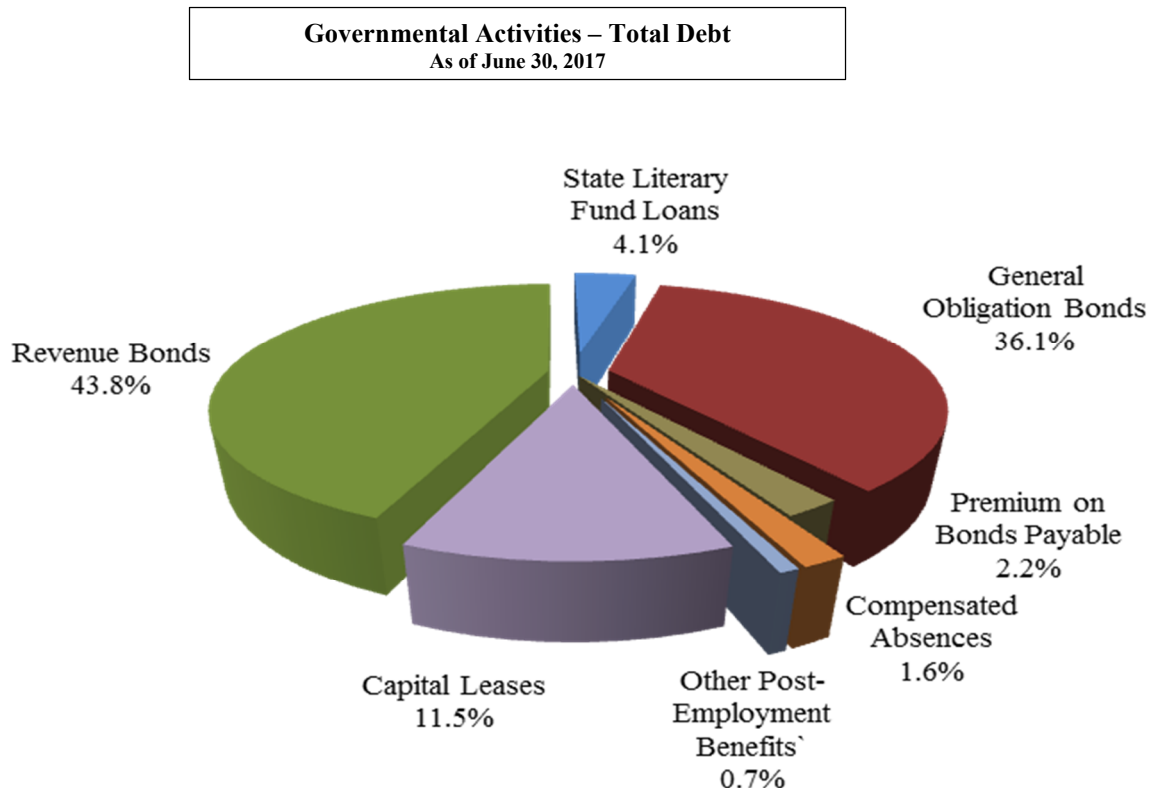
| Table 6 Summary of Changes in Long-Term Obligations (\$ in millions) | | | |
|--|---------------------|------------------------------------|----------------------|
| | July 1, 2016 | Net Increase (Decrease) | June 30, 2017 |
| Governmental Activities: | | | |
| General Obligation Bonds | \$ 8.2 | \$ (1.1) | \$ 7.1 |
| Revenue Bonds | 9.9 | -0.4 | 9.5 |
| State Literacy Fund Loans | 0.9 | -0.4 | 0.5 |
| Capital Leases | 2.6 | -0.3 | 2.3 |
| Premium on Bonds | 0.5 | -0.1 | 0.4 |
| Subtotal | <u>22.1</u> | <u>-2.3</u> | <u>19.8</u> |
| Other Post-Employment Benefits | 0.1 | - | 0.1 |
| Compensated Absences | <u>0.4</u> | <u>-0.1</u> | <u>0.3</u> |
| Total Long-Term Obligations | <u>\$ 22.6</u> | <u>\$ (2.4)</u> | <u>\$ 20.3</u> |

Table 6 may differ from Exhibit 6 due to rounding.

As of June 30, 2017, the County's governmental activities had long-term obligations totaling \$20.3 million, of which \$19.8 million represents indebtedness related to capital leases, long-term commitments, and issuances of bonds on behalf of the county and the School Board component unit. This represents a decrease of \$2.4 million, or 10% in long-term obligations from the prior year. The decrease is due primarily to the following activities during the fiscal year:

- No new debt being issued and the County continually paying on the balances of existing debt.
- Compensated absences remained constant.

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



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

- The average six-month unemployment rate for King William County in August 2017 was 3.4%, down .02% from July 2016. This compares favorably to the National average rate of 4.3%.
- According to the Weldon Cooper Center for Public Service, King William County's population was estimated to be 16,333, an increase of .004% over the prior year. Population estimates for the last ten years are provided in Table 13 of the Statistical Section of this report. <http://demographics.coopercenter.org/virginia-population-estimates/?q=demographics/virginia-population-estimates>.
- The enrollment in public schools increased in fiscal year 2017 to 2,180 from 2,167. School enrollment for the last ten years is provided in Table 13, Statistical Section of this report.
- The latest available per capita personal income for King William County was \$42,633 as of 2015, compared to \$49,985 for the Richmond Metropolitan Area, as reported by Governing.com. Per capita personal income for the last ten years is provided in Table 13 of the Statistical Section of this report.

Fiscal Year 2018 Budget and Rates

- For fiscal year 2018, the adopted budget for the General Fund is \$23.9 million, an increase of 4.5% from fiscal year 2017. The FY2018 budget has been amended to include appropriation of General Fund Balance for Mangohick and West Point Volunteer Fire Departments. In addition, a budget amendment addressing the King William County Public Schools Division Hamilton Holmes Middle School project included restricted General Fund Balance dollars received through the Split Levy/Non-Split Levy. Revenues in FY2018 are comprised primarily of general property taxes at 70.9%, other local taxes at 11.9%, permits, privilege fees, regulatory licenses, and fines at 1.9%, State assistance at 12.5%, and other revenues at 2.8%.
- In fiscal year 2018, the County's contribution to the School Board component unit is \$10.8 million which includes the County's contribution to the School Board's operating fund of \$8.8 million and \$2 million contributed to the debt service fund on behalf of the Schools. Support to the Schools represents 44.8% of the General Fund appropriations. The percentage of General Fund appropriations supporting Schools increased approximately \$152,000 from the prior fiscal year 2017.
- Public safety accounts for 21.9% of appropriations in fiscal year 2018, the second largest component of budgeted expenditures.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of King William County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Director of Financial Services, King William County, 180 Horse Landing Road #4, King William, VA 23086 telephone (804) 769-4929, or visit the County's website at www.kingwilliamcounty.us.

BASIC FINANCIAL STATEMENTS

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2017

| | Primary Government Governmental Activities | Component Unit School Board |
|---|--|-----------------------------------|
| ASSETS | | |
| Cash and cash equivalents (Note 2) | \$ 11,112,692 | \$ 3,303,443 |
| Receivables, net: (Note 3) | | |
| Property taxes, including penalties | 7,788,205 | - |
| Accounts receivable | 89,830 | 7,000 |
| Due from other governments (Note 4) | 1,099,054 | 1,502,906 |
| Prepays | - | 2,341 |
| Cash and cash equivalents, restricted (Note 2) | 1,280,063 | - |
| Net pension asset (Note 7) | - | 57,742 |
| Capital assets: (Note 5) | | |
| Nondepreciable | 825,098 | 713,224 |
| Depreciable, net | 24,973,667 | 17,756,341 |
| Total assets | 47,168,609 | 23,342,997 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred charge on refunding | 316,584 | - |
| Pension contributions subsequent to measurement date (Note 7) | 301,830 | 1,789,825 |
| Net difference between projected and actual investment earnings on pension plan investments (Note 7) | 361,117 | 1,301,223 |
| Differences between expected and actual experience (Note 7) | - | 53,298 |
| Changes in proportion - teacher cost sharing pool (Note 7) | - | 362,000 |
| Total deferred outflows of resources | 979,531 | 3,506,346 |
| LIABILITIES | | |
| Accounts payable | 526,364 | 309,337 |
| Accrued liabilities | - | 2,302,612 |
| Due to other governments (Note 4) | 125,480 | - |
| Deposits | 89,707 | - |
| Unearned revenue (Note 3) | 213,738 | - |
| Insurance and benefit claims | - | 215,000 |
| Accrued interest payable | 330,420 | - |
| Noncurrent liabilities: | | |
| Net pension liability (Note 7) | 1,299,730 | 21,399,000 |
| Due within one year (Note 6) | 2,375,215 | 119,022 |
| Due in more than one year (Note 6) | 17,873,718 | 359,508 |
| Total liabilities | 22,834,372 | 24,704,479 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property taxes (Note 3) | 6,089,064 | - |
| Differences between expected and actual experience (Note 7) | 385,249 | 730,707 |
| Total deferred inflows of resources | 6,474,313 | 730,707 |
| NET POSITION | | |
| Net investment in capital assets | 6,377,053 | 18,469,565 |
| Restricted: | | |
| Debt service | 116,642 | - |
| Capital projects | 1,212,366 | - |
| Unrestricted (deficit) | 11,133,394 | (17,055,408) |
| Total net position | \$ 18,839,455 | \$ 1,414,157 |

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|---|----------------------|-------------------------|--|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | Discretely Presented Component Unit |
| | | | | | Governmental Activities | School Board |
| Primary Government: | | | | | | |
| Governmental activities: | | | | | | |
| General government administration | \$ 1,659,886 | \$ 982,484 | \$ 207,187 | \$ - | \$ (470,215) | \$ - |
| Judicial administration | 791,733 | 30,577 | 431,854 | - | (329,302) | - |
| Public safety | 5,747,012 | 446,129 | 1,072,746 | - | (4,228,137) | - |
| Public works | 1,905,315 | 485,781 | 8,016 | 210,000 | (1,201,518) | - |
| Health and welfare | 3,272,265 | 18,604 | 1,236,981 | - | (2,016,680) | - |
| Education | 11,791,832 | - | 2,181,480 | - | (9,610,352) | - |
| Parks, recreation, and cultural | 712,945 | 142,611 | 4,500 | - | (565,834) | - |
| Planning and community development | 351,232 | 319,556 | - | - | (31,676) | - |
| Interest | 750,283 | - | - | - | (750,283) | - |
| Total governmental activities | <u>\$ 26,982,503</u> | <u>\$ 2,425,742</u> | <u>\$ 5,142,764</u> | <u>\$ 210,000</u> | <u>(19,203,997)</u> | <u>-</u> |
| Component Unit: | | | | | | |
| School Board | <u>\$ 24,970,212</u> | <u>\$ 557,198</u> | <u>\$ 14,317,865</u> | <u>\$ -</u> | <u>-</u> | <u>\$ (10,095,149)</u> |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| General property taxes | | | | | 17,540,299 | - |
| Other local taxes: | | | | | | |
| Local sales and use | | | | | 932,215 | - |
| Business license taxes | | | | | 437,265 | - |
| Consumer's utility tax | | | | | 231,786 | - |
| Motor vehicle license taxes | | | | | 395,593 | - |
| Recordation and wills | | | | | 218,718 | - |
| Other | | | | | 435,663 | - |
| Appropriation from primary government | | | | | - | 10,590,250 |
| Intergovernmental, non-categorical aid | | | | | 1,605,118 | |
| Revenue from use of money and property | | | | | 116,286 | 1,670 |
| Miscellaneous | | | | | 68,859 | 17,276 |
| Total general revenues | | | | | <u>21,981,802</u> | <u>10,609,196</u> |
| Change in net position | | | | | <u>2,777,805</u> | <u>514,047</u> |
| NET POSITION, BEGINNING, AS RESTATED (NOTE 13) | | | | | <u>16,061,650</u> | <u>900,110</u> |
| NET POSITION, ENDING | | | | | <u>\$ 18,839,455</u> | <u>\$ 1,414,157</u> |

COUNTY OF KING WILLIAM, VIRGINIA

**BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2017**

| | General | Debt Service | General Capital Projects | School Capital Projects | Total Governmental Funds |
|--|----------------------|-------------------------|---|--|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 11,112,692 | \$ - | \$ - | \$ - | \$ 11,112,692 |
| Receivables, net: | | | | | |
| Property taxes | 7,788,205 | - | - | - | 7,788,205 |
| Accounts receivable | 88,905 | - | 925 | - | 89,830 |
| Due from other governments | 1,099,054 | - | - | - | 1,099,054 |
| Cash and cash equivalents, restricted | - | 116,642 | 1,004,757 | 158,664 | 1,280,063 |
| Total assets | <u>\$ 20,088,856</u> | <u>\$ 116,642</u> | <u>\$ 1,005,682</u> | <u>\$ 158,664</u> | <u>\$ 21,369,844</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 309,401 | \$ - | \$ - | \$ 216,963 | \$ 526,364 |
| Due to other governments | 125,480 | - | - | - | 125,480 |
| Deposits | 89,707 | - | - | - | 89,707 |
| Unearned revenue | 174,025 | - | - | - | 174,025 |
| Total liabilities | <u>698,613</u> | <u>-</u> | <u>-</u> | <u>216,963</u> | <u>915,576</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - property taxes | 7,536,365 | - | - | - | 7,536,365 |
| Total deferred inflows of resources | <u>7,536,365</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,536,365</u> |
| FUND BALANCES | | | | | |
| Restricted | 206,684 | 116,642 | 1,005,682 | - | 1,329,008 |
| Committed | 1,478,408 | - | - | - | 1,478,408 |
| Assigned | 45,000 | - | - | - | 45,000 |
| Unassigned | 10,123,786 | - | - | (58,299) | 10,065,487 |
| Total fund balances | <u>11,853,878</u> | <u>116,642</u> | <u>1,005,682</u> | <u>(58,299)</u> | <u>12,917,903</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 20,088,856</u> | <u>\$ 116,642</u> | <u>\$ 1,005,682</u> | <u>\$ 158,664</u> | <u>\$ 21,369,844</u> |

COUNTY OF KING WILLIAM, VIRGINIA

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

Total Fund Balances - Governmental Funds \$ 12,917,903

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 governmental funds.

| | | |
|------------------|-------------------|------------|
| Nondepreciable | \$ 825,098 | |
| Depreciable, net | <u>24,973,667</u> | 25,798,765 |

Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds.

| | | |
|--|--|-----------|
| Property taxes | | 1,620,756 |
| Developer agreements from capital asset contributions are not recognized as revenue until future periods (long-term credits) | | (213,168) |

Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.

| | | |
|--|--------------------|-------------|
| Deferred outflows of resources for 2017 employer contributions | 301,830 | |
| Deferred outflows of resources for the net difference between projected and actual investment earnings on pension plan investments | 361,117 | |
| Deferred inflows of resources for the differences between expected and actual experience | (385,249) | |
| Net pension liability | <u>(1,299,730)</u> | (1,022,032) |

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

| | | |
|--|------------------|--------------|
| General obligation and revenue bonds, including unamortized premiums | (16,968,296) | |
| Deferred charge on refunding | 316,584 | |
| Literary loans | (500,000) | |
| Capital leases | (2,270,000) | |
| Compensated absences | (341,919) | |
| Interest payable | (330,420) | |
| Other postemployment benefits | <u>(168,718)</u> | (20,262,769) |

Total Net Position - Governmental Activities \$ 18,839,455

COUNTY OF KING WILLIAM, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2017**

| | General | Debt Service | General Capital Projects | School Capital Projects | Total Governmental Funds |
|---|----------------------|-------------------------|---|--|---|
| REVENUES | | | | | |
| General property taxes | \$ 17,429,956 | \$ - | \$ - | \$ - | \$ 17,429,956 |
| Other local taxes | 2,651,240 | - | - | - | 2,651,240 |
| Permits, privilege fees, proffers and regulatory licenses | 326,668 | - | 982,483 | - | 1,309,151 |
| Fines and forfeitures | 88,376 | - | - | - | 88,376 |
| Revenue from use of money and property | 102,885 | 13,401 | - | - | 116,286 |
| Charges for service | 779,078 | - | - | - | 779,078 |
| Miscellaneous | 44,687 | - | 24,172 | - | 68,859 |
| Reimbursements from component unit | - | 2,181,480 | - | - | 2,181,480 |
| Recovered costs | 249,137 | - | - | - | 249,137 |
| Intergovernmental | 4,525,602 | - | - | 40,800 | 4,566,402 |
| Total revenues | <u>26,197,629</u> | <u>2,194,881</u> | <u>1,006,655</u> | <u>40,800</u> | <u>29,439,965</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 1,464,231 | - | - | - | 1,464,231 |
| Judicial administration | 626,460 | - | - | - | 626,460 |
| Public safety | 5,468,473 | - | - | - | 5,468,473 |
| Public works | 1,745,109 | - | - | - | 1,745,109 |
| Health and welfare | 2,133,666 | - | - | - | 2,133,666 |
| Education | 9,904,543 | - | 402,589 | 290,933 | 10,598,065 |
| Parks, recreation, and cultural | 676,304 | - | - | - | 676,304 |
| Community development | 377,799 | - | - | - | 377,799 |
| Capital outlays | - | - | 301,326 | 844,876 | 1,146,202 |
| Debt service: | | | | | |
| Principal | - | 2,295,205 | - | - | 2,295,205 |
| Interest and fiscal charges | - | 829,293 | - | - | 829,293 |
| Total expenditures | <u>22,396,585</u> | <u>3,124,498</u> | <u>703,915</u> | <u>1,135,809</u> | <u>27,360,807</u> |
| Excess (deficiency) of revenues over expenditures | <u>3,801,044</u> | <u>(929,617)</u> | <u>302,740</u> | <u>(1,095,009)</u> | <u>2,079,158</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | 921,916 | 270,000 | 745,778 | 1,937,694 |
| Transfers out | (1,937,694) | - | - | - | (1,937,694) |
| Total other financing sources (uses) | <u>(1,937,694)</u> | <u>921,916</u> | <u>270,000</u> | <u>745,778</u> | <u>-</u> |
| Net change in fund balances | <u>1,863,350</u> | <u>(7,701)</u> | <u>572,740</u> | <u>(349,231)</u> | <u>2,079,158</u> |
| FUND BALANCES, BEGINNING | <u>9,990,528</u> | <u>124,343</u> | <u>432,942</u> | <u>290,932</u> | <u>10,838,745</u> |
| FUND BALANCES, ENDING | <u>\$ 11,853,878</u> | <u>\$ 116,642</u> | <u>\$ 1,005,682</u> | <u>\$ (58,299)</u> | <u>\$ 12,917,903</u> |

COUNTY OF KING WILLIAM, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017**

| | | |
|--|--------------------|----------------------------|
| Net Change in Fund Balances - Governmental Funds | | \$ 2,079,158 |
| 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 are allocated over their estimated useful lives and reported as depreciation expense. | | |
| Capital outlays | \$ 350,118 | |
| Depreciation expense | <u>(1,434,383)</u> | |
| | | (1,084,265) |
| Governmental funds report proceeds from the sale of capital assets as an increase in financial resources while governmental activities report the gain or loss on the sale of capital assets. | | |
| | | (2,734) |
| Transfer of joint tenancy assets from Primary Government to the Component Unit. | | |
| | | (1,131,554) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | | 110,343 |
| Developer agreements represent capital assets contributed in previous years for future service (long-term credits) | | |
| | | 210,000 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of those differences. | | |
| | | 2,295,205 |
| 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 | 28,072 | |
| Change in other post-employment benefits | <u>(12,010)</u> | |
| | | 16,062 |
| 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. This is the amount by which employer pension contributions \$301,830 exceed pension expense \$95,250 in the current period. | | |
| | | 206,580 |
| Governmental funds report the effect of bond premiums and discounts when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of those differences is as follows: | | |
| Amortization of premiums | 58,928 | |
| Amortization of deferred charge on refunding | (25,206) | |
| Change in accrued interest payable | <u>45,288</u> | |
| | | 79,010 |
| Changes in Net Position - Governmental Activities | | <u><u>\$ 2,777,805</u></u> |

COUNTY OF KING WILLIAM, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
GENERAL FUND
Year Ended June 30, 2017**

| | Budgeted Amounts | | Actual | Variance with |
|--|-------------------------|---------------------|---------------------|---|
| | Original | Final | Amounts | Final Budget Positive (Negative) |
| REVENUES | | | | |
| General property taxes | \$ 16,424,713 | \$ 16,424,713 | \$ 17,429,956 | \$ 1,005,243 |
| Other local taxes | 2,380,000 | 2,380,000 | 2,651,240 | 271,240 |
| Permits, privilege fees, and regulatory licenses | 197,500 | 197,500 | 326,668 | 129,168 |
| Fines and forfeitures | 99,000 | 99,000 | 88,376 | (10,624) |
| Revenue from the use of money and property | 74,000 | 74,000 | 102,885 | 28,885 |
| Charges for services | 633,745 | 633,745 | 779,078 | 145,333 |
| Miscellaneous | 11,755 | 16,467 | 44,687 | 28,220 |
| Recovered costs | 256,803 | 252,091 | 249,137 | (2,954) |
| Intergovernmental | 4,435,477 | 4,435,477 | 4,525,602 | 90,125 |
| Total revenues | <u>24,512,993</u> | <u>24,512,993</u> | <u>26,197,629</u> | <u>1,684,636</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government administration | 1,516,295 | 1,529,303 | 1,464,231 | 65,072 |
| Judicial administration | 699,190 | 703,902 | 626,460 | 77,442 |
| Public safety | 5,366,115 | 5,366,115 | 5,468,473 | (102,358) |
| Public works | 1,780,920 | 1,829,715 | 1,745,109 | 84,606 |
| Health and welfare | 2,321,838 | 2,311,838 | 2,133,666 | 178,172 |
| Education | 10,598,065 | 10,598,065 | 9,904,543 | 693,522 |
| Parks, recreation, and cultural | 713,105 | 713,105 | 676,304 | 36,801 |
| Community development | 398,665 | 394,865 | 377,799 | 17,066 |
| Nondepartmental | 105,000 | 52,285 | - | 52,285 |
| Total expenditures | <u>23,499,193</u> | <u>23,499,193</u> | <u>22,396,585</u> | <u>1,102,608</u> |
| Excess of revenues over expenditures | <u>1,013,800</u> | <u>1,013,800</u> | <u>3,801,044</u> | <u>2,787,244</u> |
| OTHER FINANCING USES | | | | |
| Transfers out | (1,576,870) | (1,576,870) | (1,937,694) | (360,824) |
| Total other financing uses | <u>(1,576,870)</u> | <u>(1,576,870)</u> | <u>(1,937,694)</u> | <u>(360,824)</u> |
| Net change in fund balance | <u>\$ (563,070)</u> | <u>\$ (563,070)</u> | <u>\$ 1,863,350</u> | <u>\$ 2,426,420</u> |

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS

June 30, 2017

Agency Funds**ASSETS**

| | |
|----------------------------|------------|
| Cash and cash equivalents | \$ 190,765 |
| Due from other governments | 2,934 |
| Due from fiscal agent | 20,968 |

Total assets\$ 214,667**LIABILITIES**

| | |
|-------------------------|------------|
| Amounts held for others | \$ 214,171 |
| Amounts payable | 496 |

Total liabilities\$ 214,667

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

Primary Government. The County is a political subdivision of the Commonwealth of Virginia governed by a five-member elected Board of Supervisors (the "Board"). The accompanying financial statements for the primary government and its component units are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units, as prescribed by the GASB.

Discretely Presented Component Unit

The School Board members are elected at large and are responsible for the operations of the County's school system. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments, levies taxes, and must approve any debt issuances of the School Board. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County's financial statements for the fiscal year ended June 30, 2017. The School Board is presented as a governmental fund type and consists of the following funds:

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

School Cafeteria Fund accounts for the centralized School cafeteria operations.

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

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

Economic Development Authority

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

King William – King and Queen Regional Animal Shelter

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

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

Hampton Roads Sanitation District

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Math and Science Innovation Center

The Math and Science Innovation Center (Center) is comprised of eight school divisions: the Counties of Chesterfield, Hanover, Henrico, King William, and Powhatan, and the Cities of Colonial Heights, Petersburg, and Richmond. Through abbreviated memberships, other divisions also participate: the Counties of Charles City and Prince George, the City of Hopewell, and The Steward School. The Center is governed by a 19-member board consisting of the superintendent and school board member from each consortium division and several at-large members. The School Board makes annual contributions to the Center which is determined each year based on the size of the locality and membership. The School Board's contribution for fiscal year 2017 was approximately \$60,000.

Middle Peninsula Juvenile Detention Commission

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

Middle Peninsula Planning District Commission

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

Middle Peninsula Northern Neck Community Services Board

The Middle Peninsula Northern Neck Community Services Board (Board) was created by resolution pursuant to state statute and is considered a jointly governed organization and, therefore, its operations are not included in the County's financial statements. The County appoints one of the board members; however, the County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. The County does, however, pay dues to the Board in the amount of approximately \$50,325 annually.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Middle Peninsula Regional Airport Authority

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

Middle Peninsula Regional Security Center

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

Pamunkey Regional Library

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

Virginia Peninsulas Public Service Authority

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

Bridging Communities Regional Career and Technical Center

The Town of West Point school division, Charles City school division and the county school divisions of King and Queen, Middlesex, New Kent, and King William participate in supporting the Center. The County of New Kent serves as the fiscal agent of the Center. The Center provides vocational training to secondary and adult students. The Center is governed by a six member board of control, which is comprised of one school board member from each of the six school divisions. The School Board's contribution for fiscal year 2017 was approximately \$219,000.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

B. Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements and reports. Governmental activities are normally supported by taxes and intergovernmental revenues. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

Statement of Net Position

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

Statement of Activities

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, sales taxes, consumer utility taxes, meals taxes, and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The County reports the following major governmental funds:

a. General Fund

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

b. Capital Projects Funds

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

c. Debt Service Fund

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

Fiduciary Funds (Agency Funds)

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

D. Budgets and Budgetary Accounting

The following procedures are used by the County in establishing the budgetary data reflected in the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting

4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level, which is the level presented in Exhibit 5. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments and the School Board is authorized to transfer budgeted amounts within the school systems categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, the School Fund, and the School Cafeteria Funds of the School Board.
6. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Appropriations lapse on June 30 for all County units.

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 County.

F. Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis.

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The County has five types of items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item consists of contributions subsequent to the measurement date for pension; this will be applied to the net pension liability in the next fiscal year. The third item consists of differences between expected and actual experience for economic or demographic factors in the total pension liability measurement. The fourth item is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period. The final deferred outflow results from participation in the Virginia Retirement System's teacher cost sharing pool, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions are reported as a deferred inflow or outflow, as appropriate.

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has three types of items that qualify for reporting in this category. The first item occurs only under a modified accrual basis of accounting. The item, *unavailable revenue – property taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue for property taxes and other receivables not collected within 60 days of year-end and property taxes collected in advance of their due date. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The second item relates to unearned property taxes received or billed in advance of the year in which they are intended to fund operations. This item is a deferred inflow in both the governmental fund balance sheet and the entity-wide statement of net position. The third item consists of differences between expected and actual experience for economic or demographic factors in the total pension liability measurement.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

H. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County of King William and its component unit, the King William County School Board retirement plans and the additions to/deductions from the County, and the King William County School Board's retirement plans net fiduciary positions have been determined on the same basis as they were reported by the 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.

I. Capital Assets

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

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

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

| | |
|----------------------------|--------------|
| Buildings and improvements | 5 – 40 years |
| Furniture and equipment | 3 – 5 years |
| Infrastructure | 40 years |
| Land improvements | 15 years |
| Intangibles | 10 years |

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

J. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. A liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as “terminal leave” prior to retirement. The General Fund is responsible for paying the liability for compensated absences for the general government employees, and has been used in prior years to liquidate the governmental funds’ liability.

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

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

K. Long-Term Obligations

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

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

L. Fund Equity

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

M. Fund Equity (Continued)

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

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

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Use of Estimates

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

O. Net Position

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Q. Interfund Transfers

The general fund and the school capital projects fund transferred funds to the debt service fund for debt payments. All other general fund transfers were for scheduled capital projects.

Note 2. Deposits and Investments

Deposits

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

Restricted Cash

The Debt Service and School Capital Projects Funds have restricted cash balances in accordance with debt agreements. The restriction relates to the intended use of these funds, as prescribed in these agreements. The General Capital Projects Fund has restricted a portion of its balance, in accordance with the intended use of funds received by the County as developer proffers, and an additional portion has been restricted as prescribed in applicable bond covenants.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 2. Deposits and Investments (Continued)

Custodial Credit Risk (Deposits)

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

Investments

State statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The carrying value of the position in LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share in accordance with GASB 79. The maturity of the LGIP is less than one year.

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 2. Deposits and Investments (Continued)

Investments (Continued)

As of June 30, 2017, the County's investment policy establishes the maximum percentages of the portfolio permitted in each of the following instruments:

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

Credit Risk

As of June 30, 2017, as required by state statute, the policy requires commercial paper have a debt rating of no less than "A-1" by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, and be approved by the Treasury Board. Bankers' Acceptances (with investments in the Bankers' Acceptances top 50 U.S. Banks), with a maturity of 270 days or less, must have a debt rating of no less than "A-1" by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The County's investment policy does not address credit risk for any other investment instruments.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 2. Deposits and Investments (Continued)

Investments (Continued)

As of June 30, 2017, 100% was invested in LGIP with a “AAAm” credit rating, as rated by Standard & Poor’s.

At June 30, the County’s deposit and investment balances were as follows:

| | |
|--------------------------------|-----------------------------|
| Deposits: | |
| Demand deposits | \$ 12,249,399 |
| Cash held by third-party | 116,642 |
| Cash on hand | 70 |
| | <hr/> 12,366,111 |
| Investments (Carrying Value): | |
| LGIP | 26,644 |
| | <hr/> |
| Total deposits and investments | <u><u>\$ 12,392,755</u></u> |

Exhibit 1 total deposits and investments is composed as follows:

| | |
|---------------------------------------|-----------------------------|
| Cash and cash equivalents | \$ 11,112,692 |
| Cash and cash equivalents, restricted | 1,280,063 |
| | <hr/> |
| Total deposits and investments | <u><u>\$ 12,392,755</u></u> |

At June 30, the School Board’s deposit and investment balances were as follows:

| | |
|--------------------------|----------------------------|
| Deposits: | |
| Demand deposits | \$ 2,061,474 |
| Cash held by third-party | 1,241,969 |
| | <hr/> |
| Total per Exhibit 1 | <u><u>\$ 3,303,443</u></u> |

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2017, all investments were in the LGIP.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 2. Deposits and Investments (Continued)

Interest Rate Risk (Continued)

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

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

Note 3. Receivables

Receivables are as follows:

| | <u>General</u> | <u>School Board</u> | <u>Total</u> |
|--|---------------------|-------------------------|---------------------|
| Taxes | \$ 7,975,864 | \$ - | \$ 7,975,864 |
| Accounts | 89,830 | 7,000 | 96,830 |
| | <hr/> | <hr/> | <hr/> |
| Gross receivables | 8,065,694 | 7,000 | 8,072,694 |
| Less allowance for uncollectible accounts | (187,659) | - | (187,659) |
| | <hr/> | <hr/> | <hr/> |
| Net receivables | <u>\$ 7,878,035</u> | <u>\$ 7,000</u> | <u>\$ 7,885,035</u> |

The County determines its allowance for uncollectible accounts using historical collection data and specific account analysis.

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

| | <u>Unavailable</u> | <u>Unearned</u> |
|---------------------------------------|---------------------|---------------------|
| Delinquent property taxes receivable | \$ 1,620,756 | \$ - |
| Advance collection of 2017-2018 taxes | - | 173,455 |
| 2017-2018 property tax receivable | 5,915,609 | 5,915,609 |
| Developer agreements – long-term | - | 213,168 |
| Equitable sharing program | - | 570 |
| | <hr/> | <hr/> |
| | <u>\$ 7,536,365</u> | <u>\$ 6,302,802</u> |

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 4. Due to/from Other Governments

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

| | Governmental Activities | Component Unit |
|---------------------------|------------------------------------|---------------------------|
| Commonwealth of Virginia: | | |
| School funds | \$ - | \$ 199,001 |
| Comprehensive services | 127,856 | - |
| Shared Costs | 100,568 | - |
| Communications tax | 28,163 | - |
| Sales and use tax | 735,325 | - |
| Other | 78,591 | - |
| Federal Government: | | |
| School funds | - | 1,303,905 |
| Other Governments: | | |
| County of King and Queen | 28,551 | - |
| | <u>\$ 1,099,054</u> | <u>\$ 1,502,906</u> |

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

| | |
|--------------------|-------------------|
| Other governments: | |
| Town of West Point | <u>\$ 125,480</u> |

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2017 is as follows:

Primary Government – Governmental Activities

| Governmental Activities | Beginning Balance | Increases | Decreases/ Transfers | Ending Balance |
|---|------------------------------|-----------------------|---------------------------------|---------------------------|
| Capital assets, not depreciated or amortized: | | | | |
| Land | \$ 825,098 | \$ - | \$ - | \$ 825,098 |
| Total capital assets, not depreciated | 825,098 | - | - | 825,098 |
| Capital assets, depreciated and amortized: | | | | |
| Buildings and improvements | 10,793,419 | 102,994 | - | 10,896,413 |
| Equipment | 5,102,001 | 184,379 | (28,426) | 5,257,954 |
| Intangibles | 9,800 | - | - | 9,800 |
| Infrastructure | 13,428,773 | 62,745 | (97,842) | 13,393,676 |
| Jointly owned assets | 12,084,029 | - | (1,685,350) | 10,398,679 |
| Total capital assets depreciated | 41,418,022 | 350,118 | (1,811,618) | 39,956,522 |
| Less accumulated depreciation and amortization for: | | | | |
| Buildings and improvements | (3,776,771) | (270,104) | - | (4,046,875) |
| Equipment | (2,736,276) | (402,493) | 25,692 | (3,113,077) |
| Intangibles | (9,800) | - | - | (9,800) |
| Infrastructure | (4,557,053) | (501,819) | 97,842 | (4,961,030) |
| Jointly owned assets | (3,145,902) | (259,967) | 553,796 | (2,852,073) |
| Total accumulated depreciation or amortization | (14,225,802) | (1,434,383) | 677,330 | (14,982,855) |
| Total capital assets depreciated, net | 27,192,220 | (1,084,265) | (1,134,288) | 24,973,667 |
| Governmental activities capital assets, net | <u>\$ 28,017,318</u> | <u>\$ (1,084,265)</u> | <u>\$ (1,134,288)</u> | <u>\$ 25,798,765</u> |

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 5. Capital Assets (Continued)

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

| | |
|---|---------------------|
| Governmental activities: | |
| General government administration | \$ 310,650 |
| Judicial administration | 175,733 |
| Public safety | 379,692 |
| Public works | 165,764 |
| Health and welfare | 5,288 |
| Education | 348,891 |
| Parks, recreation, and cultural | 46,032 |
| Planning and community development | 2,333 |
| Total depreciation expense – governmental activities | \$ 1,434,383 |

Discretely Presented Component Unit – School Board

| School Board | Beginning Balance | Increases | Decreases/ Transfers | Ending Balance |
|---|------------------------------|--------------------|---------------------------------|---------------------------|
| Capital assets, not depreciated or amortized: | | | | |
| Land | \$ 76,340 | \$ - | \$ - | \$ 76,340 |
| Construction in progress | - | 636,884 | - | 636,884 |
| Total capital assets, not depreciated | 76,340 | 636,884 | - | 713,224 |
| Capital assets, depreciated and amortized: | | | | |
| Buildings and improvements | 5,347,826 | 46,118 | - | 5,393,944 |
| Equipment | 3,714,897 | 46,473 | (184,771) | 3,576,599 |
| Infrastructure | 294,167 | - | - | 294,167 |
| Land improvements | 310,724 | 66,210 | - | 376,934 |
| Jointly owned assets | 26,572,795 | - | 1,685,350 | 28,258,145 |
| Total capital assets, depreciated | 36,240,409 | 158,801 | 1,500,579 | 37,899,789 |
| Less accumulated depreciation and amortization for: | | | | |
| Buildings and improvements | (4,249,311) | (11,049) | - | (4,260,360) |
| Equipment | (2,778,109) | (168,645) | 184,771 | (2,761,983) |
| Infrastructure | (610,988) | (99,384) | - | (710,372) |
| Land improvements | (71,022) | (24,766) | - | (95,788) |
| Jointly owned assets | (11,054,695) | (706,454) | (553,796) | (12,314,945) |
| Total accumulated depreciation or amortization | (18,764,125) | (1,010,298) | (369,025) | (20,143,448) |
| Total capital assets depreciated, net | 17,476,284 | (851,497) | 1,131,554 | 17,756,341 |
| Governmental activities capital assets, net | \$ 17,552,624 | \$ (214,613) | \$ 1,131,554 | \$ 18,469,565 |

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 5. Capital Assets (Continued)

Discretely Presented Component Unit – School Board (Continued)

The County has a tenancy in common with the School Board due to the County incurring debt on behalf of the School Board for capital projects. As a result, School Board capital assets are jointly owned by the County and the Component Unit – School Board. The County's share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system. For the year ended June 30, 2017, the County transferred assets with costs of \$1,685,350 and accumulated depreciation of \$553,796 to the Component Unit - School Board.

Component Unit – School Board:

| | |
|---|-----------------------------------|
| Depreciation expense | \$ 1,010,298 |
| Accumulated depreciation on joint-tenancy asset transfer | <u>553,796</u> |
| Total depreciation and amortization – School Board | <u><u>\$ 1,564,094</u></u> |

Note 6. Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

| Governmental Activities | Beginning Balance* | Increases | Decreases | Ending Balance | Due Within One Year |
|--|------------------------------------|---------------------------------|-------------------------------------|------------------------------------|-----------------------------------|
| General obligation bonds | \$ 8,169,997 | \$ - | \$ (1,099,318) | \$ 7,070,679 | \$ 1,105,269 |
| Revenue bonds | 9,900,100 | - | (441,855) | 9,458,245 | 462,000 |
| State Literary Fund loans | 934,032 | - | (434,032) | 500,000 | 250,000 |
| Capital leases | 2,590,000 | - | (320,000) | 2,270,000 | 330,000 |
| Premium on bonds payable | 498,300 | - | (58,928) | 439,372 | - |
| Compensated absences | 369,991 | 218,588 | (246,660) | 341,919 | 227,946 |
| Other post-employment benefits | <u>156,708</u> | <u>16,000</u> | <u>(3,990)</u> | <u>168,718</u> | <u>-</u> |
| | <u><u>\$ 22,619,128</u></u> | <u><u>\$ 234,588</u></u> | <u><u>\$ (2,604,783)</u></u> | <u><u>\$ 20,248,933</u></u> | <u><u>\$ 2,375,215</u></u> |
| Component Unit – School Board | | | | | |
| Compensated absences | \$ 165,849 | \$ 123,250 | \$ (110,566) | \$ 178,533 | \$ 119,022 |
| Other post-employment benefits | <u>321,533</u> | <u>172,864</u> | <u>(194,400)</u> | <u>299,997</u> | <u>-</u> |
| | <u><u>\$ 487,382</u></u> | <u><u>\$ 296,114</u></u> | <u><u>\$ (304,966)</u></u> | <u><u>\$ 478,530</u></u> | <u><u>\$ 119,022</u></u> |

*As restated, see Note 13.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 6. Long-Term Liabilities (Continued)

The annual requirement to amortize certain long-term liabilities are as follows:

| Fiscal Year Ending | Capital Leases | | Revenue Bonds | |
|-------------------------------|---------------------------------|---------------------|----------------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2018 | \$ 330,000 | \$ 45,463 | \$ 462,000 | \$ 342,765 |
| 2019 | 225,000 | 37,869 | 467,000 | 325,723 |
| 2020 | 230,000 | 33,477 | 482,000 | 308,368 |
| 2021 | 235,000 | 28,987 | 502,000 | 290,259 |
| 2022 | 240,000 | 24,400 | 522,000 | 271,371 |
| 2023-2027 | 1,010,000 | 49,776 | 4,118,200 | 992,370 |
| 2028-2032 | - | - | 2,764,900 | 241,433 |
| 2033 | - | - | 140,145 | 3,500 |
| | <u>\$ 2,270,000</u> | <u>\$ 219,972</u> | <u>\$ 9,458,245</u> | <u>\$ 2,775,789</u> |
| Fiscal Year Ending | General Obligation Bonds | | State Literary Fund Loans | |
| | Principal | Interest | Principal | Interest |
| 2018 | \$ 1,105,269 | \$ 329,415 | \$ 250,000 | \$ 15,000 |
| 2019 | 1,111,533 | 273,213 | 250,000 | 7,500 |
| 2020 | 1,083,124 | 218,888 | - | - |
| 2021 | 1,089,139 | 167,021 | - | - |
| 2022 | 1,095,001 | 114,982 | - | - |
| 2023-2027 | 1,586,613 | 130,731 | - | - |
| | <u>\$ 7,070,679</u> | <u>\$ 1,234,250</u> | <u>\$ 500,000</u> | <u>\$ 22,500</u> |

General Fund revenues are used to liquidate liabilities for compensated absences and other long-term obligations. School Board compensated absences are paid out of the School Operating Fund.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 6. Long-Term Liabilities (Continued)

Outstanding long-term liabilities at June 30 are as follows:

| | <u>Original Issuance</u> | <u>Year Issued</u> | <u>Interest Rate</u> | <u>Amount Outstanding</u> |
|------------------------------------|------------------------------|--------------------|----------------------|-------------------------------|
| Revenue bonds: | | | | |
| Series 2005 | \$ 1,050,000 | 2005 | 4.00-5.125% | \$ 725,000 |
| Series 2006 | 1,460,000 | 2006 | 4.60-5.00 | 1,070,000 |
| Series 2007 | 2,055,000 | 2007 | 5.00 | 1,610,000 |
| Series 2011 | 5,220,100 | 2011 | 3.00 | 4,835,245 |
| Series 2013 | 1,375,000 | 2013 | 3.175 | 1,218,000 |
| Total Revenue Bonds: | | | | <u>\$ 9,458,245</u> |
| General Obligation Bonds: | | | | |
| Series 1998 | \$ 715,000 | 1998 | 5.10% | \$ 70,000 |
| Series 2002 | 6,513,732 | 2002 | 4.60-5.10 | 2,135,679 |
| Series 2002 | 6,750,000 | 2002 | 4.60-5.10 | 2,010,000 |
| Series 2003 | 7,055,000 | 2003 | 4.60-5.35 | 2,450,000 |
| Series 2004 | 605,000 | 2004 | 4.10-5.10 | 240,000 |
| Series 2010 | 270,000 | 2010 | - | 165,000 |
| Total General Obligation Bonds: | | | | <u>\$ 7,070,679</u> |
| State Literary Fund Loans: | | | | |
| Series 1998 | \$ 5,000,000 | 1998 | 3.00% | <u>\$ 500,000</u> |
| Capital Leases: | | | | |
| Human Services Building | \$ 1,395,000 | 1996 | 6.00% | \$ 110,000 |
| 911 Communications Facilities | 3,000,000 | 2013 | 1.952 | 2,160,000 |
| Total Capital Leases: | | | | <u>\$ 2,270,000</u> |

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan

Primary Government

Plan Description

All full-time, salaried permanent employees of the County of King William, 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.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (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%.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (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.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (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 KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (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.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (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 KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (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.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (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 or 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, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Number</u> |
|--|----------------------|
| Inactive members or their beneficiaries currently receiving benefits | <u>44</u> |
| Inactive members: | |
| Vested inactive members | 18 |
| Non-vested inactive members | 11 |
| Inactive members active elsewhere in VRS | <u>58</u> |
| Total inactive members | 87 |
| Active members | <u>78</u> |
| Total covered employees | <u><u>209</u></u> |

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (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, 2017 was 8.11% 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 \$301,830 and \$372,193 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (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, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

| | |
|--|--|
| Inflation | 2.50% |
| 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 – 14% of deaths are assumed to be service related. Public Safety Employees – 60% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 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, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-LEOS and All Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

Public Safety Employees – Largest 10 – Non-LEOS and All Others (Non 10 Largest): Update mortality table; adjustment to rates of service retirement for females (Non 10 Largest); decrease in rates of male disability (Largest 10, only); decrease in male and female rates of disability (Non 10 Largest) and increase in rates of withdrawal.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (Continued)

Long-Term Expected Rate of Return

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

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (Continued)

Discount Rate

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

Changes in Net Pension Liability

| | Increase (Decrease) | | |
|--|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
| Balances at June 30, 2015 | \$ 14,612,023 | \$ 13,522,765 | \$ 1,089,258 |
| Changes for the year: | | | |
| Service cost | 399,804 | - | 399,804 |
| Interest | 1,005,764 | - | 1,005,764 |
| Differences between expected and actual experience | (409,236) | - | (409,236) |
| Contributions – employer | - | 372,193 | (372,193) |
| Contributions – employee | - | 180,702 | (180,702) |
| Net investment income | - | 241,338 | (241,338) |
| Benefit payments, including refunds of employee contributions | (487,936) | (487,936) | - |
| Administrative expenses | - | (8,272) | 8,272 |
| Other changes | - | (101) | 101 |
| Net changes | 508,396 | 297,924 | 210,472 |
| Balances at June 30, 2016 | \$ 15,120,419 | \$ 13,820,689 | \$ 1,299,730 |

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (Continued)

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

The following presents the net pension liability of the political subdivision using the discount rate of 7.00%, as well as what the political subdivision's 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:

| | <u>1.00% Decrease (6.00%)</u> | <u>Current Discount Rate (7.00%)</u> | <u>1.00% Increase (8.00%)</u> |
|---|--|---|--|
| Political subdivision's net pension liability | \$ 3,334,118 | \$ 1,299,730 | \$ (384,561) |

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

For the year ended June 30, 2017, the political subdivision recognized pension expense of \$90,696. At June 30, 2017, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$ - | \$ 385,249 |
| Change in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 361,117 | - |
| Employer contributions subsequent to the measurement date | <u>301,830</u> | <u>-</u> |
| Total | <u>\$ 662,947</u> | <u>\$ 385,249</u> |

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (Continued)

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

The \$301,830 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, 2018. 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> |
|---------------------------------|---|
| 2018 | \$ (193,968) |
| 2019 | (153,090) |
| 2020 | 181,477 |
| 2021 | 141,449 |
| 2022 | - |
| Thereafter | - |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

School Nonprofessionals

Plan Description

All full-time, salaried permanent non-professional employees (non-teachers) of the King William County School Board, (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 in the primary government defined benefit pension plan.

Employees Covered by Benefit Terms

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

| | <u>Number</u> |
|--|----------------------|
| Inactive members or their beneficiaries currently receiving benefits | <u>14</u> |
| Inactive members: | |
| Vested inactive members | 2 |
| Non-vested inactive members | 10 |
| Inactive members active elsewhere in VRS | <u>2</u> |
| Total inactive members | 14 |
| Active members | <u>66</u> |
| Total covered employees | <u><u>94</u></u> |

Contributions

The school division's contractually required contribution rate for the year ended June 30, 2017 was 4.86% 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 \$65,146 and \$86,210 for the years ended June 30, 2017 and June 30, 2016, respectively.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

Changes in Net Pension Liability (Asset)

| | Increase (Decrease) | | |
|--|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) – (b) |
| Balances at June 30, 2015 | \$ 2,685,606 | \$ 2,824,615 | \$ (139,009) |
| Changes for the year: | | | |
| Service cost | 147,006 | - | 147,006 |
| Interest | 185,682 | - | 185,682 |
| Differences between expected and actual experience | (47,205) | - | (47,205) |
| Contributions – employer | - | 86,210 | (86,210) |
| Contributions – employee | - | 66,926 | (66,926) |
| Net investment income | - | 52,781 | (52,781) |
| Benefit payments, including refunds of employee contributions | (66,013) | (66,013) | - |
| Administrative expenses | - | (1,679) | 1,679 |
| Other changes | - | (22) | 22 |
| Net changes | 219,470 | 138,203 | 81,267 |
| Balances at June 30, 2016 | \$ 2,905,076 | \$ 2,962,818 | \$ (57,742) |

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

The following presents the net pension liability (asset) of the school division using the discount rate of 7.00%, as well as what the 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:

| | 1.00% Decrease (6.00%) | Current Discount Rate (7.00%) | 1.00% Increase (8.00%) |
|---|---------------------------------------|--|---------------------------------------|
| School division's net pension liability | \$ 321,852 | \$ (57,742) | \$ (375,592) |

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

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

For the year ended June 30, 2017, the school division recognized pension expense of \$79,719. At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 53,298 | \$ 37,707 |
| Change in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 79,223 | - |
| Employer contributions subsequent to the measurement date | 65,146 | - |
| Total | <u>\$ 197,667</u> | <u>\$ 37,707</u> |

The \$65,146 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Reduction to Pension Expense |
|---------------------------------|---|
| 2018 | \$ 12,969 |
| 2019 | 12,969 |
| 2020 | 48,501 |
| 2021 | 20,375 |
| 2022 | - |
| Thereafter | - |

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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 the King William County School Board, (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 the primary government defined benefit pension plan.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (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 provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin requiring that the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the school division were \$1,724,679 and \$1,641,822 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$21,399,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 0.15270% as compared to 0.15775% at June 30, 2015.

For the year ended June 30, 2017, the school division recognized pension expense of \$2,033,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

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)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 693,000 |
| Change in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 1,222,000 | - |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 920,000 | 558,000 |
| Employer contributions subsequent to the measurement date | <u>1,724,679</u> | <u>-</u> |
| Total | <u><u>\$ 3,866,679</u></u> | <u><u>\$ 1,251,000</u></u> |

The \$1,724,679 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Reduction to Pension Expense |
|---------------------------------|---|
| 2018 | \$ 49,000 |
| 2019 | 49,000 |
| 2020 | 626,000 |
| 2021 | 266,000 |
| 2022 | (99,000) |
| Thereafter | - |

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Net Pension Liability

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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:

| | <u>1.00% Decrease (6.00%)</u> | <u>Current Discount Rate (7.00%)</u> | <u>1.00% Increase (8.00%)</u> |
|---|--|---|--|
| School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability | \$ 30,505,000 | \$ 21,399,000 | \$ 13,899,000 |

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 8. Other Postemployment Benefits

The County and School Board provide other postemployment benefits (OPEB) for employees who are eligible for retirement benefits through a single-employer plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by the County and School Board and can be amended through its personnel manuals. The postemployment

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 8. Other Postemployment Benefits (Continued)

Plan Description

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

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

The plans do not issue stand-alone financial reports.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

| | <u>County</u> | <u>School Board</u> |
|--|--------------------------|--------------------------|
| Annual required contribution (ARC) | \$ 17,000 | \$ 194,400 |
| Interest on net OPEB obligation | 6,000 | 11,254 |
| Adjustment to annual required contribution | <u>(7,000)</u> | <u>(32,790)</u> |
| Annual OPEB cost | 16,000 | 172,864 |
| Contributions made | <u>(3,990)</u> | <u>(194,400)</u> |
| Increase (decrease) in net OPEB obligation | 12,010 | (21,536) |
| Net OPEB obligation, beginning of year | <u>156,708</u> | <u>321,533</u> |
| Net OPEB obligation, end of year | <u><u>\$ 168,718</u></u> | <u><u>\$ 299,997</u></u> |

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 8. Other Postemployment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

Trend Information:

Three-year trend information is as follows:

| Fiscal Year Ending | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------------|-----------------------------|---|--------------------------------|
| County: | | | |
| June 30, 2017 | \$ 16,000 | 24.94% | \$ 168,718 |
| June 30, 2016 | 16,000 | 12.50 | 156,708 |
| June 30, 2015 | 15,000 | 0.00 | 142,708 |
| School Board: | | | |
| June 30, 2017 | \$ 172,864 | 112.46% | \$ 299,997 |
| June 30, 2016 | 184,280 | 113.41 | 321,533 |
| June 30, 2015 | 104,228 | 45.38 | 346,253 |

Membership:

There are 83 employees and no retirees participating in the County's plan.

There are 277 employees and 19 retirees participating in the School Board's plan.

Actuarial Methods and Assumptions

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 8. Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

Valuation Methods

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

Employees Included in the Calculations

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

Actuarial Assumptions

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

In the June 2015 School Board actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included calculations based on a discount rate of 3.5%, investment rate of return of 3.5%, payroll growth rate of 3.0%, inflation rate of 2.3%, and a health care trend assumption of 6.9% graded to 4.0% over 76 years using the Getzen Trend Model, and amortized the initial unfunded actuarial liability over 9.94 years based on a level percent of payroll method on an open basis. The actuarial liability was \$1,494,300. The remaining amortization period at June 30, 2016 was 9.94 years.

Funding Status and Funding Progress

As of June 30, 2015 and June 30, 2016, the most recent actuarial valuation date for the County and the School Board, respectively, the plans were not funded. The actuarial value of assets was \$0 resulting in an unfunded actuarial liability (UAAL) of \$108,000 for the County's plan and a UAAL of \$1,494,300 for the School Board's plan. The covered payroll (annual payroll of active employees covered by the plan) was \$3,517,082 and \$11,906,700 and the ratio of the UAAL to the covered payroll was 3.07% and 12.55% for the County and School Board, respectively.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 8. Other Postemployment Benefits (Continued)

Funding Status and Funding Progress (Continued)

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

Note 9. Other Postemployment Benefits – VRS Health Insurance Credit

A. Plan Description

To assist retirees with the cost of health insurance coverage, the VRS administers a health insurance credit program. Retirees that have a minimum of 15 years of service and are enrolled in a qualified health insurance plan may receive a monthly credit of \$1.50 per year of creditable service. The health insurance credit is funded by the School Board on behalf of its VRS eligible employees. For the years June 30, 2017, 2016, and 2015, the School Board paid \$131,827, \$123,861, and \$122,319, respectively, for employees toward these benefits, which was equal to the required contributions.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950, as amended) to contribute an actuarially determined percentage of their annual reported compensation to the VRS for the retiree health insurance credit. The School Board assumed the member contribution for its employees. The contribution rate of annual covered payroll was 1.11%, 1.06%, and 1.06%, for the School Board's employees for the fiscal years ended June 30, 2017, 2016, and 2015, respectively.

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 10. Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the funds. The constraints placed on fund balance are presented below:

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>General Capital Projects Fund</u> | <u>School Capital Projects Fund</u> |
|--|--------------------------------|-------------------------------------|---|--|
| Restricted: | | | | |
| Debt service | \$ - | \$ 116,642 | \$ - | \$ - |
| Other capital projects | 206,684 | - | 1,005,682 | - |
| Total restricted | <u>206,684</u> | <u>116,642</u> | <u>1,005,682</u> | <u>-</u> |
| Committed: | | | | |
| School operations and capital projects | 913,764 | - | - | - |
| Regional animal shelter | 40,191 | - | - | - |
| Asset forfeiture – sheriff | 11,077 | - | - | - |
| Four-for-life programs | 13,521 | - | - | - |
| Fire programs | 13,045 | - | - | - |
| Water utility | 288,483 | - | - | - |
| Recreation programs | 87,178 | - | - | - |
| EMS billings | 111,149 | - | - | - |
| Total committed | <u>1,478,408</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Assigned: | | | | |
| Public safety | 45,000 | - | - | - |
| Unassigned | <u>10,123,786</u> | <u>-</u> | <u>-</u> | <u>(58,299)</u> |
| Total fund balance | <u><u>\$ 11,853,878</u></u> | <u><u>\$ 116,642</u></u> | <u><u>\$ 1,005,682</u></u> | <u><u>\$ (58,299)</u></u> |

Note 11. Risk Management

County

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

The County has coverage with the Virginia Association of Counties Risk Pool (VACorp) for all insurable risks identified by the County. Each VACorp member jointly and severally agrees to assume, pay, and discharge any liability. The County pays VACorp contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the VACorp and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the VACorp may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Risk Management (Continued)

Health Insurance – School Board

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

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

The School Board records an estimated liability for healthcare claims. The following represents the change in the fund's claims liability for 2017, 2016, and 2015:

| Fiscal Year Ended | Beginning Liability | Claims and Changes in Estimates | Claim Payments | Ending Liability |
|----------------------|------------------------|---------------------------------------|-------------------|---------------------|
| June 30, 2017 | \$ 215,000 | \$ 2,723,255 | \$ (2,723,255) | \$ 215,000 |
| June 30, 2016 | 300,000 | 2,727,508 | (2,812,508) | 215,000 |
| June 30, 2015 | 125,000 | 2,108,995 | (1,933,995) | 300,000 |

Note 12. Commitments and Contingencies

Operating Leases

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

Developer Agreements

Between fiscal years 2003 and 2007, the County entered into multiple development agreements with local developers. According to the agreements, the County was deeded water and wastewater infrastructure in exchange for future connection fee credits. As of June 30, 2017, \$213,168 in connection credits are still available and are recorded as unearned revenue on the Statement of Net Position.

Federal and State Assisted Programs

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 13. Prior Period Restatement

| | Governmental Activities |
|---|------------------------------------|
| Net position June 30, 2016, as previously stated | \$ 15,897,673 |
| Restatement to remove series 1998 revenue bond that was recognized as paid in full as a result of an error at the financial institution with the payment parameters of the original loan. Amount was shown as outstanding in 2016, however, financial institution restated their records by reapplying amounts previously recognized as interest payments towards principal at June 30, 2016. | <u>163,977</u> |
| Net position June 30, 2016, as restated | <u><u>\$ 16,061,650</u></u> |

Note 14. Subsequent Events

On August 2, 2017, the County issued \$2,790,000 in Revenue Bonds with interest rates ranging between 2.817% and 5.125% to advance refund all or a portion of the outstanding Series 2005 Revenue Bond, Series 2006 Revenue Bond, and Series 2007 Revenue Bond.

On November 7, 2017, the County issued \$11,880,000 in Virginia Public School Authority Bonds with interest rates ranging between 3.05% and 5.05% for the remodeling and expansion of Hamilton Holmes Middle School.

Note 15. New Accounting Standards

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

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting requirements for OPEB plans. This Statement will be effective for the year ending June 30, 2018.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 15. New Accounting Standards (Continued)

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement will be effective for the year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2020.

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 15. New Accounting Standards (Continued)

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will be effective for the year ending June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF KING WILLIAM, VIRGINIA

SCHEDULES OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS
June 30, 2017

| Actuarial Valuation Date | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|--|--|--|-------------------------|----------------------------|--|
| A. Primary Government | | | | | | |
| June 30, 2015 | \$ - | \$ 108,000 | \$ 108,000 | 0.00% | \$ 3,517,082 | 3.07% |
| January 1, 2012 | - | 203,500 | 203,500 | 0.00 | 3,501,300 | 5.81 |
| January 1, 2009 | - | 157,100 | 157,100 | 0.00 | 3,657,600 | 4.30 |
| B. Component Unit – School Board | | | | | | |
| June 30, 2016 | \$ - | \$ 1,494,300 | \$ 1,494,300 | 0.00% | \$ 11,906,700 | 12.55% |
| June 30, 2013 | - | 916,000 | 916,000 | 0.00 | 8,594,700 | 10.66 |
| June 30, 2011 | - | 1,048,800 | 1,048,800 | 0.00 | 11,158,200 | 9.40 |

SCHEDULES OF EMPLOYER CONTRIBUTIONS – OTHER POST-EMPLOYMENT BENEFITS
June 30, 2017

| Fiscal Year Ended June 30 | Annual Required Contribution | Percentage Contributed |
|---|---|-----------------------------------|
| A. Primary Government | | |
| 2017 | \$ 17,000 | 23.53 % |
| 2016 | 16,000 | 12.50 |
| 2015 | 15,000 | 0.00 |
| B. Component Unit – School Board | | |
| 2017 | \$ 194,400 | 100.00 % |
| 2016 | 209,000 | 100.00 |
| 2015 | 104,800 | 45.13 |

COUNTY OF KING WILLIAM, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE COUNTY NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2017

| | Primary Government | | |
|--|---------------------|---------------------|---------------------|
| | Plan Year | | |
| | 2016 | 2015 | 2014 |
| Total Pension Liability | | | |
| Service cost | \$ 399,804 | \$ 427,980 | \$ 425,539 |
| Interest on total pension liability | 1,005,764 | 960,437 | 900,618 |
| Difference between expected and actual experience | (409,236) | (251,096) | - |
| Benefit payments, including refunds of employee contributions | (487,936) | (491,661) | (451,521) |
| Net change in total pension liability | 508,396 | 645,660 | 874,636 |
| Total pension liability - beginning | <u>14,612,023</u> | <u>13,966,363</u> | <u>13,091,727</u> |
| Total pension liability - ending | <u>15,120,419</u> | <u>14,612,023</u> | <u>13,966,363</u> |
| Plan Fiduciary Net Position | | | |
| Contributions - employer | 372,193 | 365,362 | 393,290 |
| Contributions - employee | 180,702 | 172,177 | 172,426 |
| Net investment income | 241,338 | 593,824 | 1,752,531 |
| Benefit payments, including refunds of employee contributions | (487,936) | (491,661) | (451,521) |
| Administrative expenses | (8,272) | (7,965) | (9,260) |
| Other | (101) | (128) | 92 |
| Net change in plan fiduciary net position | 297,924 | 631,609 | 1,857,558 |
| Plan fiduciary net position - beginning | <u>13,522,765</u> | <u>12,891,156</u> | <u>11,033,598</u> |
| Plan fiduciary net position - ending | <u>13,820,689</u> | <u>13,522,765</u> | <u>12,891,156</u> |
| Net pension liability - ending | <u>\$ 1,299,730</u> | <u>\$ 1,089,258</u> | <u>\$ 1,075,207</u> |
| Plan fiduciary net position as a percentage of total pension liability | <u>91.40%</u> | <u>92.55%</u> | <u>92.30%</u> |
| Covered employee payroll | <u>\$ 3,577,844</u> | <u>\$ 3,598,101</u> | <u>\$ 3,734,948</u> |
| Net pension liability as a percentage of covered employee payroll | <u>36.33%</u> | <u>30.27%</u> | <u>28.79%</u> |

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2016 information was presented in the entity's fiscal year 2017 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

COUNTY OF KING WILLIAM, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE SCHOOL BOARD NON-PROFESSIONAL
NET PENSION LIABILITY AND RELATED RATIOS

June 30, 2017

| | Schools -- Nonprofessional Employees | | |
|---|---|---------------------|---------------------|
| | Plan Year | | |
| | 2016 | 2015 | 2014 |
| Total Pension Liability | | | |
| Service cost | \$ 147,006 | \$ 149,564 | \$ 148,866 |
| Interest on total pension liability | 185,682 | 162,279 | 146,068 |
| Difference between expected and actual experience | (47,205) | 90,966 | - |
| Benefit payments, including refunds of employee contributions | (66,013) | (70,936) | (55,770) |
| Net change in total pension liability | 219,470 | 331,873 | 239,164 |
| Total pension liability - beginning | 2,685,606 | 2,353,733 | 2,114,569 |
| Total pension liability - ending | 2,905,076 | 2,685,606 | 2,353,733 |
| Plan Fiduciary Net Position | | | |
| Contributions - employer | 86,210 | 87,689 | 112,627 |
| Contributions - employee | 66,926 | 68,007 | 67,436 |
| Net investment income | 52,781 | 122,327 | 348,354 |
| Benefit payments, including refunds of employee contributions | (66,013) | (70,936) | (55,770) |
| Administrative expenses | (1,679) | (1,565) | (1,757) |
| Other | (22) | (29) | 19 |
| Net change in plan fiduciary net position | 138,203 | 205,493 | 470,909 |
| Plan fiduciary net position - beginning | 2,824,615 | 2,619,122 | 2,148,213 |
| Plan fiduciary net position - ending | 2,962,818 | 2,824,615 | 2,619,122 |
| Net pension (asset) liability - ending | <u>\$ (57,742)</u> | <u>\$ (139,009)</u> | <u>\$ (265,389)</u> |
| Plan fiduciary net position as a percentage of total pension liability | <u>101.99%</u> | <u>105.18%</u> | <u>111.28%</u> |
| Employer's covered employee payroll | <u>\$ 1,366,858</u> | <u>\$ 1,391,726</u> | <u>\$ 1,751,586</u> |
| Net pension (asset) liability as a percentage of covered employee payroll | <u>-4.22%</u> | <u>-9.99%</u> | <u>-15.15%</u> |

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2016 information was presented in the entity's fiscal year 2017 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

COUNTY OF KING WILLIAM, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY –
VRS TEACHER RETIREMENT PLAN

| Plan Year Ended June 30 | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) | Employer's Covered Employee Payroll | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------------------------------------|---|--|--|--|---|
| 2016 | 0.15270% | \$ 21,399,000 | \$ 11,677,255 | 183.25% | 13.85% |
| 2015 | 0.15775% | 19,855,000 | 11,655,579 | 170.35% | 14.23% |
| 2014 | 0.15381% | 18,588,000 | 9,045,366 | 205.50% | 14.09% |

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2016 information was presented in the entity's fiscal year 2017 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

COUNTY OF KING WILLIAM, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

| Entity Fiscal Year Ended June 30 | Actuarially Determined Contribution | Contributions in Relation to Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Employee Payroll | Contributions as a Percentage of Covered Payroll |
|--|---|--|--|--------------------------------|--|
| Primary Government | | | | | |
| 2017 | \$ 301,830 | \$ 301,830 | \$ - | \$ 3,721,702 | 8.11% |
| 2016 | 376,747 | 376,747 | - | 3,577,844 | 10.53% |
| 2015 | 378,880 | 378,880 | - | 3,598,101 | 10.53% |
| Schools - Nonprofessional Employees | | | | | |
| 2017 | \$ 65,146 | \$ 65,146 | \$ - | 1,340,453 | 4.86% |
| 2016 | 87,889 | 87,889 | - | 1,366,858 | 6.43% |
| 2015 | 89,488 | 89,488 | - | 1,391,726 | 6.43% |

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only three years 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 KING WILLIAM, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS –
VRS TEACHER RETIREMENT PLAN**

| Entity Fiscal Year Ended June 30 | Actuarially Determined Contribution | Contributions in Relation to Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Employee Payroll | Contributions as a Percentage of Covered Payroll |
|---|--|---|---|---|---|
| 2017 | \$ 1,724,679 | \$ 1,724,679 | \$ - | \$ 11,764,523 | 14.66% |
| 2016 | 1,641,822 | 1,641,822 | - | 11,677,255 | 14.06% |
| 2015 | 1,690,059 | 1,690,059 | - | 11,655,579 | 14.50% |

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only three years 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 KING WILLIAM, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

Note 1. Changes of Benefit Terms

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, 2016 are not material.

Note 2. Changes of Assumptions

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

Teacher cost-sharing pool

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

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SUPPLEMENTAL INFORMATION

COUNTY OF KING WILLIAM, VIRGINIA

COMBINING STATEMENT OF NET POSITION - AGENCY FUNDS
June 30, 2017

| | Agency Funds | | | | | | Totals |
|----------------------------|--------------------|-------------------|----------------------|---------------|-------------------------------------|------------------|-------------------|
| | Special Welfare | VJCCCA | Project Lifesaver | D. A. R. E. | Donation to Sherriff's Office | Horse Rescue | |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 181 | \$ 183,837 | \$ 5,552 | \$ 242 | \$ 953 | \$ - | \$ 190,765 |
| Due from other governments | - | 2,934 | - | - | - | - | 2,934 |
| Due from fiscal agent | - | - | - | - | - | 20,968 | 20,968 |
| Total assets | <u>\$ 181</u> | <u>\$ 186,771</u> | <u>\$ 5,552</u> | <u>\$ 242</u> | <u>\$ 953</u> | <u>\$ 20,968</u> | <u>\$ 214,667</u> |
| LIABILITIES | | | | | | | |
| Amounts held for others | \$ - | \$ 186,456 | \$ 5,552 | \$ 242 | \$ 953 | \$ 20,968 | \$ 214,171 |
| Accounts payable | 181 | 315 | - | - | - | - | 496 |
| Total liabilities | <u>\$ 181</u> | <u>\$ 186,771</u> | <u>\$ 5,552</u> | <u>\$ 242</u> | <u>\$ 953</u> | <u>\$ 20,968</u> | <u>\$ 214,667</u> |

COUNTY OF KING WILLIAM, VIRGINIA
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES –
AGENCY FUNDS
Year Ended June 30, 2017

| | Balance July 1, 2016 | Additions | Deductions | Balance June 30, 2017 |
|--|---------------------------------|-------------------|-------------------|----------------------------------|
| SPECIAL WELFARE FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ 18,761 | \$ 18,580 | \$ 181 |
| Amounts due from social services clients | 490 | 31 | 521 | - |
| Total assets | <u>\$ 490</u> | <u>\$ 18,792</u> | <u>\$ 19,101</u> | <u>\$ 181</u> |
| LIABILITIES | | | | |
| Amounts held for others | \$ 490 | \$ 17,795 | \$ 18,285 | \$ - |
| Accounts payable | - | 816 | 635 | 181 |
| Total liabilities | <u>\$ 490</u> | <u>\$ 18,611</u> | <u>\$ 18,920</u> | <u>\$ 181</u> |
| VJCCCA FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 137,576 | \$ 203,492 | \$ 157,231 | \$ 183,837 |
| Due from other governments | - | 2,934 | - | 2,934 |
| Total assets | <u>\$ 137,576</u> | <u>\$ 206,426</u> | <u>\$ 157,231</u> | <u>\$ 186,771</u> |
| LIABILITIES | | | | |
| Amounts held for others | \$ 136,242 | \$ 187,588 | \$ 137,374 | \$ 186,456 |
| Accounts payable | 1,334 | 18,838 | 19,857 | 315 |
| Total liabilities | <u>\$ 137,576</u> | <u>\$ 206,426</u> | <u>\$ 157,231</u> | <u>\$ 186,771</u> |
| PROJECT LIFESAVER | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | <u>\$ 5,097</u> | <u>\$ 1,250</u> | <u>\$ 795</u> | <u>\$ 5,552</u> |
| LIABILITIES | | | | |
| Amounts held for others | <u>\$ 5,097</u> | <u>\$ 1,250</u> | <u>\$ 795</u> | <u>\$ 5,552</u> |
| D. A. R. E. | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | <u>\$ -</u> | <u>\$ 1,350</u> | <u>\$ 1,108</u> | <u>\$ 242</u> |
| LIABILITIES | | | | |
| Amounts held for D. A. R. E. | <u>\$ -</u> | <u>\$ 1,350</u> | <u>\$ 1,108</u> | <u>\$ 242</u> |

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES –
AGENCY FUNDS
Year Ended June 30, 2017**

| | Balance July 1, 2016 | Additions | Deductions | Balance June 30, 2017 |
|--------------------------------------|---------------------------------|-------------------|-------------------|----------------------------------|
| DONATIONS TO SHERIFF'S OFFICE | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,119 | \$ 100 | \$ 266 | \$ 953 |
| LIABILITIES | | | | |
| Amounts held for others | \$ 1,119 | \$ 100 | \$ 266 | \$ 953 |
| HORSE RESCUE | | | | |
| ASSETS | | | | |
| Due from fiscal agent | \$ 24,436 | \$ 20,968 | \$ 24,436 | \$ 20,968 |
| LIABILITIES | | | | |
| Amounts held for others | \$ - | \$ 20,968 | \$ - | \$ 20,968 |
| Accounts payable | 24,436 | - | 24,436 | - |
| Total liabilities | \$ 24,436 | \$ 20,968 | \$ 24,436 | \$ 20,968 |
| Totals – All Agency Funds | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 143,792 | \$ 224,953 | \$ 177,980 | \$ 190,765 |
| Accounts receivable | 490 | 31 | 521 | - |
| Due from other governments | - | 2,934 | - | 2,934 |
| Due from fiscal agent | 24,436 | 20,968 | 24,436 | 20,968 |
| Total assets | \$ 168,718 | \$ 248,886 | \$ 202,937 | \$ 214,667 |
| LIABILITIES | | | | |
| Amounts held for others | \$ 142,948 | \$ 229,051 | \$ 157,828 | \$ 214,171 |
| Accounts payable | 25,770 | 19,654 | 44,928 | 496 |
| Total liabilities | \$ 168,718 | \$ 248,705 | \$ 202,756 | \$ 214,667 |

COUNTY OF KING WILLIAM, VIRGINIA

COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2017

| | School Operating Fund | School Cafeteria Fund | School Textbook Fund | Total Component Unit |
|---|-----------------------------|-----------------------------|----------------------------|----------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,096,345 | \$ 149,927 | \$ 815,202 | \$ 2,061,474 |
| Accounts receivable | 7,000 | - | - | 7,000 |
| Prepays | 2,341 | - | - | 2,341 |
| Due from other governments | 1,502,906 | - | - | 1,502,906 |
| Total assets | <u>\$ 2,608,592</u> | <u>\$ 149,927</u> | <u>\$ 815,202</u> | <u>\$ 3,573,721</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 305,980 | \$ 3,357 | \$ - | \$ 309,337 |
| Accrued liabilities | 2,302,612 | - | - | 2,302,612 |
| Total liabilities | <u>2,608,592</u> | <u>3,357</u> | <u>-</u> | <u>2,611,949</u> |
| FUND BALANCES | | | | |
| Nonspendable | | | | |
| Assigned | 2,341 | - | - | 2,341 |
| Cafeteria | - | 146,570 | - | 146,570 |
| Textbook | - | - | 815,202 | 815,202 |
| Unassigned | (2,341) | - | - | (2,341) |
| Total fund balances | <u>-</u> | <u>146,570</u> | <u>815,202</u> | <u>961,772</u> |
| Total liabilities and fund balances | <u>\$ 2,608,592</u> | <u>\$ 149,927</u> | <u>\$ 815,202</u> | <u>\$ 3,573,721</u> |
| Adjustments for the Statement of Net Position (Exhibit 1): | | | | |
| Total fund balances – School Board | | | | \$ 961,772 |
| Amounts reported for the School Board's governmental activities in the Statement of Net Position are different because: | | | | |
| Long-term assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. | | | | |
| Net pension asset | | | | 57,742 |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. | | | | |
| Nondepreciable | | | 713,224 | |
| Depreciable, net | | | 17,756,341 | |
| Net capital assets | | | | 18,469,565 |
| 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 for differences between expected and actual experience and 2017 employer contributions | | | | 1,843,123 |
| Deferred outflows of resources for the net difference between projected and actual investment earnings on pension plan investments | | | | 1,301,223 |
| Deferred outflows of resources due to changes in proportion and differences between employer contributions and proportionate share of contributions – teacher cost sharing pension plan | | | | 362,000 |
| Deferred inflows of resources for differences between expected and actual experience | | | | (730,707) |
| Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. | | | | |
| | | | | 1,026,969 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | | | | |
| Compensated absences | | | (178,533) | |
| Other post-employment benefits | | | (299,997) | |
| Net pension liability | | | (21,399,000) | |
| | | | | (21,877,530) |
| Net position of governmental activities | | | | <u>\$ 1,414,157</u> |

COUNTY OF KING WILLIAM, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2017**

| | School Operating Fund | School Cafeteria Fund | School Textbook Fund | Total Component Unit |
|--|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| REVENUES | | | | |
| Revenue from the use of money and property | \$ 1,599 | \$ 71 | \$ - | \$ 1,670 |
| Charges for services | 74,808 | 433,564 | - | 508,372 |
| Miscellaneous revenues | 12,270 | 5,006 | - | 17,276 |
| Recovered costs | 48,826 | - | - | 48,826 |
| Intergovernmental: | | | | |
| Appropriation from primary government | 10,590,250 | - | - | 10,590,250 |
| Commonwealth | 12,758,698 | 10,735 | 163,165 | 12,932,598 |
| Federal | 932,369 | 452,898 | - | 1,385,267 |
| Total revenues | 24,418,820 | 902,274 | 163,165 | 25,484,259 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | 24,433,766 | 894,627 | - | 25,328,393 |
| Excess (deficiency) of revenues over expenditures | (14,946) | 7,647 | 163,165 | 155,866 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 18,140 | 3,194 | - | 21,334 |
| Transfers out | (3,194) | - | (18,140) | (21,334) |
| Total other financing sources (uses), net | 14,946 | 3,194 | (18,140) | - |
| Changes in fund balance | - | 10,841 | 145,025 | 155,866 |
| FUND BALANCES, BEGINNING | - | 135,729 | 670,177 | 805,906 |
| FUND BALANCES, ENDING | \$ - | \$ 146,570 | \$ 815,202 | \$ 961,772 |
| Reconciliation to the Statement of Activities (Exhibit 2): | | | | |
| Net change in Fund Balance - School Board | | | | \$ 155,866 |
| 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 | | | 795,685 | |
| Depreciation expense | | | (1,010,298) | (214,613) |
| Net transfer of joint tenancy capital assets from Primary Government to the Component Unit | | | | 1,131,554 |
| 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. | | | | |
| Other post-employment benefits | | | 21,536 | |
| Compensated absences | | | (12,684) | 8,852 |
| 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. This is the amount by which employer pension contributions of \$1,789,825 is less than pension expense of \$2,134,220 in the current period. | | | | |
| | | | | (344,395) |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds are reported with governmental activities. | | | | |
| Total revenues | | | 3,063,051 | |
| Total expenses | | | (3,286,268) | (223,217) |
| Change in net position of governmental activities | | | | \$ 514,047 |

COUNTY OF KING WILLIAM, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GOVERNMENTAL FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2017**

| | School Operating Fund | | | | School Cafeteria Fund | | | | School Textbook Fund | | | |
|--|-----------------------|-------------------|-------------------|---|-----------------------|----------------|------------------|---|----------------------|----------------|-------------------|---|
| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
| | Original | Final | | | Original | Final | | | Original | Final | | |
| REVENUES | | | | | | | | | | | | |
| Revenue from the use of money and property | \$ 10,000 | \$ 10,000 | \$ 1,599 | \$ (8,401) | \$ - | \$ - | \$ 71 | \$ 71 | \$ - | \$ - | \$ - | \$ - |
| Charges for services | 86,500 | 86,500 | 74,808 | (11,692) | 459,000 | 459,000 | 433,564 | (25,436) | - | - | - | - |
| Miscellaneous revenues | - | - | 12,270 | 12,270 | 12,000 | 12,000 | 5,006 | (6,994) | - | - | - | - |
| Recovered costs | 48,000 | 48,000 | 48,826 | 826 | - | - | - | - | - | - | - | - |
| Intergovernmental: | | | | | | | | | | | | |
| Appropriation from primary government | 10,590,250 | 10,590,250 | 10,590,250 | - | - | - | - | - | - | - | - | - |
| Commonwealth | 13,062,080 | 13,062,080 | 12,758,698 | (303,382) | 9,500 | 9,500 | 10,735 | 1,235 | 166,920 | 166,920 | 163,165 | (3,755) |
| Federal | 857,670 | 857,670 | 932,369 | 74,699 | 505,000 | 505,000 | 452,898 | (52,102) | - | - | - | - |
| Total revenues | 24,654,500 | 24,654,500 | 24,418,820 | (235,680) | 985,500 | 985,500 | 902,274 | (83,226) | 166,920 | 166,920 | 163,165 | (3,755) |
| EXPENDITURES | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | |
| Education: | | | | | | | | | | | | |
| Instruction | 16,637,970 | 16,637,970 | 16,669,299 | (31,329) | - | - | - | - | 166,920 | 166,920 | - | 166,920 |
| Administration, attendance, and health | 1,393,020 | 1,393,020 | 1,370,939 | 22,081 | - | - | - | - | - | - | - | - |
| Pupil transportation | 1,653,570 | 1,653,570 | 1,557,440 | 96,130 | - | - | - | - | - | - | - | - |
| Operation and maintenance | 1,847,010 | 1,847,010 | 1,722,202 | 124,808 | - | - | - | - | - | - | - | - |
| School food service costs | - | - | - | - | 985,500 | 985,500 | 894,627 | 90,873 | - | - | - | - |
| Technology | 901,640 | 901,640 | 932,406 | (30,766) | - | - | - | - | - | - | - | - |
| Reimbursement to primary government for debt service | 2,208,190 | 2,208,190 | 2,181,480 | 26,710 | - | - | - | - | - | - | - | - |
| Total expenditures | 24,641,400 | 24,641,400 | 24,433,766 | 207,634 | 985,500 | 985,500 | 894,627 | 90,873 | 166,920 | 166,920 | - | 166,920 |
| Excess (deficiency) of revenues over (under) expenditures | 13,100 | 13,100 | (14,946) | (28,046) | - | - | 7,647 | (174,099) | - | - | 163,165 | (170,675) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | |
| Transfers in | - | - | 18,140 | 18,140 | - | - | 3,194 | 3,194 | - | - | - | - |
| Transfers out | (13,100) | (13,100) | (3,194) | 9,906 | - | - | - | - | - | - | (18,140) | (18,140) |
| Total other financing sources (uses) | (13,100) | (13,100) | 14,946 | 28,046 | - | - | 3,194 | 3,194 | - | - | (18,140) | (18,140) |
| Net change in fund balances | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10,841 | \$ (170,905) | \$ - | \$ - | \$ 145,025 | \$ (188,815) |

COUNTY OF KING WILLIAM, VIRGINIA

COMBINING STATEMENT OF NET POSITION – SCHOOL BOARD
FIDUCIARY FUNDS

June 30, 2017

| | Agency Funds | | | |
|---------------------------|-----------------------------|---|---|-------------------|
| | School Activity Funds | Regional Adult Education Program | Regional Alternative Education Program | Totals |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 345,199 | \$ - | \$ 170,580 | \$ 515,779 |
| Accounts receivable | - | 20,529 | - | 20,529 |
| Total assets | \$ 345,199 | \$ 20,529 | \$ 170,580 | \$ 536,308 |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ 2,716 | \$ 68,825 | \$ 71,541 |
| Accrued liabilities | - | 3,816 | 15,274 | 19,090 |
| Amounts held for others | 345,199 | 13,997 | 86,481 | 445,677 |
| Total liabilities | \$ 345,199 | \$ 20,529 | \$ 170,580 | \$ 536,308 |

COUNTY OF KING WILLIAM, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES – SCHOOL BOARD –
ALL AGENCY FUNDS
Year Ended June 30, 2017**

| | Balance July 1, 2016 | Additions | Deductions | Balance June 30, 2017 |
|---|---------------------------------|---------------------|---------------------|----------------------------------|
| SCHOOL ACTIVITY FUNDS | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 344,058 | \$ 549,388 | \$ 548,247 | \$ 345,199 |
| LIABILITIES | | | | |
| Amounts held for others | \$ 344,058 | \$ 549,388 | \$ 548,247 | \$ 345,199 |
| REGIONAL ADULT EDUCATION PROGRAM | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 11,071 | \$ 276,935 | \$ 288,006 | \$ - |
| Accounts receivable | 40,574 | - | 20,045 | 20,529 |
| Total assets | \$ 51,645 | \$ 276,935 | \$ 308,051 | \$ 20,529 |
| LIABILITIES | | | | |
| Accounts payable | \$ 382 | \$ 36,254 | \$ 33,920 | \$ 2,716 |
| Accrued liabilities | 3,410 | 76,725 | 76,319 | 3,816 |
| Amounts held for others | 47,853 | 231,540 | 265,396 | 13,997 |
| Total liabilities | \$ 51,645 | \$ 344,519 | \$ 375,635 | \$ 20,529 |
| REGIONAL ALTERNATIVE EDUCATION PROGRAM | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 128,672 | \$ 468,313 | \$ 426,405 | \$ 170,580 |
| LIABILITIES | | | | |
| Accounts payable | \$ 80,570 | \$ 97,318 | \$ 109,063 | \$ 68,825 |
| Accrued liabilities | 21,127 | 81,136 | 86,989 | 15,274 |
| Amounts held for others | 26,975 | 463,319 | 403,813 | 86,481 |
| Total liabilities | \$ 128,672 | \$ 641,773 | \$ 599,865 | \$ 170,580 |
| TOTALS – ALL AGENCY FUNDS | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 483,801 | \$ 1,294,636 | \$ 1,262,658 | \$ 515,779 |
| Accounts receivable | 40,574 | - | 20,045 | 20,529 |
| Total assets | \$ 524,375 | \$ 1,294,636 | \$ 1,282,703 | \$ 536,308 |
| LIABILITIES | | | | |
| Accounts payable | \$ 80,952 | \$ 133,572 | \$ 142,983 | \$ 71,541 |
| Accrued Liabilities | 24,537 | 157,861 | 163,308 | 19,090 |
| Amounts held for others | 418,886 | 1,244,247 | 1,217,456 | 445,677 |
| Total liabilities | \$ 524,375 | \$ 1,535,680 | \$ 1,523,747 | \$ 536,308 |

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND – SELF-INSURANCE FUND – SCHOOL BOARD
June 30, 2017

| | | <u>Self-Insurance</u> |
|------------------------------|---------------------|----------------------------|
| | ASSETS | |
| Cash and cash equivalents | | <u>\$ 1,241,969</u> |
| Total assets | | <u>1,241,969</u> |
| | LIABILITIES | |
| Insurance and benefit claims | | <u>215,000</u> |
| Total liabilities | | <u>215,000</u> |
| | NET POSITION | |
| Unrestricted | | <u>1,026,969</u> |
| Total net position | | <u><u>\$ 1,026,969</u></u> |

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND – SELF-INSURANCE FUND – SCHOOL BOARD

June 30, 2017

| | <u>Self-Insurance</u> |
|-------------------------------------|-----------------------|
| Operating revenues: | |
| Charges for service | \$ 3,056,592 |
| Total operating revenues | <u>3,056,592</u> |
| Operating expenses: | |
| Administrative charges | 66,238 |
| Risk financing and benefit payments | 2,797,769 |
| Reissuance premium | <u>422,261</u> |
| Total operating expenses | <u>3,286,268</u> |
| Operating Loss | <u>(229,676)</u> |
| Nonoperating revenue: | |
| Interest revenue | <u>6,459</u> |
| Total nonoperating revenue | <u>6,459</u> |
| Changes in net position | (223,217) |
| Net position, beginning | <u>1,250,186</u> |
| Net position, ending | <u>\$ 1,026,969</u> |

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND – SELF-INSURANCE FUND – SCHOOL BOARD
Year Ended June 30, 2017

| | <u>Self - Insurance</u> |
|---|--------------------------------|
| Cash flows from Operating Activities | |
| Receipts from interfund services provided | \$ 3,056,592 |
| Claims and benefits paid | (2,797,769) |
| Payments to suppliers for goods and services | <u>(488,499)</u> |
| Net cash used in operating activities | <u>(229,676)</u> |
| Cash flows from Investing Activities | |
| Interest received on investment securities | <u>6,459</u> |
| Net decrease in cash and cash equivalents | (223,217) |
| Cash and cash equivalents | |
| Beginning | <u>1,465,186</u> |
| Ending | <u><u>\$ 1,241,969</u></u> |
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities: | |
| Operating loss | <u>\$ (229,676)</u> |
| Net cash used in operating activities | <u><u>\$ (229,676)</u></u> |

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2017

King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2017

www.kingwilliamcounty.us

STATISTICAL SECTION

(Unaudited)

STATISTICAL SECTION

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.

| <u>Contents</u> | <u>Table</u> |
|---|---------------------|
| Financial Trends These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time. | 1-4 |
| Revenue Capacity These tables contain information to help the reader assess the factors affecting the County's ability to generate its property taxes and utility revenues. | 5-9 |
| Debt Capacity These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future. | 10-12 |
| Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparison over time and with other governments. | 13-14 |
| Operating Information These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs. | 15-17 |

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

The County implemented GASB Statement 68 and restated beginning net position for 2015. The restatement is not included in the prior year data.

TABLE 1

COUNTY OF KING WILLIAM, VIRGINIA

NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 6,377,053 | \$ 6,102,702 | \$ 5,966,632 | \$ 4,817,073 | \$ 4,298,661 | \$ 1,461,113 | \$ 1,669,963 | \$ (513,010) | \$ (312,223) | \$ 265,030 |
| Restricted | 1,329,008 | 848,217 | 989,614 | 1,861,710 | 4,024,633 | 62,572 | 64,245 | - | - | - |
| Unrestricted | 11,133,394 | 8,946,754 | 6,514,370 | 6,209,949 | 4,247,618 | 5,016,956 | 3,502,991 | 3,806,931 | 2,373,837 | 594,739 |
| Total governmental activities net position | \$ 18,839,455 | \$ 15,897,673 | \$ 13,470,616 | \$ 12,888,732 | \$ 12,570,912 | \$ 6,540,641 | \$ 5,237,199 | \$ 3,293,921 | \$ 2,061,614 | \$ 859,769 |

Notes:

GASB Statement No. 68 was adopted in fiscal year 2015

TABLE 2

COUNTY OF KING WILLIAM, VIRGINIA

CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Expenses | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| General government administration | \$ 1,659,886 | \$ 1,710,633 | \$ 1,891,619 | \$ 1,991,266 | \$ 1,720,020 | \$ 1,390,914 | \$ 1,379,801 | \$ 1,764,919 | \$ 1,577,182 | \$ 1,653,984 |
| Judicial administration | 791,733 | 760,857 | 825,326 | 828,978 | 758,278 | 731,145 | 719,715 | 704,861 | 723,263 | 709,576 |
| Public safety | 5,747,012 | 4,870,998 | 5,814,590 | 4,869,354 | 4,363,690 | 4,069,441 | 4,206,900 | 3,861,928 | 4,049,433 | 3,607,687 |
| Public works | 1,905,315 | 1,896,034 | 934,531 | 2,511,346 | 1,591,495 | 1,636,299 | 1,693,960 | 1,546,058 | 1,702,038 | 1,663,886 |
| Health and welfare | 3,272,265 | 1,984,796 | 1,853,888 | 1,925,297 | 1,769,339 | 1,726,465 | 1,837,002 | 2,001,233 | 1,950,087 | 1,756,619 |
| Education | 11,791,832 | 12,074,082 | 12,327,218 | 9,976,507 | 10,430,356 | 9,555,915 | 8,679,113 | 8,109,049 | 8,541,759 | 7,904,725 |
| Parks, recreation, and cultural | 712,945 | 702,854 | 693,945 | 659,605 | 848,196 | 852,555 | 836,773 | 805,377 | 856,020 | 808,883 |
| Planning and community development | 351,232 | 401,302 | 401,274 | 383,302 | 325,122 | 415,658 | 537,673 | 728,707 | 602,788 | 628,507 |
| Interest | 750,283 | 842,101 | 926,078 | 1,020,009 | 1,037,029 | 1,024,553 | 1,031,300 | 1,505,477 | 1,470,892 | 1,726,966 |
| Total expenses | 26,982,503 | 25,243,657 | 25,668,469 | 24,165,664 | 22,843,525 | 21,402,945 | 20,922,237 | 21,027,609 | 21,473,462 | 20,460,833 |
| Program revenues | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| General government administration | 982,484 | - | - | - | 20,000 | 19,500 | - | - | - | - |
| Judicial administration | 30,577 | 35,530 | 24,449 | 26,098 | 26,855 | 16,767 | 15,765 | 90,863 | 94,142 | 89,529 |
| Public safety | 446,129 | 439,066 | 473,347 | 561,506 | 697,301 | 389,101 | 394,742 | 94,812 | 129,696 | 155,621 |
| Public works | 485,781 | 495,386 | 439,764 | 449,819 | 141,297 | 161,269 | 168,958 | 130,839 | 118,984 | 283,945 |
| Health and welfare | 18,604 | 18,346 | 41,720 | - | - | - | - | - | - | - |
| Education | - | - | 32,579 | 266 | 642,225 | - | - | - | - | - |
| Parks, recreation, and cultural | 142,611 | 112,524 | 111,301 | 97,908 | 109,886 | 119,114 | 131,642 | 86,706 | 103,290 | 90,002 |
| Planning and community development | 319,556 | 286,331 | 226,438 | 216,907 | 167,649 | 150,911 | 177,126 | 174,608 | 193,292 | 429,266 |
| Operating grants and contributions | | | | | | | | | | |
| General government administration | 207,187 | 223,701 | 198,003 | 200,716 | 196,912 | 203,673 | 190,203 | 229,637 | 250,522 | 258,221 |
| Judicial administration | 431,854 | 396,613 | 373,388 | 383,598 | 374,720 | 363,618 | 372,117 | 341,892 | 387,240 | 357,510 |
| Public safety | 1,072,746 | 872,307 | 1,013,237 | 1,128,150 | 852,544 | 801,490 | 784,085 | 835,995 | 1,007,777 | 883,349 |
| Public works | 8,016 | 8,321 | 8,229 | 8,240 | 9,342 | 6,473 | 7,644 | 6,629 | 8,169 | 8,390 |
| Health and welfare | 1,236,981 | 1,156,323 | 1,050,752 | 1,082,488 | 1,028,244 | 1,119,045 | 1,321,454 | 1,386,233 | 1,301,243 | 1,133,758 |
| Education | 2,181,480 | 2,272,601 | 2,309,062 | - | - | - | - | - | - | - |
| Parks, recreation, and cultural | 4,500 | 5,000 | 13,913 | 44,303 | 21,668 | 9,550 | 5,000 | 5,319 | 5,000 | 5,639 |
| Planning and community development | - | - | 20,650 | - | - | - | 49,205 | - | - | - |
| Capital grants and contributions | | | | | | | | | | |
| Judicial administration | - | - | - | 25,903 | - | - | - | - | - | - |
| Public safety | - | - | - | - | 26,842 | - | - | 25,550 | - | - |
| Public works | 210,000 | 90,000 | 624,212 | 256,687 | 335,875 | - | - | - | - | - |
| Education | - | - | - | - | - | - | - | - | 130,926 | 128,496 |
| Parks, recreation, and cultural | - | - | - | 102,000 | 5,800 | - | - | - | - | - |
| Planning and community development | - | - | - | - | - | - | - | 212,500 | 24,779 | 120,173 |
| Total governmental activities program revenues | 7,778,506 | 6,412,049 | 6,961,044 | 4,584,589 | 4,657,160 | 3,360,511 | 3,617,941 | 3,621,583 | 3,755,060 | 3,943,899 |
| Total primary government net expense | (19,203,997) | (18,831,608) | (18,707,425) | (19,581,075) | (18,186,365) | (18,042,434) | (17,304,296) | (17,406,026) | (17,718,402) | (16,516,934) |

TABLE 2
(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| General property taxes | \$ 17,540,299 | \$ 16,887,147 | \$ 16,779,917 | \$ 15,901,842 | \$ 16,393,302 | \$ 15,464,547 | \$ 15,744,965 | \$ 15,559,634 | \$ 15,855,934 | \$ 14,880,517 |
| Grants and contributions not restricted to specific programs | 1,605,118 | 1,632,439 | 1,581,199 | 1,639,303 | 1,571,449 | 1,567,627 | 1,598,315 | 1,262,902 | 1,242,316 | 1,323,126 |
| Local sales and use | 932,215 | 950,003 | 918,000 | 803,574 | 776,602 | 747,327 | 722,243 | - | - | - |
| Consumer utility | 231,786 | 218,970 | 235,700 | 232,777 | 230,314 | 227,669 | 226,901 | 224,395 | 216,877 | 226,398 |
| Business licenses | 437,265 | 416,827 | 423,697 | 353,097 | 342,712 | 275,242 | 299,881 | 278,531 | 376,767 | 353,398 |
| Motor vehicle license taxes | 395,593 | 371,470 | 377,113 | 366,296 | 369,895 | 370,133 | 357,659 | 299,404 | 290,584 | 283,490 |
| Taxes on recordation and wills | 218,718 | 198,605 | 148,828 | 154,912 | 171,486 | 151,615 | 138,994 | 156,970 | - | - |
| Communication sales tax | - | - | - | - | - | - | - | 375,273 | 373,713 | 388,000 |
| Other local taxes | 435,663 | 415,039 | 371,725 | 344,955 | 318,584 | 313,264 | 278,516 | 389,986 | 332,040 | 370,588 |
| Revenues from uses of money and property | 116,286 | 105,986 | 93,295 | 91,637 | 98,719 | 89,375 | 67,703 | 76,982 | 117,071 | 331,025 |
| Miscellaneous | 68,859 | 62,179 | 24,674 | 145,429 | 56,674 | 139,077 | 21,906 | 14,256 | 114,945 | 21,058 |
| Total general revenues and other changes | <u>21,981,802</u> | <u>21,258,665</u> | <u>20,954,148</u> | <u>20,033,822</u> | <u>20,329,737</u> | <u>19,345,876</u> | <u>19,457,083</u> | <u>18,638,333</u> | <u>18,920,247</u> | <u>18,177,600</u> |
| Changes in Net Position | <u>\$ 2,777,805</u> | <u>\$ 2,427,057</u> | <u>\$ 2,246,723</u> | <u>\$ 452,747</u> | <u>\$ 2,143,372</u> | <u>\$ 1,303,442</u> | <u>\$ 2,152,787</u> | <u>\$ 1,232,307</u> | <u>\$ 1,201,845</u> | <u>\$ 1,660,666</u> |

TABLE 3

COUNTY OF KING WILLIAM, VIRGINIA
FUND BALANCES – GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|-------------------------------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Pre-GASB 54 implementation: | | | | | | | | | | |
| General Fund | | | | | | | | | | |
| Reserved | | | | | | | | | | |
| Textbooks | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 448,725 | \$ 448,725 | \$ 264,423 |
| Unreserved, undesignated | - | - | - | - | - | - | - | 1,761,923 | 725,041 | (878,836) |
| Post-GASB 54 implementation: | | | | | | | | | | |
| Nonspendable | - | - | 19,159 | 9,313 | 177,025 | 7,943 | 31,352 | - | - | - |
| Restricted | 206,684 | - | 363 | 549,936 | 1,905,275 | 62,054 | 63,728 | - | - | - |
| Committed | 1,478,408 | 1,344,344 | 1,265,335 | 1,838,390 | 2,091,395 | 2,448,301 | 2,633,223 | - | - | - |
| Assigned | 45,000 | 1,023 | - | - | - | - | - | - | - | - |
| Unassigned | 10,123,786 | 8,645,161 | 6,365,262 | 4,742,615 | 2,614,804 | 3,169,372 | 1,542,611 | - | - | - |
| Total general fund | 11,853,878 | 9,990,528 | 7,650,119 | 7,140,254 | 6,788,499 | 5,687,670 | 4,270,914 | 2,210,648 | 1,173,766 | (614,413) |
| Pre-GASB 54 implementation: | | | | | | | | | | |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved: | | | | | | | | | | |
| General capital projects | - | - | - | - | - | - | - | 1,109,887 | 1,033,113 | 1,239,343 |
| School capital projects | - | - | - | - | - | - | - | 516 | 21,470 | 762,739 |
| Post-GASB 54 implementation: | | | | | | | | | | |
| Restricted: | | | | | | | | | | |
| Debt service | 116,642 | 124,343 | 122,528 | - | - | - | - | - | - | - |
| General capital projects | 1,005,682 | 432,942 | 506,420 | 1,219,107 | 2,118,839 | - | - | - | - | - |
| School capital projects | - | 290,932 | 360,303 | 92,667 | 519 | 518 | 517 | - | - | - |
| Unassigned: | (58,299) | - | - | - | - | (114,072) | (115,199) | - | - | - |
| Total all other governmental funds | 1,064,025 | 848,217 | 989,251 | 1,311,774 | 2,119,358 | (113,554) | (114,682) | 1,110,403 | 1,054,583 | 2,002,082 |
| Total fund balances | \$ 12,917,903 | \$ 10,838,745 | \$ 8,639,370 | \$ 8,452,028 | \$ 8,907,857 | \$ 5,574,116 | \$ 4,156,232 | \$ 3,321,051 | \$ 2,228,349 | \$ 1,387,669 |

Note: 2011 was the first year of implementing GASB 54 which revised fund balance classifications.

TABLE 4

COUNTY OF KING WILLIAM, VIRGINIA

CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| REVENUES | | | | | | | | | | |
| General property taxes | \$ 17,429,956 | \$ 17,063,632 | \$ 16,738,071 | \$ 15,659,767 | \$ 16,344,544 | \$ 15,481,278 | \$ 15,750,252 | \$ 15,393,779 | \$ 15,598,733 | \$ 14,645,208 |
| Other local taxes | 2,651,240 | 2,570,914 | 2,475,063 | 2,255,611 | 2,209,593 | 2,085,250 | 2,024,194 | 1,724,559 | 1,589,981 | 1,621,874 |
| Permits, privilege fees, and regulatory licenses | 1,309,151 | 292,138 | 265,096 | 222,561 | 174,247 | 160,620 | 186,198 | 261,567 | 322,076 | 582,677 |
| Fines and forfeitures | 88,376 | 85,568 | 78,708 | 96,349 | 72,930 | 66,657 | 79,454 | 79,556 | 82,334 | 80,343 |
| Revenue from use of money and property | 116,286 | 105,986 | 93,295 | 91,637 | 98,719 | 89,375 | 67,703 | 76,982 | 117,071 | 331,025 |
| Charges for services | 779,078 | 761,335 | 724,506 | 708,788 | 366,409 | 421,357 | 455,554 | 236,705 | 2,349,994 | 385,344 |
| Miscellaneous | 68,859 | 66,013 | 24,674 | 145,429 | 874,596 | 139,077 | 21,906 | 14,256 | 114,945 | 21,057 |
| Reimbursement from component unit | 2,181,480 | 2,272,601 | 2,309,062 | - | - | - | - | - | - | - |
| Recovered costs | 249,137 | 248,142 | 281,288 | 324,806 | 373,705 | 208,028 | 167,027 | 152,078 | 241,834 | 178,107 |
| Intergovernmental: | | | | | | | | | | |
| Commonwealth | 3,792,887 | 3,700,880 | 3,708,525 | 3,637,075 | 3,495,484 | 3,421,903 | 3,637,470 | 3,532,727 | 3,719,698 | 3,556,576 |
| Federal | 773,515 | 593,824 | 550,846 | 849,723 | 559,395 | 649,573 | 690,553 | 773,930 | 638,274 | 662,086 |
| Total revenues | 29,439,965 | 27,761,033 | 27,249,134 | 23,991,746 | 24,569,622 | 22,723,118 | 23,080,311 | 22,246,139 | 24,774,940 | 22,064,297 |
| EXPENDITURES | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government administration | 1,464,231 | 1,423,122 | 1,581,231 | 1,614,235 | 1,390,170 | 1,346,130 | 1,372,400 | 1,732,673 | 1,547,498 | 1,606,483 |
| Judicial administration | 626,460 | 587,496 | 673,888 | 653,387 | 597,145 | 556,528 | 570,469 | 538,227 | 595,412 | 548,832 |
| Public safety | 5,468,473 | 4,586,918 | 4,709,621 | 4,647,683 | 4,226,609 | 4,171,459 | 4,100,800 | 4,026,891 | 4,194,591 | 3,702,708 |
| Public works | 1,745,109 | 1,731,929 | 1,576,985 | 1,566,425 | 1,498,140 | 1,517,016 | 1,574,143 | 1,564,364 | 1,530,499 | 1,796,594 |
| Health and welfare | 2,133,666 | 1,977,818 | 1,899,605 | 1,901,885 | 1,774,541 | 1,708,920 | 1,915,180 | 2,005,090 | 1,933,241 | 1,754,245 |
| Education | 10,598,065 | 10,451,449 | 10,541,174 | 8,126,913 | 8,807,812 | 7,856,937 | 6,897,886 | 6,198,939 | 6,181,401 | 5,924,555 |
| Parks, recreation, and cultural | 676,304 | 657,695 | 649,921 | 622,812 | 810,258 | 809,495 | 801,103 | 748,180 | 858,490 | 806,175 |
| Community development | 377,799 | 387,168 | 393,600 | 387,357 | 322,642 | 420,350 | 545,236 | 729,608 | 606,026 | 625,676 |
| Capital outlays | 1,146,202 | 486,170 | 1,875,450 | 1,778,531 | 1,755,312 | 1,131 | 288,710 | 43,034 | 1,060,899 | 2,275,620 |
| Debt service: | | | | | | | | | | |
| Principal | 2,295,205 | 2,351,613 | 2,147,921 | 2,082,507 | 1,865,545 | 1,926,423 | 2,088,978 | 2,052,456 | 2,073,919 | 2,145,961 |
| Interest on other fiscal charges | 829,293 | 920,280 | 1,012,396 | 1,094,711 | 1,187,707 | 1,159,869 | 1,139,851 | 1,513,975 | 1,637,624 | 1,818,578 |
| Total expenditures | 27,360,807 | 25,561,658 | 27,061,792 | 24,476,446 | 24,235,881 | 21,474,258 | 21,294,756 | 21,153,437 | 22,219,600 | 23,005,427 |
| Excess (deficiency) of revenues over (under) expenditures | 2,079,158 | 2,199,375 | 187,342 | (484,700) | 333,741 | 1,248,860 | 1,785,555 | 1,092,702 | 2,555,340 | (941,130) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Transfers in | 1,937,694 | 1,318,807 | 2,299,649 | 875,252 | 965,674 | - | - | - | - | - |
| Transfers out | (1,937,694) | (1,318,807) | (2,299,649) | (875,252) | (965,674) | - | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | (1,346,029) | - | (5,141,719) | - | - | - | - |
| Long-term debt issued | - | - | - | 1,375,000 | 3,000,000 | 5,310,743 | 270,000 | - | - | 2,055,000 |
| Total other financing sources (uses), net | - | - | - | 28,971 | 3,000,000 | 169,024 | 270,000 | - | - | 2,055,000 |
| Net change in fund balance | \$ 2,079,158 | \$ 2,199,375 | \$ 187,342 | \$ (455,729) | \$ 3,333,741 | \$ 1,417,884 | \$ 2,055,555 | \$ 1,092,702 | \$ 2,555,340 | \$ 1,113,870 |
| Debt service as a percentage of noncapital expenditures | 11.57% | 12.99% | 12.40% | 13.70% | 13.57% | 14.53% | 15.50% | 16.89% | 17.54% | 19.12% |

TABLE 5

COUNTY OF KING WILLIAM, VIRGINIA

TAX REVENUES BY SOURCE – GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(unaudited)

| Fiscal Year | General Property | Direct Local Sales and Use (1) | Consumer Utility | Business Licenses | Motor Vehicle License Taxes | Taxes on Recordation and Wills | Communications (2) | Other Local | Total |
|--------------------|-------------------------|---------------------------------------|-------------------------|--------------------------|------------------------------------|---------------------------------------|---------------------------|--------------------|---------------|
| 2017 | \$ 17,429,956 | \$ 932,215 | \$ 231,786 | \$ 437,265 | \$ 395,593 | \$ 218,718 | \$ - | \$ 435,663 | \$ 20,081,196 |
| 2016 | 17,063,632 | 950,003 | 218,970 | 416,827 | 371,470 | 198,605 | - | 415,039 | 19,634,546 |
| 2015 | 16,738,071 | 918,000 | 235,700 | 423,697 | 377,113 | 148,828 | - | 371,725 | 19,213,134 |
| 2014 | 15,659,767 | 803,574 | 232,777 | 353,097 | 36,296 | 154,912 | - | 344,955 | 17,585,378 |
| 2013 | 16,344,544 | 776,602 | 230,314 | 342,712 | 369,895 | 171,486 | - | 318,584 | 18,554,137 |
| 2012 | 15,481,278 | 747,327 | 227,669 | 275,242 | 370,133 | 151,615 | - | 313,264 | 17,566,528 |
| 2011 | 15,750,252 | 722,243 | 226,901 | 299,881 | 357,659 | 138,994 | - | 278,516 | 17,774,446 |
| 2010 | 15,393,779 | - | 224,395 | 278,531 | 299,404 | 156,970 | 375,273 | 389,986 | 17,118,338 |
| 2009 | 15,598,733 | - | 216,877 | 376,767 | 290,584 | 202,938 | 373,713 | 129,102 | 17,188,714 |
| 2008 | 14,645,208 | - | 226,398 | 353,398 | 283,490 | 297,711 | 388,000 | 72,877 | 16,267,082 |

Notes:

(1) Prior to fiscal year 2011, local sales and use tax receipts were accounted for in a separate agency fund. In that fiscal year, the agency fund was blended into the General Fund.

(2) In fiscal year 2011, the County implemented the Auditor of Public Accounts' requirement that communications sales and use tax be reported as non-categorical state aid instead of other local taxes.

TABLE 6

COUNTY OF KING WILLIAM, VIRGINIA

ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY

Last Ten Calendar Years

(unaudited)

| Calendar Year | Real Estate (1) | Direct Tax Rate | Personal Property | Direct Tax Rate | Machinery and Tools | Direct Tax Rate | Public Service (2) | Direct Tax Rate | Total |
|------------------|------------------|-----------------------|----------------------|--------------------|------------------------|-----------------------|-----------------------|-----------------------|------------------|
| 2016 | \$ 1,644,073,297 | \$ 0.92 | \$ 132,063,242 | \$ 3.65 | \$ 134,139,236 | \$ 2.25 | \$ 57,267,883 | \$ 6.82 | \$ 1,967,543,658 |
| 2015 | 1,640,296,131 | 0.94 | 121,293,448 | 3.65 | 120,601,181 | 2.25 | 54,136,191 | 6.84 | 1,936,326,951 |
| 2014 | 1,703,941,330 | 0.82 | 114,769,874 | 3.65 | 118,147,729 | 2.25 | 46,295,443 | 6.72 | 1,983,154,376 |
| 2013 | 1,665,940,794 | 0.79 | 120,782,359 | 3.65 | 114,575,046 | 2.25 | 46,295,443 | 6.69 | 1,947,593,642 |
| 2012 | 1,678,028,967 | 0.81 | 118,472,171 | 3.65 | 110,507,861 | 2.45 | 44,230,704 | 6.91 | 1,951,239,703 |
| 2011 | 1,672,491,648 | 0.81 | 114,936,284 | 3.65 | 109,455,936 | 2.45 | 44,005,450 | 6.91 | 1,940,889,318 |
| 2010 | 1,666,920,502 | 0.81 | 118,110,966 | 3.65 | 131,150,904 | 2.45 | 42,974,549 | 6.91 | 1,959,156,921 |
| 2009 | 1,661,866,111 | 0.81 | 114,463,801 | 3.65 | 135,180,870 | 2.45 | 40,248,359 | 6.91 | 1,951,759,141 |
| 2008 | 1,634,944,389 | 0.81 | 129,017,680 | 3.65 | 139,409,279 | 2.45 | 44,709,244 | 6.91 | 1,948,080,592 |
| 2007 | 1,388,768,406 | 0.99 | 124,358,986 | 3.65 | 138,861,977 | 2.50 | 32,529,671 | 7.14 | 1,684,519,040 |

Notes:

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

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

TABLE 7

COUNTY OF KING WILLIAM, VIRGINIA

DIRECT PROPERTY TAX RATES

Last Ten Fiscal Years

(unaudited)

| Fiscal Year | Real Estate (1) | Personal Property (1) | Machinery and Tools (1) | Public Service | | Total County Direct Tax Rate |
|----------------|------------------------|--------------------------|----------------------------|------------------------|--------------------------|------------------------------------|
| | | | | Real Estate (1) | Personal Property (1) | |
| 2016-17 | \$ 0.92/0.41/0.90/0.40 | \$ 3.65/1.65 | \$ 2.25/1.00 | \$ 0.92/0.41/0.90/0.40 | \$ 3.65/1.65 | \$ 6.82 |
| 2015-16 | 0.94/0.43/0.92/0.41 | 3.65/1.65 | 2.25/1.00 | 0.94/0.43/0.92/0.41 | 3.65/1.65 | 6.84 |
| 2014-15 (5) | 0.82/0.38/0.94/0.43 | 3.65/1.65 | 2.25/1.00 | 0.82/0.38/0.94/0.43 | 3.65/1.65 | 6.72 |
| 2013-14 (4) | 0.79/0.27/0.79/0.79 | 3.65/3.65 | 2.25/2.25 | 0.79/0.79/0.82/0.38 | 3.65/3.65 | 6.69 |
| 2012-13 (3) | 0.81/0.27/0.79/0.79 | 3.65/0.50 | 2.45/0.95 | 0.81/0.27/0.79/0.79 | 3.65/0.50 | 6.91 |
| 2011-12 | 0.81/0.27 | 3.65/0.50 | 2.45/0.95 | 0.81/0.27 | 3.65/0.50 | 6.91 |
| 2010-11 | 0.81/0.27 | 3.65/0.50 | 2.45/0.95 | 0.81/0.27 | 3.65/0.50 | 6.91 |
| 2009-10 | 0.81/0.27 | 3.65/0.50 | 2.45/0.95 | 0.81/0.27 | 3.65/0.50 | 6.91 |
| 2008-09 | 0.81/0.27 | 3.65/0.50 | 2.45/0.95 | 0.81/0.27 | 3.65/0.50 | 6.91 |
| 2007-08 | 0.99/.029 | 3.65/0.50 | 2.50/1.00 | 0.99/0.29 | 3.65/0.50 | 7.14 |

Notes:

(1) Per \$100 of assessed value.

(2) For each type of tax, the two rates include that which is charged by the County, as well as the rate that is attributable to the County portion of the tax collected by the Town of West Point.

(3) The tax rate for calendar year 2012 real estate taxes was \$0.81 and \$0.27, respectfully. The tax rate for calendar year 2013 real estate taxes was \$0.79 and \$0.79, respectively for County and Town residents.

(4) The tax rate for calendar year 2013 real estate taxes was \$0.79 and \$0.79, respectfully. The tax rate for calendar year 2014 real estate taxes was \$0.82 and \$0.38, respectively for County and Town residents.

(5) The tax rate for calendar year 2014 real estate taxes was \$0.82 and \$0.38, respectfully. The tax rate for calendar year 2015 real estate taxes was \$0.94 and \$0.43, respectively for County and Town residents.

TABLE 8

COUNTY OF KING WILLIAM, VIRGINIA

PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago
(unaudited)

| Taxpayer | Type of Business | Fiscal Year 2017 | | | | Fiscal Year 2008 | | | |
|------------------------------|------------------|----------------------------------|------|---|--|----------------------------------|------|---|--|
| | | Taxable Assessed Valuation | Rank | Percentage of Total County Assessed Value | | Taxable Assessed Valuation | Rank | Percentage of Total County Assessed Value | |
| RockTenn Container Plant LLC | Paper Mill | \$ 164,108,467 | 1 | 8.90% | | \$ 41,901,700 | 1 | 6.62% | |
| Nestle Purina Pet Care | Cat Litter | 36,965,722 | 2 | 2.00% | | 8,160,800 | 2 | 1.29% | |
| Bailey Trust | Developer | 9,429,166 | 3 | 0.51% | | - | - | - | |
| Central Garage II LLC | Developer | 7,714,114 | 4 | 0.42% | | 4,389,172 | 7 | 0.69% | |
| Siegel Family LP | Farm | 7,490,700 | 5 | 0.41% | | 4,940,200 | 5 | 0.78% | |
| Old Town LLC | Farm | 6,404,000 | 6 | 0.35% | | 3,773,100 | 10 | 0.60% | |
| West Point Square LLC | Developer | 4,317,300 | 7 | 0.23% | | 4,683,370 | 6 | 0.74% | |
| John N. Mills, et al | Grain Farm | 4,244,700 | 8 | 0.23% | | 6,592,000 | 3 | 1.04% | |
| Romancoke LLC | Farm | 4,100,300 | 9 | 0.22% | | 4,198,700 | 9 | 0.66% | |
| Riverside Health Care | Healthcare | 3,712,872 | 10 | 0.20% | | - | - | - | |
| Charles S. Hunter III | Farm | - | - | 0.19% | | 5,032,500 | 4 | 0.80% | |
| The Lafferty Foundation | Grain Farm | - | - | 0.17% | | 4,222,600 | 8 | 0.67% | |
| | | <u>\$ 248,487,341</u> | | <u>13.83%</u> | | <u>\$ 87,894,142</u> | | <u>13.89%</u> | |

Source: Commissioner of Revenue

TABLE 9

COUNTY OF KING WILLIAM, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(unaudited)

| Fiscal Year | Taxes Levied for the Tax Year | Adjustments including PPTRA | Total Adjusted Levy | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|-------------|-------------------------------|-----------------------------|---------------------|--|---------------------------------|---------------------------------|---------------------------|---------------------------------|
| | | | | Amount ⁽¹⁾ | Percentage of Adjusted Tax Levy | | Amount ⁽¹⁾ | Percentage of Adjusted Tax Levy |
| 2017 | \$ 19,138,245 | \$ (1,403,672) | \$ 17,734,573 | \$ 16,655,769 | 93.92% | \$ 1,076,647 | \$ 17,732,416 | 99.99% |
| 2016 | 18,335,019 | (1,354,538) | 16,980,481 | 16,117,985 | 94.92% | 818,952 | 16,936,937 | 99.74% |
| 2015 | 18,252,522 | (1,458,111) | 16,794,411 | 15,835,342 | 94.29% | 708,713 | 16,544,055 | 98.51% |
| 2014 | 20,354,582 | (1,411,635) | 18,942,947 | 17,781,558 | 93.87% | 464,325 | 18,245,883 | 96.32% |
| 2013 | 17,640,153 | (1,421,423) | 16,218,730 | 14,573,056 | 89.85% ⁽³⁾ | 697,384 | 15,270,440 | 94.15% |
| 2012 | 16,840,093 | (1,461,805) | 15,378,288 | 14,489,910 | 94.22% | 498,263 | 14,988,173 | 97.46% |
| 2011 | 16,992,846 | (1,540,186) | 15,452,660 | 14,570,986 | 94.29% | 515,696 | 15,086,682 | 97.63% |
| 2010 | 17,712,478 | (2,361,037) | 15,351,441 | 14,406,966 | 93.85% | 549,087 | 14,956,053 | 97.42% |
| 2009 | 17,087,723 | - | 17,087,723 | 16,254,815 | 95.13% | 317,677 | 16,572,492 | 96.98% |
| 2008 | 15,898,709 | - | 15,898,709 | 15,317,925 | 96.35% | 302,709 | 15,620,634 | 98.25% |

Source: Commissioner of Revenue and Treasurer

Notes:

(1) Exclusive of penalties and interest

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

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

TABLE 10

COUNTY OF KING WILLIAM, VIRGINIA

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

| Fiscal Year | Governmental Activities | | | | Total Primary Government | Percentage of Personal Income | Per Capita |
|----------------|--------------------------------|------------------------------|-------------------|------------------|--------------------------------|-------------------------------------|---------------|
| | General Obligation Bonds | State Literary Fund Loans | Capital Leases | Revenue Bonds | | | |
| 2017 | \$ 7,510,051 | \$ 500,000 | \$ 2,270,000 | \$ 9,458,245 | \$ 19,738,296 | * | \$ 1,208 |
| 2016 | 8,668,297 | 934,032 | 2,590,000 | 10,064,077 | 22,256,406 | * | 1,368 |
| 2015 | 9,820,887 | 1,368,232 | 2,905,000 | 10,572,828 | 24,666,947 | 3.54% | 1,508 |
| 2014 | 10,973,102 | 1,802,432 | 3,214,023 | 10,884,239 | 26,873,796 | 4.08% | 1,664 |
| 2013 | 11,445,125 | 2,236,632 | 3,528,935 | 10,949,455 | 28,160,147 | 4.32% | 1,758 |
| 2012 | 12,534,601 | 2,670,832 | 638,643 | 11,181,616 | 27,025,692 | 4.20% | 1,672 |
| 2011 | 13,622,081 | 3,105,032 | 668,380 | 11,110,879 | 28,506,372 | 4.58% | 1,781 |
| 2010 | 14,438,031 | 3,539,232 | 790,736 | 11,442,351 | 30,210,350 | 5.15% | 1,896 |
| 2009 | 15,507,512 | 4,073,432 | 785,000 | 11,821,167 | 32,187,111 | 5.73% | 2,060 |
| 2008 | 16,635,583 | 4,633,069 | 855,000 | 12,137,378 | 34,261,030 | 6.55% | 2,264 |

Notes:

(1) See demographic statistics on Table 13.

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

* Unavailable

TABLE 11

COUNTY OF KING WILLIAM, VIRGINIA

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

| Fiscal Year Ended June 30 | Population (1) | General Bonded Debt Outstanding Governmental Activities | | | | Ratio of Net General Obligation Debt to Assessed Value | Net Bonded Debt per Capita |
|------------------------------------|----------------|---|-------------------------|--|--------------------|--|----------------------------------|
| | | Assessed Value (2) | Gross Bonded Debt | Less: Amounts Reserved for Debt Service | Net Bonded Debt | | |
| 2017 | 16,333 | \$ 1,967,543,658 | \$ 7,510,051 | \$ 116,642 | \$ 7,393,409 | 0.38% | \$ 453 |
| 2016 | 16,269 | 1,936,326,951 | 8,668,297 | 124,343 | 8,543,954 | 0.44% | 525 |
| 2015 | 16,354 | 1,983,154,376 | 9,820,887 | 122,891 | 9,697,996 | 0.49% | 593 |
| 2014 | 16,148 | 1,947,593,642 | 10,973,102 | 549,936 | 10,423,166 | 0.54% | 645 |
| 2013 | 16,014 | 1,951,239,703 | 11,445,125 | 1,905,275 | 9,539,850 | 0.49% | 596 |
| 2012 | 16,159 | 1,940,889,318 | 12,534,601 | - | 12,534,601 | 0.65% | 776 |
| 2011 | 16,008 | 1,959,156,921 | 13,622,081 | - | 13,622,081 | 0.70% | 851 |
| 2010 | 15,935 | 1,951,759,141 | 14,438,031 | - | 14,438,031 | 0.74% | 906 |
| 2009 | 15,627 | 1,948,080,592 | 15,507,512 | - | 15,507,512 | 0.80% | 992 |
| 2008 | 15,133 | 1,684,519,040 | 16,635,583 | - | 16,635,583 | 0.99% | 1,099 |

Notes:

(1) www.datapoint.apa.virginia.gov/demographic/dem_income_percapita.cfm

(2) Amounts taken from Table 6.

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

TABLE 12

COUNTY OF KING WILLIAM, VIRGINIA

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2017

(unaudited)

| Governmental Unit | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Overlapping Debt</u> |
|--------------------------------------|------------------------------------|---|---|
| Town of West Point, Virginia | \$ 6,248,000 | 24.01% | \$ 1,500,145 |
| County Direct Debt | | | <u>19,738,296</u> |
| Total direct overlapping debt | | | <u><u>\$ 21,238,441</u></u> |

Note:

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

TABLE 13

COUNTY OF KING WILLIAM, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(unaudited)

| Fiscal Year | Population ⁽¹⁾ | Per Capita Personal Income ⁽¹⁾ | Total Personal Income | School Enrollment ⁽⁴⁾ | Unemployment Rate % ⁽⁵⁾ |
|--------------------|----------------------------------|--|------------------------------|---|---|
| 2017 | 16,333 | * | * | 2,180 | 3.40% |
| 2016 | 16,269 | * | * | 2,167 | 3.60% |
| 2015 | 16,354 ⁽²⁾ | 42,633 | 697,220,082 | 2,195 | 4.00% |
| 2014 | 16,148 ⁽²⁾ | 440,779 | 658,499,292 | 2,193 | 5.50% |
| 2013 | 16,014 ⁽²⁾ | 40,690 ⁽³⁾ | 651,609,660 | 2,179 | 5.10% |
| 2012 | 16,159 ⁽²⁾ | 39,847 ⁽³⁾ | 643,887,673 | 2,187 | 6.10% |
| 2011 | 16,008 ⁽²⁾ | 38,882 ⁽³⁾ | 622,423,056 | 2,200 | 6.60% |
| 2010 | 15,935 | 36,802 | 586,439,870 | 2,191 | 7.00% |
| 2009 | 15,627 | 35,925 | 561,399,975 | 2,157 | 7.40% |
| 2008 | 15,133 | 34,574 | 523,208,342 | 2,169 | 3.70% |

Sources:

(1) www.datapoint.apa.virginia.gov/demographic/dem_income_percapita.cfm

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

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

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

(5) Virginia Employment Commission

* Unavailable

COUNTY OF KING WILLIAM, VIRGINIA

TABLE 14

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(unaudited)

| Employer | Fiscal Year June 30, | | | | | |
|-----------------------------------|----------------------|------|-----------------------|------------|------|-----------------------|
| | 2017 | | | 2008 | | |
| | Employees | Rank | % of Total Employment | Employees | Rank | % of Total Employment |
| West Rock | 250 to 499 | 1 | 4.30% | - | - | - |
| King William County Schools | 250 to 499 | 2 | 4.30% | 250 to 499 | 2 | 4.44% |
| Citizen's & Farmers Bank | 100 to 249 | 3 | 2.00% | - | - | - |
| Nestle Purina Petcare Company | 100 to 249 | 4 | 2.00% | 100 to 249 | 4 | 2.07% |
| Aylett Sand & Gravel Inc. | 100 to 249 | 5 | 2.00% | - | - | - |
| Town of West Point School Board | 100 to 249 | 6 | 2.00% | 100 to 249 | 3 | 2.07% |
| County of King William | 100 to 249 | 7 | 2.00% | 100 to 249 | 5 | 2.07% |
| Food Lion | 50 to 99 | 8 | 0.86% | 50 to 99 | 7 | 0.88% |
| West Point Veneers | 50 to 99 | 9 | 0.86% | - | - | - |
| Riverside Regional Medical Center | 50 to 99 | 10 | 0.86% | 50 to 99 | 8 | 0.88% |
| J Sanders Construction Co | - | - | - | 50 to 99 | 9 | 0.88% |
| Stone Container Corporation | - | - | - | 500 to 999 | 1 | 8.89% |
| Virginia Log Company | - | - | - | 100 to 249 | 6 | 2.07% |
| Rivers Healthcare | - | - | - | 50 to 99 | 10 | 0.88% |

Source: Virginia Employment Commission

COUNTY OF KING WILLIAM, VIRGINIA

FULL-TIME COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years
(unaudited)

| Function/Program | Fiscal Year | | | | | | | | | |
|-----------------------------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| General government administration | 18.5 | 18.5 | 18.5 | 23.8 | 23.8 | 12.0 | 17.1 | 17.5 | 17.5 | 18.5 |
| Judicial administration | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 5.0 |
| Public safety: | | | | | | | | | | |
| Sheriff's department | 21.5 | 21.0 | 21.5 | 20.2 | 20.2 | 29.0 | 32.0 | 32.0 | 32.0 | 32.0 |
| E911/Dispatch | 12.0 | 12.0 | 12.0 | 11.0 | 11.0 | - | - | - | - | - |
| Emergency services | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Community connection program | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 3.0 | 3.0 | 3.0 | 3.0 | 2.5 |
| Building inspections | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 4.0 | 4.0 | 4.0 | 5.0 |
| Animal control | 2.5 | 2.5 | 2.2 | 2.2 | 2.2 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Animal shelter | 5.0 | 5.0 | 4.0 | 3.0 | - | - | - | - | - | - |
| Public works: | | | | | | | | | | |
| General maintenance | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 8.5 | 8.5 | 8.5 | 7.5 |
| Water utility | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | - | - | - | - | - |
| Litter control | - | - | - | - | - | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Health and welfare | | | | | | | | | | |
| Department of social services | 14.6 | 14.6 | 13.6 | 13.6 | 13.6 | 13.7 | 13.3 | 13.3 | 13.3 | 11.0 |
| Culture and recreation | | | | | | | | | | |
| Parks and recreation | 5.5 | 5.5 | 5.4 | 5.4 | 13.0 | 3.0 | 3.0 | 3.0 | 3.0 | 4.0 |
| Community development | | | | | | | | | | |
| Planning | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 5.0 | 5.0 | 5.0 | 4.0 |
| Totals | 98.4 | 97.9 | 96.0 | 98.0 | 102.6 | 78.3 | 93.5 | 93.9 | 93.9 | 93.1 |

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

TABLE 16

COUNTY OF KING WILLIAM, VIRGINIA
OPERATING INDICATORS BY FUNCTION/ACTIVITY
Last Ten Fiscal Years
(unaudited)

| Function/Activity | | Fiscal Year | | | | | | | | | |
|------------------------------|--|-------------|--------|--------|--------|--------|--------|---------|--------|--------|--------|
| | | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Sheriff | Physical arrests | 675 | 780 | 676 | 583 | 576 | 825 | 873 | 855 | 779 | 744 |
| | Traffic violations | 668 | 626 | 740 | 726 | 617 | 539 | 618 | 715 | 884 | 683 |
| Fire/EMS Protection | Responding agencies | 5 | 5 | 5 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| | EMS calls answered | 1,831 | 1,661 | 1,565 | 1,561 | 1,659 | 1,575 | 2,359 | 1,819 | 1,863 | 496 |
| | Fire calls answered | 327 | 552 | 472 | 279 | 394 | - | - | - | - | - |
| Community Development | Residential building permits | 859 | 742 | 492 | 530 | 431 | 492 | 507 | 546 | 808 | 1,713 |
| | Commercial building permits | 55 | 68 | 23 | 59 | - | - | - | - | - | - |
| | Signage/Demolition/Leasehold Usage | 16 | 4 | 8 | 12 | - | - | - | - | - | - |
| Planning | Zoning Permits | 265 | 223 | 159 | 186 | - | - | - | - | - | - |
| | Land Disturbing Permits | 151 | 123 | 76 | 82 | - | - | - | - | - | - |
| Parks and recreation | Tournaments - Baseball | 1,430 | 1,500 | 1,450 | 1,575 | 3,964 | 5,807 | 10,256 | 8,938 | 14,377 | 9,460 |
| Water/Sewer | Materials circulated | 449 | 302 | 263 | 241 | 223 | 413 | 340 | 328 | 312 | 157 |
| | Library patrons - registered borrowers | 77,663 | 67,830 | 67,430 | 54,434 | 59,129 | 56,744 | 103,948 | 82,419 | 96,712 | 96,712 |

Source: Finance Department

Notes:

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

COUNTY OF KING WILLIAM, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years
(audited)

| | Fiscal Year | | | | | | | | | |
|------------------------------------|-------------|------|------|------|------|------|------|------|------|------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| General Government: | | | | | | | | | | |
| General government administration: | | | | | | | | | | |
| Administration building | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 |
| Public Safety: | | | | | | | | | | |
| Police protection: | | | | | | | | | | |
| Number of stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 26 | 28 | 26 | 23 | 23 | 29 | 29 | 26 | 26 | 26 |
| Building inspections: | | | | | | | | | | |
| Vehicles | 1 | 3 | 1 | 1 | 1 | 2 | 2 | 4 | 4 | 4 |
| Animal control: | | | | | | | | | | |
| Vehicles | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 |
| Emergency services: | | | | | | | | | | |
| Vehicles | 4 | 3 | 1 | 1 | 1 | 2 | 2 | 2 | 3 | 3 |
| Public Works: | | | | | | | | | | |
| General maintenance: | | | | | | | | | | |
| Trucks/vehicles | 5 | 5 | 4 | 4 | 4 | 10 | 6 | 10 | 8 | 8 |
| Landfill: | | | | | | | | | | |
| Vehicles | - | - | - | - | - | - | - | 1 | 1 | 1 |
| Sites | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Health and Welfare: | | | | | | | | | | |
| Department of Social Services: | | | | | | | | | | |
| Vehicles | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Culture and recreation: | | | | | | | | | | |
| Community Centers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Parks | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 |
| Park acreage | 82 | 82 | 82 | 82 | 51 | 51 | 51 | 51 | 51 | 51 |
| Baseball/softball fields | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 4 |
| T-ball fields | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Soccer fields | - | - | - | - | 1 | 1 | 1 | 1 | 1 | 2 |
| Basketball courts | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Water System: | | | | | | | | | | |
| Miles of water mains | 15 | 14 | 14 | 14 | 16 | 11 | 11 | 11 | 11 | 11 |
| Number of fire hydrants | 101 | 101 | 101 | 101 | 91 | 67 | 67 | 67 | 63 | 55 |
| Sewer system: | | | | | | | | | | |
| Miles of sewer mains | 16 | 16 | 16 | 16 | 18 | 13 | 13 | 13 | 13 | 13 |
| Component Unit - School Board | | | | | | | | | | |
| Education: | | | | | | | | | | |
| Number of Elementary Schools | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of Middle Schools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of Secondary Schools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of school buses | 45 | 45 | 48 | 46 | 46 | 44 | 44 | 44 | 47 | 45 |

Source: Finance Department

2017

King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2017

www.kingwilliamcounty.us

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of
Federal Awards

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

Report of Independent Auditors on Uniform Guidance Compliance

Summary of Compliance Matters

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Audit Finding

SUPPORTING SCHEDULE

COUNTY OF KING WILLIAM, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

| Federal Grantor/State Pass-Through Grantor/ Program Title | Pass-Through Entity Identifying Number | Federal CFDA Number | Expenditures |
|--|--|---------------------------|-----------------------|
| DEPARTMENT OF AGRICULTURE: | | | |
| Pass-through payments: | | | |
| Virginia Department of Social Services: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | Not Provided | 10.561 | \$ <u>106,954</u> |
| Virginia Department of Agriculture and Consumer Services: Child Nutrition Cluster: Commodity Distributions | Not Provided | 10.555 | <u>57,825</u> |
| Virginia Department of Education: Child Nutrition Cluster: School Breakfast Program/National School Lunch Program | 406230000/405910000 | 10.553/10.555 | <u>395,073</u> |
| Child Nutrition Cluster Total | | | <u>452,898</u> |
| Total Department of Agriculture | | | <u>559,852</u> |
| DEPARTMENT OF DEFENSE: | | | |
| Direct payments: | | | |
| ROTC Instruction | | 12.000 | <u>59,097</u> |
| Total Department of Defense | | | <u>59,097</u> |
| DEPARTMENT OF TRANSPORTATION: | | | |
| Pass-through payments: | | | |
| Virginia Department of Motor Vehicles: State and Community Highway Safety | SC-2016-56290-6490 | 20.600 | <u>6,900</u> |
| Total Department of Transportation | | | <u>6,900</u> |
| DEPARTMENT OF HOMELAND SECURITY | | | |
| Pass-through payments: | | | |
| Staffing for Adequate Fire and Emergency Response | | 97.083 | <u>125,904</u> |
| Total Department of Homeland Security | | | <u>125,904</u> |

(Continued)

See Notes to Schedule of Expenditures of Federal Awards

SCHEDULE 1
(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

| Federal Grantor/State Pass-Through Grantor/ Program Title | Pass-Through Entity Identifying Number | Federal CFDA Number | Expenditures |
|--|--|---------------------------|----------------------------|
| DEPARTMENT OF EDUCATION: | | | |
| Direct payments: | | | |
| Department of Education: | | | |
| Indian Education Grants to Local Educational Agencies | | 84.060 | \$ 10,196 |
| Pass-through payments: | | | |
| Department of Education: | | | |
| Adult Education – Basic Grants to States | 428010000 | 84.002 | 117,305 |
| Title I Grants to Local Educational Agencies | 429010000 | 84.010 | 214,430 |
| Career and Technical Education – Basic Grants to States | 610950000 | 84.048 | 25,025 |
| Supporting Effective Instruction State Grants | 614800000 | 84.367 | 54,698 |
| Advanced Placement Program | 609570000 | 84.330 | 342 |
| Federal Other | | | <u>2,363</u> |
| | | | <u>414,163</u> |
| Special Education Cluster: | | | |
| Special Education Preschool Grants | 625210000 | 84.173 | 13,066 |
| Special Education Grants to States | 430710000 | 84.027 | <u>534,607</u> |
| Special Education Cluster Total | | | <u>547,673</u> |
| Total Department of Education | | | <u>972,032</u> |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Pass-through payments: | | | |
| Department of Social Services: | | | |
| Promoting Safe and Stable Families | Not Provided | 93.556 | 8,207 |
| Temporary Assistance for Needy Families | Not Provided | 93.558 | 79,277 |
| Refugee and Entrant Assistance State/Replacement | | | |
| Designee Administered Programs | Not Provided | 93.566 | 284 |
| Low-Income Home Energy Assistance | Not Provided | 93.568 | 9,458 |
| Child Care Mandatory and Matching Funds of the Child | | | |
| Care and Development Fund | Not Provided | 93.596 | 16,430 |
| Stephanie Tubbs Jones Child Welfare Services Program | Not Provided | 93.645 | 142 |
| Foster Care – Title IV-E | Not Provided | 93.658 | 40,044 |
| Adoption Assistance | Not Provided | 93.659 | 31,675 |
| Social Services Block Grant | Not Provided | 93.667 | 53,434 |
| Chafee Foster Care Independence Program | Not Provided | 93.674 | 457 |
| Children's Health Insurance Program | Not Provided | 93.767 | 4,048 |
| Medical Assistance Program | Not Provided | 93.778 | <u>133,015</u> |
| Total Department of Health and Human Services | | | <u>376,471</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 2,100,256</u> |

See Notes to Schedule of Expenditures of Federal Awards

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2017

Note 1. Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting consistent with the basis of accounting used by the County and Component Unit. The schedule includes all known federal funds expended by the County and Component Unit for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Federal Financial Assistance – Uniform Guidance defines federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

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

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

Major Programs – Uniform Guidance establishes the criteria to be used in defining major programs. Major programs for the County of King William, Virginia and its component unit were determined using a risk-based approach in accordance with Uniform Guidance.

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

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

Note 2. Non-Cash Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County of King William, Virginia consumed non-cash assistance in the form of food commodities. Commodities with a fair value of \$57,825 at the time received were consumed during the year ended June 30, 2017. These commodities were included in the determination of federal awards expended during the year ended June 30, 2017.

Note 3. De Minimis Indirect Cost Rate

The entity did not elect to use the 10% de minimis indirect cost rate.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia (the "County"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 15, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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 have not been identified. **However as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency, described as item 2016-001 in internal control that we consider to be a material weakness.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, and 2017-003.**

County of King William, Virginia's Responses 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 them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 15, 2017

**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 the Board of Supervisors
County of King William, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of King William, Virginia's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of 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 a 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

Roanoke, Virginia
November 15, 2017

COUNTY OF KING WILLIAM, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2017

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 the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Inmate Canteen Funds

Comprehensive Services Act

Sheriff Internal Controls

State Agency Requirements

Education

Social Services

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

COUNTY OF KING WILLIAM, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **One material weakness** relating to the audit of the financial statements was 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.
4. **No significant deficiencies** relating to the audit of 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 related to major programs**.
7. The programs tested as major are:

| <u>Name of Program:</u> | <u>CFDA #</u> |
|--------------------------------------|----------------------|
| Child Nutrition Cluster: | |
| School Breakfast Program | 10.553 |
| National School Lunch Program | 10.555 |
| 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 **not** determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2016-001: Segregation of Duties – County and School Board (Material Weakness)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to bank reconciliations, wires and transfers, payroll (County only), journal entries, and cash receipts.

Recommendation:

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

Management's Response:

Management concurs. The County and School Board have taken all steps deemed practical and cost beneficial to minimize instances where the same person has complete control of a transaction or conflicting duties.

COUNTY OF KING WILLIAM, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

2017-001: Budget Appropriations

Condition:

Expenditures exceeded budgeted appropriations in the public safety category.

Recommendation:

Steps should be taken to ensure that excess expenditures over budgeted appropriations are approved by the Board of Supervisors and the budget amended accordingly.

Management's Response:

The auditee concurs with the recommendation.

2017-002: Disclosure Statements

Condition:

One of the thirty disclosure statements was not filed.

Recommendation:

Procedures should be implemented to ensure that all disclosure statements are filed.

Management's Response:

The auditee concurs with the recommendation.

2017-003: Unfiled Disclosure Statements Reporting

Condition:

The Clerk of the Board did not notify the local Commonwealth attorney that a disclosure statement was not filed for one member of the board.

Recommendation:

Unfiled disclosure statements must be reported to the local Commonwealth attorney who will assess and collect the \$250 penalty from each individual who does not file. Procedures should be implemented to ensure that all unfiled disclosure statements are properly reported.

Management's Response:

The auditee concurs with the recommendation.

COUNTY OF KING WILLIAM, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
June 30, 2017

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2016-001: Segregation of Duties – County and School Board (Material Weakness)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to bank reconciliations, wires and transfers, payroll (County only), journal entries, and cash receipts.

Current Status:

Condition still present.

