

# New Kent C O U N T Y V I R G I N I A



## Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2017



**COUNTY OF NEW KENT, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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



**COUNTY OF NEW KENT, VIRGINIA  
TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

	<b>Page</b>
Directory of Principal Officials .....	i
Organizational Chart .....	ii
GFOA Certificate of Achievement.....	iii
Letter of Transmittal.....	iv

**FINANCIAL SECTION**

Independent Auditors' Report .....	1-3
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 Balance Sheet of Governmental Funds 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 of Governmental Funds to the Statement of Activities.....	11
Exhibit 7 Statement of Net Position – Proprietary Fund.....	12
Exhibit 8 Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund .....	13
Exhibit 9 Statement of Cash Flows – Proprietary Fund.....	14
Exhibit 10 Statement of Fiduciary Net Position – Fiduciary Funds.....	15

<b>Notes to the Financial Statements.....</b>	<b>16</b>
---	-----------

**COUNTY OF NEW KENT, VIRGINIA**  
**TABLE OF CONTENTS**  
**(Continued)**

**FINANCIAL SECTION**  
**(Continued)**

**Required Supplementary Information**

Exhibit 11	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – General Fund .....	73
Exhibit 12	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Airport Fund .....	74
Exhibit 13	Schedule of Funding Progress – Other Postemployment Benefits .....	75
Exhibit 14	Schedule of Components of and Changes in Net Pension Liability and Related Ratios – Primary Government .....	76
Exhibit 15	Schedule of Components of and Changes in Net Pension Liability (Asset) and Related Ratios – Component Unit School Board (nonprofessional) .....	77
Exhibit 16	Schedule of Employer’s Share of Net Pension Liability VRS Teacher Retirement Plan .....	78
Exhibit 17	Schedule of Employer Contributions.....	79
Exhibit 18	Notes to Required Supplementary Information .....	80

**Other Supplementary Information**

**Combining and Individual Fund Financial Statements and Schedules**

Exhibit 19	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Debt Service Fund .....	82
Exhibit 20	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – County Capital Improvements Fund .....	83
Exhibit 21	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Fund.....	84
Exhibit 22	Combining Statement of Fiduciary Net Position – Agency Funds .....	85
Exhibit 23	Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	86

**Discretely Presented Component Unit – School Board**

Exhibit 24	Combining Balance Sheet .....	87
Exhibit 25	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	88
Exhibit 26	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – School Operating Fund.....	89

**COUNTY OF NEW KENT, VIRGINIA  
TABLE OF CONTENTS  
(Continued)**

**FINANCIAL SECTION  
(Continued)**

**Other Supplementary Information (Continued)**

**Discretely Presented Component Unit – School Board**

Exhibit 27	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Special Revenue Funds .....	90
Exhibit 28	Statement of Fiduciary Net Position – Fiduciary Fund .....	91
Exhibit 29	Statement of Changes in Fiduciary Net Position – Fiduciary Fund .....	92
Exhibit 30	Statement of Net Position – Internal Service Fund .....	93
Exhibit 31	Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Fund .....	94
Exhibit 32	Statement of Cash Flows – Internal Service Fund .....	95

**Discretely Presented Component Unit – Economic Development Authority**

Exhibit 33	Statement of Net Position.....	96
Exhibit 34	Statement of Revenues, Expenses, and Changes in Fund Net Position .....	97
Exhibit 35	Statement of Cash Flows.....	98

**Supporting Schedules**

Schedule 1	Schedule of Revenues – Budget and Actual – Governmental Funds .....	99
Schedule 2	Schedule of Expenditures – Budget and Actual – Governmental Funds .....	107

**STATISTICAL SECTION**

Table 1	Net Position by Component – Last Ten Fiscal Years.....	114
Table 2	Changes in Net Position – Last Ten Fiscal Years.....	115
Table 3	Fund Balances Governmental Funds – Last Ten Fiscal Years .....	117
Table 4	Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years .....	118
Table 5	Principal Real Property Taxpayers – Current and Nine Years Ago .....	119
Table 6	Property Tax Levies and Collections – Last Ten Fiscal Years.....	120
Table 7	Assessed and Estimated Actual Value of Real Property – Last Ten Fiscal Years.....	121
Table 8	Assessed Value of Taxable Property Other Than Real Property – Last Ten Fiscal Years.....	122

**COUNTY OF NEW KENT, VIRGINIA**  
**TABLE OF CONTENTS**  
**(Continued)**

**STATISTICAL SECTION**  
**(Continued)**

Table 9	Direct Property Tax Rates – Last Ten Fiscal Years.....	123
Table 10	Ratio of Outstanding Debt by Type – Last Ten Fiscal Years.....	124
Table 11	Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years .....	125
Table 12	Demographic and Economic Statistics – Last Ten Calendar Years .....	126
Table 13	Principal Employers – Current and Nine Years Ago.....	127
Table 14	Full-time County Government Employees by Function/Program – Last Ten Fiscal Years.....	128
Table 15	Operating Indicators by Function – Last Ten Fiscal Years .....	129
Table 16	Capital Asset Statistics by Function/Program .....	130

**COMPLIANCE SECTION**

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> .....	132
Independent Auditors’ Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance .....	134
Summary of Compliance Matters.....	136
Schedule of Expenditures of Federal Awards .....	137
Notes to Schedule of Expenditures of Federal Awards .....	139
Schedule of Findings and Questioned Costs .....	140



## INTRODUCTORY SECTION

---



**COUNTY OF NEW KENT, VIRGINIA  
PRINCIPAL OFFICIALS  
June 30, 2017**

**BOARD OF SUPERVISORS**

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

**CONSTITUTIONAL OFFICERS**

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

**COUNTY ADMINISTRATIVE OFFICERS**

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

**SCHOOL BOARD**

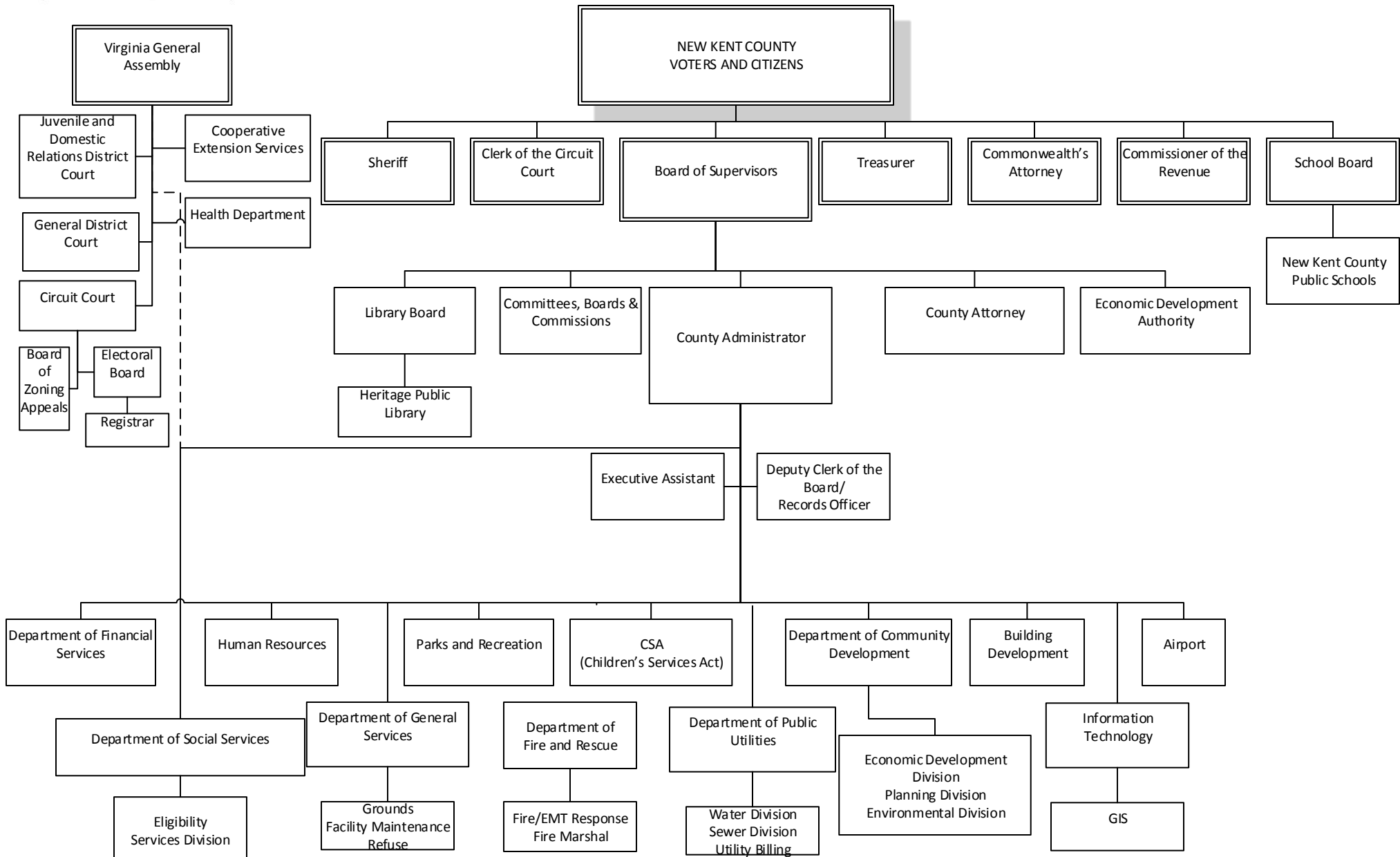
Dr. Gail B. Hardinge, Chair..... District 5  
Andrea Staskiel, Vice Chair ..... District 3  
Adriane Marshall ..... District 1  
Kristin Swynford ..... District 2  
Sarah Grier Barber..... District 4

**SCHOOL BOARD ADMINISTRATIVE OFFICERS**

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



# Organization of General Government Administrative Functions FY17





Government Finance Officers Association

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

Presented to

**County of New Kent  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**



Executive Director/CEO



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

Rodney A. Hathaway  
County Administrator

[www.co.new-kent.va.us](http://www.co.new-kent.va.us)

November 30, 2017

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of New Kent County (the County) for the fiscal year ended June 30, 2017. The *Code of Virginia* requires that local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. This report has been prepared by the County of New Kent Department of Financial Services in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) where applicable, and the Virginia Auditor of Public Accounts (APA).

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

The County's financial statements have been audited by Brown, Edwards & Company L.L.P., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 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 auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended June 30, 2017 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of this report.

The independent audit of the financial statements of the County was part of a broader federal and state mandated "Single Audit" designed to meet the special needs of federal and state grantor

agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the County's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are available in the Compliance Section of this report.

### **Profile of the County**

The County of New Kent (the "County") is home to approximately 20,895 people per the University of Virginia Weldon Cooper Center's 2010-2016 Intercensal Estimates for Virginia, Counties, and Cities. In fact, New Kent County is among the fastest growing localities in the United States from 2015 to 2016. With an increase of more than 700 people, New Kent's population rose 3.5 percent and ranked 36<sup>th</sup> among the nation's 3,142 counties (U.S. Census Bureau and Potomac Local). New Kent is projected to be the third fastest growing community by 2040. At the time of the 2010 census, the population of the County was approximately 18,429. Even though the population density is at approximately 98.56 persons per square mile, demonstrating the County still remains primarily rural, the County has undergone significant development over the past several years with growth spread fairly evenly throughout the County.

The County is comprised of approximately 212 square miles and is strategically located between two of the nation's most dynamic Metropolitan Statistical Areas (MSA): Richmond-Petersburg and Williamsburg-Hampton Roads. At the heart of the Central East Coast, New Kent is within 750 miles of over 55% of the nation's population and nearly 60% of its personal income and consumer expenditures. Richmond is 15 miles to the west, Williamsburg is 15 miles east, Norfolk is 60 miles southeast and Washington D.C. is 100 miles north. It is bisected by I-64 with four high-traffic count exits and its intersection with I-295 is just 4 miles to the west of the County line. While the County's rural atmosphere has been preserved, the I-64 corridor with its utilities, business sites, and amenities is growing with commercial and residential activity.

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

The County government is responsible for providing a wide array of governmental services for its citizens including animal control, building inspections, planning and community development, economic development, water and sewer services, refuse disposal, parks and recreation, libraries/culture, police and fire services, E-911 and emergency medical services, and health and social services. Other services provided by the County, which receive partial funding from the State

and Federal governments, include: 1) public education in grades kindergarten through twelve; 2) certain technical, vocational and special education programs; 3) mental health assistance; 4) agricultural services; 5) judicial and detention services and 6) airport services. The Commonwealth of Virginia is responsible for the construction and maintenance of highways, streets, and related infrastructure located within the County.

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

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

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

The Board reviews its Bylaws at its January meeting and any necessary amendments are adopted at the February meeting. Included in the Bylaws are procedures for financial control. Budgets are monitored and reported to the Board of Supervisors on a monthly basis. The Bylaws effectively establish a legal level of budgetary control, the lowest level at which the County Administrator may reallocate resources without Board approval. With the exception of payroll and capital projects, the County Administrator is authorized to transfer line item amounts within departmental budgets. The County Administrator does not have authority to transfer appropriations between departments or across funds within the primary government's governmental funds. These transfers and all requests for supplemental appropriations must be approved by the Board of Supervisors. The Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories



unless the transfer crosses functions. Any transfer that crosses functions or supplemental appropriation that increases the School's total appropriated budget requires subsequent Board of Supervisors approval. All transfers are reported to the Board of Supervisors on a monthly basis.

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

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

### **Economic Overview**

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

#### **Local economy:**

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

The County enjoys the fourth-highest median household income and the third-lowest poverty rate of the fourteen jurisdictions in the Richmond/Petersburg, Virginia Metropolitan Statistical Area. (Source: U.S. Bureau of the Census 2015 Quick-Facts) The median household income ranking of 4<sup>th</sup> remained the same as in 2014. The poverty rate increased slightly from 6.2 to 6.7. While the County continues to be largely a bedroom community as documented in 2010 Census Bureau data with a negative 4,770 Net In-Commuters, it has maintained a moderate unemployment rate compared to the rates of the surrounding region, Virginia, and the United States. As of June 2017, the County had an unemployment rate of 3.3% compared to 3.9% and 4.5% for Virginia and the United States, respectively. (Source: Virginia Employment Commission, Unemployment rates by county, not seasonally adjusted, Virginia June 2017)

At the peak of the market in FY 2005, 340 single-family home permits were issued. Single-family home permits in FY 2016 reached 221, the highest level since 2008. (Source: University of Virginia, Weldon Cooper Center) Commercial building permits more than doubled for 2017. Commercial building permits issued for additions and alterations decreased by three from 2016. (Source: New Kent County Building Official and Building Development Office) Approximately 250 new homes are proposed to be constructed in 2017. (Source: New Kent County Department of Community Development)

New Kent's actual taxable sales have increased 47% over the past ten years with a 6% increase during last fiscal year. With the exception of a slight decline from 2010- 2011 due to the recession, taxable sales have steadily increased year after year. The increase can be attributed to the increase in the business classification of Food and Beverage Stores which also is indicative of the increase in meals tax revenues. (Source: Virginia Department of Taxation, Taxable Sales in Virginia Counties and Cities Based on Retail Sales Tax Revenues – published quarterly with annual summary)

**Economic development update:** New Kent County is predominately rural in nature with approximately 66% of the County covered in pine and hardwood trees. Agriculture, forestry, fishing and hunting were prominent to the New Kent County economy for many years. However, trends are changing, as the agricultural and forestry industries are in decline; now it is the lowest in employment by industry. In the first quarter of 2017, the largest employment industries were government (federal, state and local), followed by construction, retail trade, health care and social assistance, accommodation and food services, and manufacturing. (Source: Virginia Employment Commission, Economic Information & Analytics, Quarterly Census of Employment and Wages (QCEW), 1st Quarter (January, February, March 2017) The County's convenient access to surrounding metropolitan areas, via four interchanges of Interstate 64, has helped sustain the residential and economic expansion.

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

- The Kentland Planned Unit Development (PUD) occupies approximately 3,165 acres and is located within the southeast quadrant of the Route 155/I-64 Interchange. The Kentland community will consist of a variety of residential, office, retail, and recreational uses designed originally to complement the Colonial Downs racetrack (which closed in FY 2015) and the Legends of New Kent golf complex. The Kentland PUD currently consists of approximately 1,300 lots that have been created for residential use and is approved for an additional 1,900 residential lots. A commercial area has also been established that consists of a gas station, several restaurants, and spa.
- The New Kent Vineyards is a mixed use PUD that consists of approximately 2,500 acres located in the central area of the County near the Talleyville exit along State Route 106. When completed this development will consist of approximately 2,400 residential units and up to one million square feet of commercial space. The New Kent Winery opened in May 2008.
- Weir Creek Commerce Park, located on U. S. Route 33 is a 150 acre tract of land planned for an industrial park. Currently, the first phase of site preparation is complete which involves the construction of an access road and three pad sites that total approximately 36 acres.
- Rock Creek Villas is a development consisting of approximately 14.2 acres that proposes 60 age-restricted attached units to be supported by an 18,000 square foot commercial facility. The commercial facility has been fully constructed and leased. This leased space includes two

restaurants, a fitness center, hair and nail spa, a dentist office, a community meeting room, and office space for small businesses.

- The Patriots Landing PUD consists of 253 acres in the western portion of the County located at the I-64 and Route 60 intersection. This development is planned for up to 640 residential units and new commercial and office uses will be located on both sides of the Food Lion grocery store, continuing along the Route 33/I-64 frontage totaling 29.5 acres. Single-family residential development is nearly complete, consisting of approximately 310 single family homes and 28 townhomes.
- Several cluster subdivisions that collectively encompass over 350 homes have been approved by the County.

To internally assess our financial health, the County has traditionally tracked State-published indicators of fiscal stress and median adjusted gross income. The most recent State report shows that New Kent's ranking level for fiscal stress has improved from a high of 15<sup>th</sup> in 2005 to a low of 28<sup>th</sup> for 2014. The County has maintained a steady ranking of 19<sup>th</sup> to 21<sup>st</sup> highest between the years 2005 to 2014 in median household income when compared to 133 Virginia localities. (Note: Localities in the index reduced from 134 to 133 in FY 2014 when the City of Bedford reverted to town status.) The fiscal stress index is a locality's tax rate compared to State-wide averages, with low tax rate jurisdictions assigned a lower stress as they would appear to have the greater capacity to raise their taxes. New Kent County's growth does place some stress upon our budgetary process as the services sought by many residents in the County are similar to services offered by higher taxing localities. The preceding economic highlights are indicators of the County's good fiscal health. They are also indicative that the County's economic position has improved over many years and has weathered the effect of the downturn in the economy. (Source: Commission on Local Government's Report on the *Comparative Revenue Capacity, Revenue Effort, and Fiscal Stress of Virginia's Counties and Cities, for FY2014*)

#### **Long-term financial planning:**

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

The Capital Improvements Program (CIP) is the County's plan for investing in facilities, equipment, and vehicles and includes those items with a unit cost greater than \$25,000. The CIP serves as a planning tool for the efficient, effective, and equitable distribution of public improvements throughout the County. The County has long practiced a non-debt funding strategy for the CIP. The Board members recognized that there was a need to improve and build new infrastructure, therefore, they increased borrowing and the debt ratios increased accordingly in recent years. The first decline in debt ratios since FY 2005 was realized in FY 2010. To offset the County's increased debt due to school renovations and the commitment to build a new high school, the Board voted in FY 2005 to set aside six cents of the real estate tax rate for future school capital debt expenditures and one cent of the tax rate for County capital. The practice continued in FY 2010 to set aside six cents of the real estate tax rate for school debt expenditures but the one cent set aside of the tax rate for County capital was not funded in FY 2010. The practice to set aside six cents of the real estate tax rate ended in FY 2011 although there were funds remaining from this practice that allowed the County to off-set debt service expenditures by \$300,000 annually through FY 2016. The County

continues to refund bonds at optimal intervals to reduce debt service expenditures. Likewise, the Board is now putting aside funds for new schools and school renovations that will be needed in the near future. The County's Capital Improvement Fund has accumulated funds due to the Board's policy requiring any funds in excess of 15% of budgeted revenues to be transferred from the General Fund into the Capital Fund. This plan was designed to reserve County savings for capital improvement projects that may have otherwise been debt financed.

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

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

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

The County recognizes the need to monitor revenue estimates to identify any shortfalls and potential trends that would significantly affect the various revenue sources in the current budget. A significant emphasis is placed on controlling departmental expenditures through accounts payable and purchasing policies and procedures. Also, expenditures are monitored through monthly reporting and monitoring of departments actual expenditures to budget.

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

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

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

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

- Construction of a new \$6 million 800 MHz Public Radio System to provide radio communication coverage throughout the entire County for deputies, fire and rescue staff, and school transportation staff
- Appropriated funds for the expansion of the New Kent Middle School which involves the addition of six classrooms.
- Planning for the construction of a new elementary school. Currently \$1 million is set aside annually to off-set the cost of the elementary school
- Planning for the construction of a new fire station to be located on Route 106
- Restructured its departments so more attention and resources will be given to Economic Development

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

### **Acknowledgements**

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

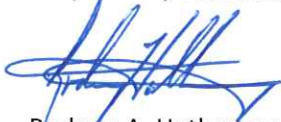
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of New Kent, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This was the thirteenth year (FY04–FY16) that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

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

The government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated May 25, 2016. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,



Rodney A. Hathaway  
County Administrator



Mary F. Altemus, CPA  
Director of Financial Services

## FINANCIAL SECTION

---





## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of New Kent, Virginia (the "County") as of and for the year ended June 30, 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* and *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## *Opinions*

**In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of New Kent, Virginia, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.**

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 30, 2017

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

This section of the County of New Kent's (the "County") comprehensive annual financial report offers a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017 (FY 2017). Please read it in conjunction with the transmittal letter at the front of this report and with the County's basic financial statements, which follow this section.

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

- The assets and deferred outflows of resources of the County, on a government-wide basis excluding component units, exceeded its liabilities and deferred inflows of resources by \$121,493,832 (net position) at the close of the most recent fiscal year. Of this amount, \$36,231,700 (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors. Net investment in capital assets, which is not immediately available to satisfy ongoing obligations, totals \$85,232,917. (See Exhibit 1)

The County's total net position, excluding component units, when compared to FY 2016, increased by \$1,918,501 (\$121,493,832 minus \$119,575,331), of which, governmental activities increased \$1,055,492 and business-type activities increased \$863,009. The strong increase in business activity net position was the result of a \$449,624 increase in operating income, strong connection fee collections and a combined decrease in operating and non-operating expenditures totaling \$76,646. There also was a restatement of the governmental fund beginning net position due to an unrecorded liability relative to a long-term obligation for the purchase of Chromebooks that was initiated in the prior year. Due to its long-term nature, it was the opinion of the County's new auditors, after consulting with GASB on similar transactions, that this liability be reflected on the entity-wide statements. (See Exhibit 1)

- The Statement of Activities reflects \$35,857,128 of expenses net of program-related revenues (\$41,946,989 minus \$1,548,171, \$4,098,977 and \$442,713). The \$35,857,128 that was not funded by program revenues, such as charges for services (\$1,548,171) and grants (\$4,541,690), must be funded by local taxes and other miscellaneous revenues. This calculation is an excellent indicator of the County's reliance of local sources of revenues (especially general property taxes of \$28,017,446) to fund daily operations. The \$28,017,446 of general property taxes (real estate & personal property) reflects 78.1% of the \$35,857,128 funded by local sources of revenues. (See Exhibit 2)

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

- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$25,954,189, an increase of \$620,478 in comparison with the prior year total of \$25,333,711. Approximately 98% of this total amount, \$25,312,103, is *available for expenditure* at the County's discretion (*Committed, Assigned and Unassigned Fund Balance*). The \$25,312,103 consists largely of \$9,498,574 unassigned in the General Fund, \$89,244 assigned in the Airport Fund, and \$15,635,698 committed in the County Capital Improvements Fund. Although the \$15,635,698 has been committed for capital projects, the Board of Supervisors has the authority to re-appropriate these funds as they see fit. Approximately \$7.3 million of the \$15,635,698 in the County Capital Improvements Fund is currently committed (\$489,175 encumbered) to current or future projects. (See Exhibit 3)

- At the end of the current fiscal year, unassigned fund balance for the General Fund totaled \$9,498,574 or 17.3% of governmental fund revenues and transfers totaling \$54,866,349. FY 2016 reflected an unassigned fund balance for the General Fund of \$8,738,479 or 16.3% of governmental fund revenues and transfers in totaling \$53,559,499. Per County financial policy, the amount by which the audited unassigned fund balance exceeds 15% of budgeted revenues is transferred to the Capital Improvements Fund for future capital procurements. For FY 2017, the County transferred \$2,023,562 from the General Fund to the Capital Improvements Fund, leaving \$9,498,574 of unassigned fund balance in the General Fund. (See Exhibits 3 and 5)

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

## **GOVERNMENT-WIDE STATEMENTS**

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

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

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

- **Governmental Activities** – Most of the County's basic services are reported here: general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, environmental management and community development. Property taxes, other local taxes, and revenue from the state and federal government finance most of these activities. See Exhibits 1 and 2 of this report.
- **Business-Type Activities** – The County's operation, maintenance, and construction of the County-owned water and wastewater (sewer) utility are reported here as the County charges a fee to customers to cover all or most of the cost of the services these operations provide. The County provides no financial support to the water and sewer fund. See Exhibits 7 & 8 of this report.

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

## **FUND FINANCIAL STATEMENTS**

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

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

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

- **Internal Service Funds** – Accounts for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Fund consists of the Self-Insurance Fund reported in the Component Unit School Board. See Exhibit 31 of this report.
- **Proprietary Funds** – Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both long and short-term financial information.

The County’s Enterprise Funds (one type of proprietary fund) are the same as the business-type activities included in the government-wide statements, but the fund financial statements provide more detail and additional information, such as cash flow. The Enterprise Funds account for the operation of the County’s water and sewer utility system. The Proprietary Fund financial statements are located in Exhibits 7 through 9 of this report.

- **Fiduciary Funds** – The County is the trustee, or fiduciary, for Agency Funds which include Special Welfare and Supplemental Security Income benefits for Department of Social Services clients. The County is responsible for ensuring that the assets reported in these Funds are used for their intended purposes. All of the County’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Combining Statement of Changes in Assets and Liabilities – Agency Funds (Exhibit 23). The County excludes these activities from the County’s government-wide financial statements because the County cannot use these assets to finance its own operations. The fiduciary fund financial statements can be found in Exhibit 10 of this report.

## **NOTES TO THE FINANCIAL STATEMENTS**

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

## **OTHER INFORMATION**

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

Other Supplementary Information contains the schedule of revenues, expenditures and changes in fund balances (budget and actual) for the Debt Service Fund, County Capital Improvements Fund, and the non-major Special Revenue Fund. Also included are the Combining Statement of Fiduciary Net Position – Agency Fund, and the Combining Statement of Changes in Assets and Liabilities - Agency Funds.

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

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the County, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$121,493,832 at the close of the most recent fiscal year.

A large portion of the County’s net position (\$85,232,917, 70% of total) reflects its net investment in capital assets (e.g., land, building, machinery, and equipment less related debt). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future expenditure. Although the County’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate related liabilities (i.e., the County’s investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life). (See Exhibit 1)

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

The following table reflects a summary of condensed information on the County’s net position at June 30, 2017 and 2016:

	Governmental Activities		Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2017		2016		2017		2017		2017	
Current and other Assets	\$ 29,065,879	\$	29,208,756	\$	9,965,610	\$	8,307,086	\$	39,031,489	\$
Capital Assets	79,100,354		78,991,049		77,411,560		78,629,420		156,511,914	
<b>Total Assets</b>	<b>\$ 108,166,233</b>	<b>\$</b>	<b>108,199,805</b>	<b>\$</b>	<b>87,377,170</b>	<b>\$</b>	<b>86,936,506</b>	<b>\$</b>	<b>195,543,403</b>	<b>\$</b>
Deferred Outflows of Resources	\$ 3,322,355	\$	3,166,195	\$	1,046,168	\$	1,093,671	\$	4,368,523	\$
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 111,488,588</b>	<b>\$</b>	<b>111,366,000</b>	<b>\$</b>	<b>88,423,338</b>	<b>\$</b>	<b>88,030,177</b>	<b>\$</b>	<b>199,911,926</b>	<b>\$</b>
Current and other Liabilities	\$ 1,803,027	\$	2,441,540	\$	643,057	\$	579,796	\$	2,446,084	\$
Long-term Liabilities	60,125,427		59,378,322		15,728,991		16,197,376		75,854,418	
<b>Total Liabilities</b>	<b>\$ 61,928,454</b>	<b>\$</b>	<b>61,819,862</b>	<b>\$</b>	<b>16,372,048</b>	<b>\$</b>	<b>16,777,172</b>	<b>\$</b>	<b>78,300,502</b>	<b>\$</b>
Deferred Inflows of Resources	\$ 116,549	\$	586,437	\$	1,043	\$	65,767	\$	117,592	\$
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 62,045,003</b>	<b>\$</b>	<b>62,406,299</b>	<b>\$</b>	<b>16,373,091</b>	<b>\$</b>	<b>16,842,939</b>	<b>\$</b>	<b>78,418,094</b>	<b>\$</b>
Net Position										
Net Investment in Capital Assets	\$ 22,251,160	\$	24,011,223	\$	62,981,757	\$	63,704,883	\$	85,232,917	\$
Restricted For:										
E-911 Wireless	1,726		8,579		-		-		1,726	
Asset Forfeiture	26,086		24,002		-		-		26,086	
Litter Control	1,403		2,087		-		-		1,403	
Unrestricted (deficit)	27,163,210		24,913,810		9,068,490		7,482,355		36,231,700	
<b>Total Net Position</b>	<b>\$ 49,443,585</b>	<b>\$</b>	<b>48,959,701</b>	<b>\$</b>	<b>72,050,247</b>	<b>\$</b>	<b>71,187,238</b>	<b>\$</b>	<b>121,493,832</b>	<b>\$</b>
Net position - FY16 restatement	-		(571,608)		-		-		(571,608)	
<b>Adjusted Net Position</b>	<b>\$ 49,443,585</b>	<b>\$</b>	<b>48,388,093</b>	<b>\$</b>	<b>72,050,247</b>	<b>\$</b>	<b>71,187,238</b>	<b>\$</b>	<b>121,493,832</b>	<b>\$</b>

Current and other assets for the primary government increased \$1,515,647, which compares to an increase of \$315,353 for the prior year. Of this amount, governmental activities reflect a decrease of \$142,877; whereas, business-type activities reflect an increase of \$1,658,524. Of the \$142,877 overall decrease in governmental activities, cash and cash equivalents reflect an increase of \$833,493 as a result of the following, when compared to FY 2016.

Increase in Cash & Cash Equivalents	
Description	Total Change
General Fund	\$ 693,888
Airport Fund	98,291
Debt Service Fund	(1,089,255)
Capital Fund - Unexpended Bond Escrow	258,054
Capital Fund - Nonbond Cash	872,515
Net Cash Increase	\$ 833,493



While cash increased \$833,493, other assets such as receivables and prepaid items reflect a collective decrease of \$976,370. Most of the \$976,370 decrease is related to a \$1,269,669 combined decrease in receivables, which vary annually due to the timing of reimbursements. The Debt Service Fund cash decrease of \$1,089,255 is primarily due to a \$1,366,757 transfer to the capital fund (school set aside funds) to provide a temporary funding source for the New Kent Middle School expansion project. These funds may be restored by a future school construction bond issue. The \$258,054 bond escrow is the net sum of an expended FY16 bond escrow in the amount of \$1,953,310 for the Public Radio System project and a current year bond escrow of \$2,211,364 for the construction of a new fire station.

The \$440,664 increase in business-type activity total assets consists of a \$1,658,524 increase in cash and other assets and a \$1,217,860 decrease in capital assets. The \$1,658,524 increase in cash and other assets includes a \$1,421,596 increase in cash and a \$236,928 increase in other assets such as receivables and prepaid items. FY17 was a strong year for the utility fund. Operating revenues were up 14.3% and non-operating revenues increased 36.4% primarily due to connection and availability fee collections related to new home construction. Operating and non-operating expenses declined 2%.

Overall, capital assets for the primary government declined \$1,108,555, which consists of a \$109,305 increase in governmental assets and a \$1,217,860 decline in business-type assets. Of the \$109,305 increase in capital assets for governmental activities, new asset additions for the governmental funds reflect an overall net increase of \$924,034, while depreciation reflects a net increase of \$814,729. The \$1,217,860 overall decline in capital assets for business-type activities is due to a \$201,516 increase in capital purchases, and a net increase in depreciation totaling \$1,419,376. (Note 6)

For FY 2017, total primary government and component unit liabilities of \$110,824,694 reflect an overall increase of \$2,760,559 when compared to the prior fiscal year total of \$108,064,135. Of this amount, current and other liabilities reflect an \$819,805 decrease and long-term liabilities reflect a \$3,580,364 increase. The \$3,580,364 increase in long-term liabilities is summarized in the following schedule.

Summary of Changes in Long-term Obligations FY 2017 and FY 2016				
Description	Governmental	Business-type	Component Units	Total
Compensated Absences	\$ 84,975	\$ 14,586	\$ (16,439)	\$ 83,122
Net Pension Liability	926,782	118,657	3,210,083	4,255,522
Bond Premium	(53,547)	(155,524)	(521,705)	(730,776)
Capital Lease	1,336,908	71,520	285,804	1,694,232
General Obligation Bonds	-	-	(821,510)	(821,510)
Lease Revenue Bonds	1,485,328	(517,624)	(1,975,930)	(1,008,226)
Net OPEB Obligation	-	-	108,000	108,000
Totals	\$ 3,780,446	\$ (468,385)	\$ 268,303	\$ 3,580,364

As indicated above, most of the increase in long-term liabilities is related to the net pension liability of \$4,255,522 and the capital lease of \$1,694,232. The pension increase is primarily related to the teachers' retirement obligation which was not fully funded by the Commonwealth in prior years and a \$926,782 increase in the County's obligation. The County does contribute 100% of the required annual contribution as certified by the Virginia Retirement System. We expect improvement in the pension obligation due to the State's codified funding commitment and a return to investment returns that exceed the System's targeted rate. The \$1,694,232 capital lease increase is related to annual County lease payments to Tyler Technologies for cloud-base accounting software, and the School lease of Chromebooks.

When compared to the previous fiscal year, deferred outflows of resources for the primary government increased a total of \$108,657, and deferred inflows of resources decreased \$534,612. General government deferred outflows of resources reflect an increase of \$156,160, while business-type outflows reflect a decrease of \$47,503 when compared to the prior year. The \$534,612 decrease in deferred inflows of resources consists of a \$469,888 decrease in governmental and a \$64,724 decrease in business-type activities. Both outflows and inflows of resources are related to deferred pension and bond refunding charges that will be amortized in accordance with GAAP requirements. They relate to the amortization of variances between expected and actual investment returns, pension experience, and assumptions.

The net position of the primary government, which totals \$121,493,832, increased \$1,918,501 (1.6%) when compared to the FY 2016 total of \$119,575,331. This change is summarized in the following schedule.

Primary Government							
Category	Fiscal Year 2017			Fiscal Year 2016			Total Increase (Decrease)
	Governmental	Business-Type	Total	Governmental	Business-Type	Total	
Current & Other Assets	\$ 29,065,879	\$ 9,965,610	\$ 39,031,489	\$ 29,208,756	\$ 8,307,086	\$ 37,515,842	\$ 1,515,647
Capital Assets	79,100,354	77,411,560	156,511,914	78,991,049	78,629,420	157,620,469	(1,108,555)
Deferred Outflows of Resources	3,322,355	1,046,168	4,368,523	3,166,195	1,093,671	4,259,866	108,657
Total Assets	\$ 111,488,588	\$ 88,423,338	\$ 199,911,926	\$ 111,366,000	\$ 88,030,177	\$ 199,396,177	\$ 515,749
Current & Other Liabilities	1,803,027	643,057	2,446,084	2,441,540	579,796	3,021,336	(575,252)
Long-term Liabilities	60,125,427	15,728,991	75,854,418	59,378,322	16,197,376	75,575,698	278,720
Deferred Inflows of Resources	116,549	1,043	117,592	586,437	65,767	652,204	(534,612)
Total Liabilities	\$ 62,045,003	\$ 16,373,091	\$ 78,418,094	\$ 62,406,299	\$ 16,842,939	\$ 79,249,238	\$ (831,144)
Total Net Position	\$ 49,443,585	\$ 72,050,247	\$ 121,493,832	\$ 48,959,701	\$ 71,187,238	\$ 120,146,939	\$ 1,346,893
Net position - FY16 restatement	-	-	-	(571,608)	-	(571,608)	571,608
Adjusted Net Position	\$ 49,443,585	\$ 72,050,247	\$ 121,493,832	\$ 48,388,093	\$ 71,187,238	\$ 119,575,331	\$ 1,918,501

Overall, it was a strong year for the County. The increase in current assets is due to better than expected performance by the Public Utility Fund, primarily due to retail and residential growth. The decline in capital assets is related to depreciation. And although the government added new debt, overall, there was a net decline in total liabilities.

The following schedule provides an overview of the FY 2017 changes in net position when compared to FY 2016.

Primary Government - Net Position							
Category	Fiscal Year 2017			Fiscal Year 2016			Total Increase (Decrease)
	Governmental	Business-Type	Total	Governmental	Business-Type	Total	
Net investment in Capital Assets	\$ 22,251,160	\$ 62,981,757	\$ 85,232,917	\$ 24,011,223	\$ 63,704,883	\$ 87,716,106	\$ (2,483,189)
Restricted for:							
E-911 Wireless	1,726	-	1,726	8,579	-	8,579	(6,853)
Asset Forfeiture	26,086	-	26,086	24,002	-	24,002	2,084
Litter Control	1,403	-	1,403	2,087	-	2,087	(684)
Unrestricted	27,163,210	9,068,490	36,231,700	24,913,810	7,482,355	32,396,165	3,835,535
Total Net Position	\$ 49,443,585	\$ 72,050,247	\$ 121,493,832	\$ 48,959,701	\$ 71,187,238	\$ 120,146,939	\$ 1,346,893
Net position - FY16 restatement	-	-	-	(571,608)	-	(571,608)	571,608
Adjusted Net Position	\$ 49,443,585	\$ 72,050,247	\$ 121,493,832	\$ 48,388,093	\$ 71,187,238	\$ 119,575,331	\$ 1,918,501

Capital assets are used to provide services to citizens; and consequently, these assets are not available for future expenditure. The “restricted for” balances are related to grants and must be expended in accordance with the terms of the applicable award document. Net investment in capital assets totaling \$85,232,917 is presented net of outstanding debt related to the original purchase. The unrestricted balances of \$27,163,210 for the governmental funds and \$9,068,490 for the business-type funds have no restrictions and are available for future appropriation by the Board of Supervisors.

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

The School Board and Economic Development Authority (EDA) make up the County’s component units. For FY 2017, the net position of the two component units totals \$3,324,213 compared to a net position of \$857,091 for FY 2016. The combined increase of \$2,467,122 for FY 2017 is summarized in the following schedule.

Component Units - Net Position							
Category	Fiscal Year 2017			Fiscal Year 2016			Total Increase (Decrease)
	School	EDA	Total	School	EDA	Total	
Current & Other Assets	\$ 5,591,169	\$ 955,251	\$ 6,546,420	\$ 5,138,248	\$ 997,302	\$ 6,135,550	\$ 410,870
Capital Assets	25,765,717	-	25,765,717	23,959,368	-	23,959,368	1,806,349
Deferred Outflows of Resources	4,428,268	-	4,428,268	2,495,862	-	2,495,862	1,932,406
Total Assets	\$ 35,785,154	\$ 955,251	\$ 36,740,405	\$ 31,593,478	\$ 997,302	\$ 32,590,780	\$ 4,149,625
Current & Other Liabilities	3,426,252	-	3,426,252	3,670,805	-	3,670,805	(244,553)
Long-term Liabilities	29,097,940	-	29,097,940	25,796,296	-	25,796,296	3,301,644
Deferred Inflows of Resources	892,000	-	892,000	2,266,588	-	2,266,588	(1,374,588)
Total Liabilities	\$ 33,416,192	\$ -	\$ 33,416,192	\$ 31,733,689	\$ -	\$ 31,733,689	\$ 1,682,503
Total Net Position	\$ 2,368,962	\$ 955,251	\$ 3,324,213	\$ (140,211)	\$ 997,302	\$ 857,091	\$ 2,467,122

Total assets increased \$4,149,625 for FY 2017 when compared to FY 2016. Of this amount, capital assets increased \$1,806,349, as capital assets are transferred from the County government to the School Board as the County retires related debt (see the explanation below regarding Code of Virginia, Section 15.2-1800.1). The \$1,932,406 in deferred outflows is related to pension obligation and other deferred charges.

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

In FY 2013, an internal service fund was established to account for the School Board’s self-funding of employee health care benefits. At June 30, 2017, the fund reflected a net position of \$1,275,303, a \$428,713 increase over the FY 2016 total of \$846,590. This increase is related to the overall performance of the fund and a resulting \$446,642 cash increase and a \$13,620 increase in receivables. Assets increased from \$1,155,152 to \$1,615,414 and liabilities increased from \$308,562 to \$340,111.

The School Board also has fiscal agent responsibilities for the Bridging Communities Regional Career and Technical Center which opened in September 2013 in New Kent County. The opening of the Bridging Communities Regional Career and Technical Center represents a remarkable collaborative effort among the counties of Charles City, King William, King and Queen, Middlesex and New Kent. This was the first regional career and technical education center to be established in Virginia in twenty-five years. For FY 2017, net position totaled \$287,676, which is the net result of assets totaling \$363,481 and liabilities of \$75,805. (See Exhibit 28)

## Statement of Activities

The statement of activities, which also uses the full accrual basis of accounting, illustrates the cost of governmental activities net of related revenues. It also reflects the general revenue sources that fund governmental operations. The following table summarizes the revenue and expenses of government-wide activities for the fiscal years ended June 30, 2017 and 2016:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>								
<b>Program revenues:</b>								
Charges for services	\$ 1,548,171	\$ 1,291,937	\$ 5,303,534	\$ 4,368,636	\$ 6,851,705	\$ 5,660,573	\$ 1,310,890	\$ 837,006
Operating grants and contributions	4,098,977	4,147,197	-	-	4,098,977	4,147,197	16,402,643	14,962,407
Capital grants and contributions	442,713	1,544,281	-	-	442,713	1,544,281	-	-
<b>General revenues:</b>								
Property taxes	28,017,446	26,514,680	281,546	231,748	28,298,992	26,746,428	-	-
Other taxes	4,550,095	4,244,523	-	-	4,550,095	4,244,523	-	-
Unrestricted revenues from use of money and property	558,206	827,194	-	53,056	558,206	880,250	11,169	2,450
Interest	-	-	58,839	-	58,839	-	842	-
Miscellaneous	817,821	689,860	10,258	-	828,079	689,860	115,209	137,520
Grant and contributions not restricted to specific programs	2,968,427	2,960,092	-	-	2,968,427	2,960,092	-	-
Payment from New Kent County	-	-	-	-	-	-	13,102,692	15,637,846
Transfers	625	1,600	(625)	(1,600)	-	-	-	-
<b>Total Revenue</b>	<b>\$ 43,002,481</b>	<b>\$ 42,221,364</b>	<b>\$ 5,653,552</b>	<b>\$ 4,651,840</b>	<b>\$ 48,656,033</b>	<b>\$ 46,873,204</b>	<b>\$ 30,943,445</b>	<b>\$ 31,577,229</b>
<b>Expenses:</b>								
General government administration	\$ 4,208,623	\$ 3,570,793	\$ -	\$ -	\$ 4,208,623	\$ 3,570,793	\$ -	\$ -
Judicial administration	1,653,498	1,561,953	-	-	1,653,498	1,561,953	-	-
Public safety	10,401,870	8,551,676	-	-	10,401,870	8,551,676	-	-
Public works	2,126,022	1,956,184	-	-	2,126,022	1,956,184	-	-
Health and welfare	3,088,212	2,978,320	-	-	3,088,212	2,978,320	-	-
Education	14,609,161	16,932,338	-	-	14,609,161	16,932,338	-	-
Parks, recreation, and cultural	815,284	825,223	-	-	815,284	825,223	-	-
Community development	1,628,657	1,232,325	-	-	1,628,657	1,232,325	-	-
Interest on long-term debt	3,415,662	1,915,549	-	-	3,415,662	1,915,549	-	-
Business type activities:								
Water & Sewer	-	-	3,952,777	4,011,047	3,952,777	4,011,047	-	-
Bottoms Bridge	-	-	837,766	856,142	837,766	856,142	-	-
Component Units:								
School Board	-	-	-	-	-	-	28,363,430	29,084,101
Economic Development Authority	-	-	-	-	-	-	112,893	143,897
<b>Total Expenses</b>	<b>\$ 41,946,989</b>	<b>\$ 39,524,361</b>	<b>\$ 4,790,543</b>	<b>\$ 4,867,189</b>	<b>\$ 46,737,532</b>	<b>\$ 44,391,550</b>	<b>\$ 28,476,323</b>	<b>\$ 29,227,998</b>
<b>Change in net position:</b>	<b>1,055,492</b>	<b>2,697,003</b>	<b>863,009</b>	<b>(215,349)</b>	<b>1,918,501</b>	<b>2,481,654</b>	<b>2,467,122</b>	<b>2,349,231</b>
Net position - beginning	48,388,093	46,262,698	71,187,238	71,402,587	119,575,331	117,665,285	857,091	(1,492,140)
Net position - ending	\$ 49,443,585	\$ 48,959,701	\$ 72,050,247	\$ 71,187,238	\$ 121,493,832	\$ 120,146,939	\$ 3,324,213	\$ 857,091
Net position - FY16 restatement	-	(571,608)	-	-	-	(571,608)	-	-
<b>Adjusted Total Net Position</b>	<b>\$ 49,443,585</b>	<b>\$ 48,388,093</b>	<b>\$ 72,050,247</b>	<b>\$ 71,187,238</b>	<b>\$ 121,493,832</b>	<b>\$ 119,575,331</b>	<b>\$ 3,324,213</b>	<b>\$ 857,091</b>

**Governmental Activities:** For the fiscal year ended June 30, 2017, revenues for governmental activities totaled \$43,002,481, an increase of \$781,117 when compared to the FY 2016 total revenues of \$42,221,364. Details are provided below:

- Charges for services increased \$256,234 when compared to the prior year. The net change is due to a variety of small changes relative to numerous revenue accounts. The most significant change is a \$163,404 increase in public safety permit revenues. The County is the third fastest growing jurisdiction in the Commonwealth, and has experienced significant growth in building activity. There was also a \$32,783 increase in public works; of which, \$23,544 is related to fuel sales at the airport. Parks and Recreation increased \$57,172 primarily due to a \$53,238 increase in recreation fees connected to the County's after-school program.

- Operating grants and contributions, which totaled \$4,098,977 for FY 2017, declined \$48,220 when compared to the FY 2016 total of \$4,147,197. The \$48,220 is due to numerous fluctuations, and does not represent a significant change in any one program.
- Capital grants and contributions decreased from \$1,544,281 for FY 2016 to \$442,713 for FY 2017. All of this decrease is related to \$1,404,719 received in FY 2016 for the Airport taxiway rehabilitation project.

The County receives a variety of public safety grants for which the terms and related receipts fluctuate annually. These fluctuations make it difficult to draw conclusions about future grants and receipts that the County may or may not receive. The reader is better served by looking at trends for all programs over an extended period. These grants are appropriated upon receipt of award letters during the fiscal year and are not reflected in the annual adopted budget. The following schedule denotes operating grants and contributions as reflected on the Statement of Activities for FY 2013 to FY 2017.

<b>Primary Government</b> <b>Schedule of Operating Grants and Contributions</b>					
Program	FY13	FY14	FY15	FY16	FY17
General Government	\$ 210,095	\$ 203,821	\$ 210,804	\$ 252,102	\$ 241,192
Judicial Administration	480,000	506,242	483,503	487,836	558,944
Public Safety	1,811,068	1,904,736	1,495,258	1,550,590	1,608,153
Public Works	16,994	59,654	54,548	318,401	46,304
Health & Welfare	1,153,627	1,281,886	1,292,502	1,517,739	1,550,033
Parks, Recreation & Cultural	8,541	4,500	-	4,500	30,000
Community Development	-	6,003	6,357	16,029	64,351
	<u>\$ 3,680,325</u>	<u>\$ 3,966,842</u>	<u>\$ 3,542,972</u>	<u>\$ 4,147,197</u>	<u>\$ 4,098,977</u>

- Governmental property tax collections increased \$1,502,766 when compared to the prior fiscal year. Of this amount, real estate tax collections increased \$1,063,608, and personal property tax collections increased \$439,158. The increase in real estate tax collections is related to the construction of new homes and the location of retail establishments in the Bottoms Bridge section of the County. The increase in personal property revenues reflects the growing number of vehicles registered in the County due to population growth. Personal property tax collections do not include \$2,217,883 that the County receives annually from the Commonwealth of Virginia relative to the Personal Property Tax Relief Act (PPTRA). These revenues are included in state revenues.
- Other taxes include revenue from local sales and use taxes, recordation tax, consumer's utility taxes, electric consumption taxes, meals tax, business license tax, hotel tax, admission tax, motor vehicle registration fees and bank stock taxes. For FY 2017, other taxes in the amount of \$4,550,095 increased \$305,572 when compared to the FY 2016 total of \$4,244,523. Local sales and meals tax collections increased \$117,848 and \$31,670, respectively. These increases are primarily due to the number of retail establishments locating in the County and the increase in population. Business license collections increased \$66,720 and reflect strong economic activity relative to retail and housing. Recordation taxes increased \$45,616. Currently, there are additional retail businesses under construction and therefore it is expected that this trend will continue.

- Use of money and property revenues declined \$268,988, which is primarily related to the one-time FY16 sale of surplus fire apparatus in the amount of \$260,965.
- Miscellaneous revenues increased \$127,961. Of this amount, proffer collections increased \$81,592, a reflection of housing activity within the County.

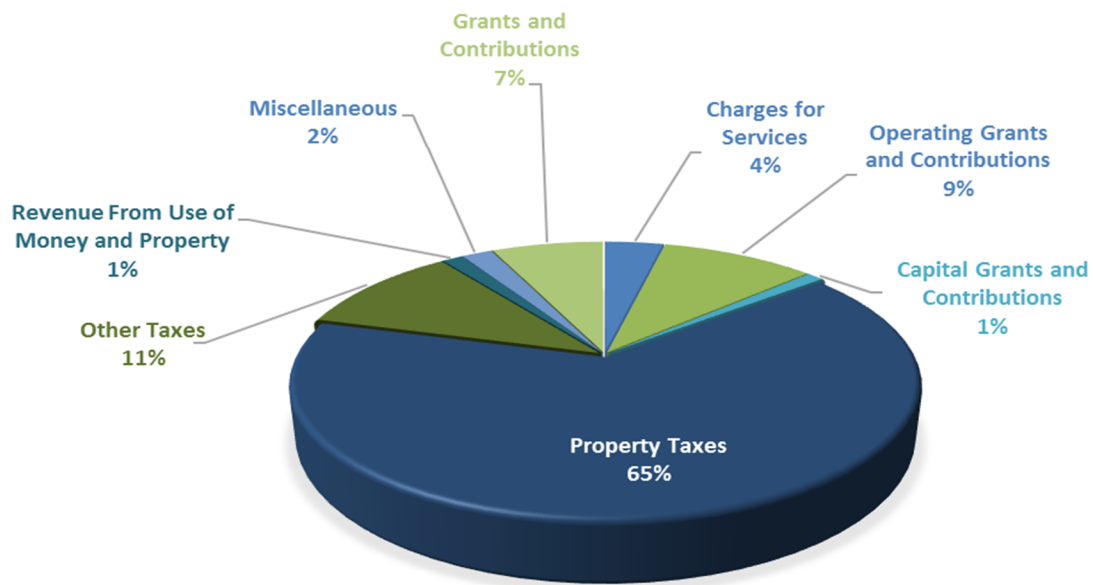
Fiscal year 2017 expenses, which totaled \$41,946,989, increased \$2,422,628 compared to FY 2016 expenses of \$39,524,361. Of this amount, fund-level (modified-accrual) expenditures increased \$1,939,344 primarily due to the following:

- Fire Department expenditures increased \$565,199. Most of this increase is related to seven new firefighter positions. Each position equates to approximately \$60,000, or \$420,000 for the seven.
- Funding for School Board operations increased \$233,347. The budgetary increase totaled \$400,000. The difference will be transferred to a fund designated for school-related capital projects.
- Transfers to other funds increased \$477,962, which is primarily due to a \$512,747 increase in debt service due to new debt related to the public radio capital project.
- Central purchasing expenditures increased \$137,687. Of this amount, \$92,841 was due to five months of licensing fees related to the County's new ERP software package. Annual fees are expected to total \$222,818.
- The FY 2017 budget also reflects a 2% cost-of-living-adjustment that was effective December 1, 2016.

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

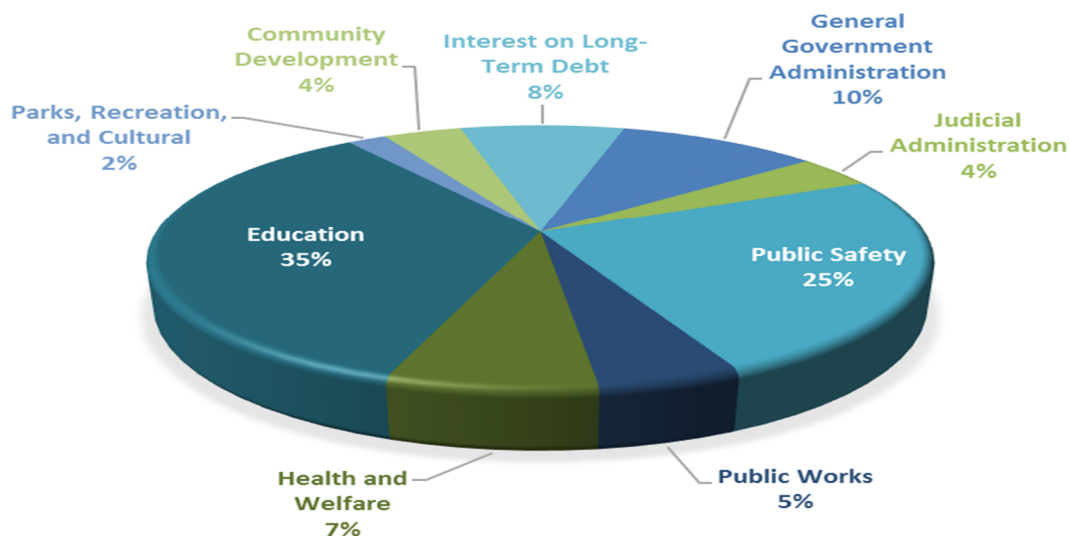
**Revenues:** The following chart summarizes the major sources of revenues for the governmental activities. As indicated in the revenue chart on the following page, property taxes (65%) and other taxes (11%) comprise 76% of the County's revenue base. While the Board of Supervisors has statutory authority to increase property tax rates, there is very little opportunity for additional revenues relative to other taxes as these rates and fees are restricted by the Code of Virginia in many cases. One penny on the real estate tax rate for FY 2017 equates to approximately \$257,847. Combined, operating and capital grants and contributions make up 17% of County revenues; however, future receipts are uncertain due to fiscal stress at the federal and state levels. Any major new capital or program expenditure would have to be funded by an increase in property values and/or the tax rate. The following chart summarizes FY 2017 revenues by function.

### REVENUE SOURCES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2017



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

### FUNCTIONAL EXPENSES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2017

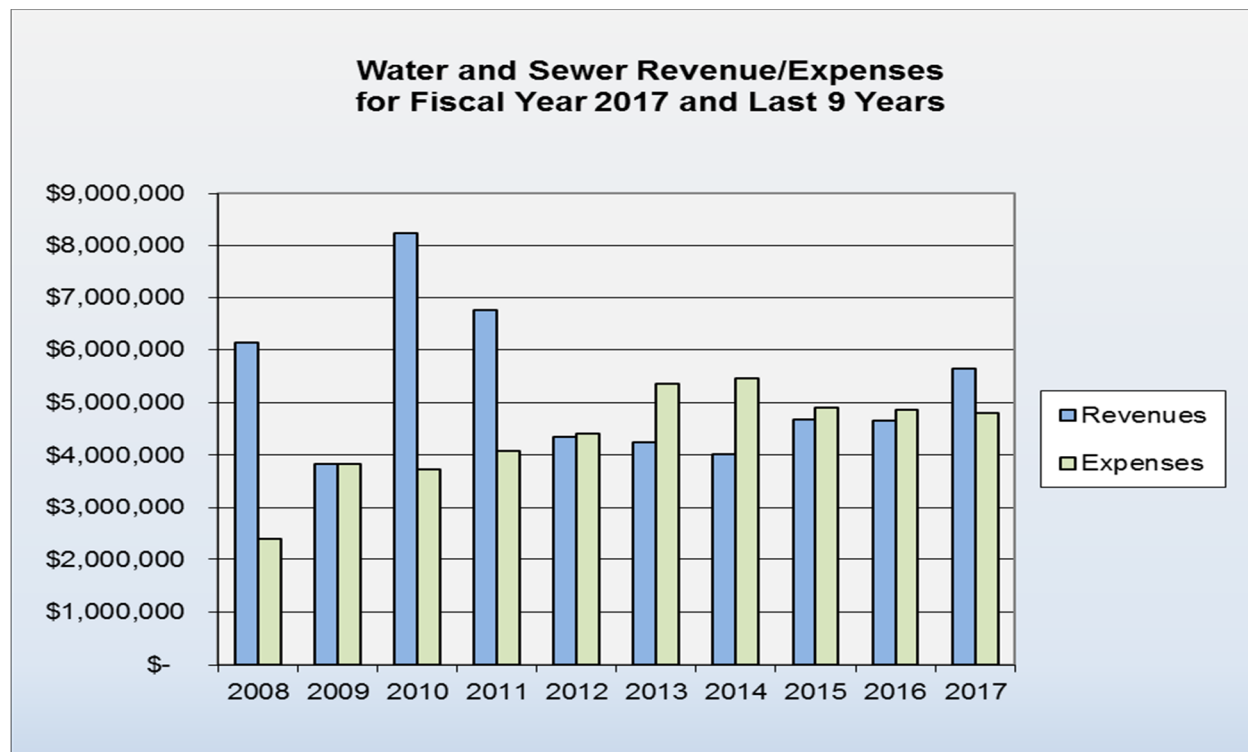


For FY 2017, program expenses for governmental activities totaled \$41,946,989 which includes a \$12,777,192 transfer to the New Kent County School Board for operations. Of the \$41,946,989 total, \$1,548,171 was financed with charges for services and \$4,541,690 from operating and capital grants and contributions. The \$35,857,128 remainder was primarily funded with tax revenues totaling \$32,567,541, which demonstrates the County's reliance on this revenue source.



As a result of the GASB Statement No. 34 financial reporting requirements, depreciation expense is allocated to governmental activities. The County's largest funded programs are local support for education, public safety, and public works. Education continues to be one of the County's highest priorities and commitments, and for FY 2017 support for education totaled \$14,609,161. In addition, the County continued its policy of allowing the School to carry forward unspent funds to its Capital Fund to be used for unplanned capital expenditures, which totaled \$877,403 for FY 2017.

**Business-Type Activities:** Business-type activities related to the County's water and sewer operations reflect an increase in net position of \$863,009 for FY 2017. Unlike governmental activities, which primarily rely on general tax revenue to finance operations, business-type activities are financed to a significant extent by fees charged for goods and services provided. Although there was no rate increase in FY 2017, it was a strong year for the public utility. Operating revenues were up 14.3% and non-operating revenues increased 36.4%. The 14.3% increase in operating revenues reflects strong growth in residential housing and retail establishments. This strong growth resulted in significant increases in connection and availability fee collections. Going forward we do anticipate a reduction in connection and availability fee collections, as major housing developments in the Bottoms Bridge area of the County are completed.



FY 2017, revenues for the enterprise funds totaled \$5,654,177, an increase of \$1,000,737 when compared to the FY 2016 total of \$4,653,440. Charges for water and sewer services increased \$449,624 (14.3%). Non-operating revenues increased \$551,113 or 36.4%. Much of this increase was driven by connection and availability fees, which reflect a \$485,274 increase over FY 2016. Real estate special assessment tax collections in the Bottoms Bridge Service District totaled \$281,546, an increase of \$49,798 when compared to FY 2016.



**Component Unit – School Board:** For FY 2017, School Board revenues total \$30,872,603, which is a \$698,570 decrease over the FY 2016 total of \$31,571,173. Total annual support from the County, which totals \$13,042,692, accounts for 42% of total revenues. Operating Grants and Contributions, the second largest component of revenues for the School Board, totals \$16,392,643 and accounts for 53% of the total revenues. Of this amount, funding from the Commonwealth of Virginia totals \$15,100,106, an increase of \$1,482,938 over the FY 2016 total of \$13,617,168. Federal revenues total \$1,292,537, a decrease of \$52,702 when compared to the prior year of \$1,345,239. We anticipate that federal revenues will continue to reflect slow growth or decline in the short-term which will place additional stress on state and local budgets.

**Component Unit – Economic Development Authority:** The net position of the EDA decreased \$42,051 from the prior year. EDA revenues which total \$70,842 consist of a \$60,000 contribution from the County, a \$10,000 operating grant, and investment income totaling \$842. Expenses total \$112,893 and consist of activities to attract new businesses, encourage existing businesses to expand, and to promote tourism opportunities in the County. The EDA manages several business incentive programs that include assistance with signage and façade improvements, grants to new businesses locating to the County, and grants to assist existing businesses with expansion projects.

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

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

**Governmental Funds:** The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. The expenditure of resources is driven by the annual budget process. Such information is useful in assessing the County's financing requirements and compliance with budgetary restraints. At the end of FY 2017, the County's governmental funds reported a combined ending fund balance of \$25,954,189, an increase of \$620,478 from the prior fiscal year total of \$25,333,711. Of the \$620,478 increase, funds assigned for capital improvements increased \$731,421. Exhibit 3 indicates that the unassigned fund balance increased \$683,266, (from \$8,814,602 for FY 2016 to \$9,497,868 for FY 2017). The committed fund balance totals \$15,724,991; of which, the capital improvement fund totals \$15,635,698.

As discussed previously, the June 30, 2017 total fund balance for governmental funds totaled \$25,954,189 and is comprised of the following components:

- **Nonspendable - \$612,871:** This amount is not available for expenditure and consists of prepaid items.
- **Restricted - \$29,215:** These are grant funds that have been restricted for E-911 wireless (\$1,726), clean county committee/litter control (\$1,403), and asset forfeiture (\$26,086).
- **Committed - \$15,724,991:** Funds reported as committed are constrained for capital projects (\$15,635,698), the computer fund (\$81,050) and debt service (\$8,243).
- **Assigned - \$89,244:** These funds have been assigned (designated) for Airport operations.
- **Unassigned Fund Balance - \$9,497,868:** These funds are generally available for future appropriation by the governing body. As discussed below, the County of New Kent maintains a fund balance equal to 15% of total budgeted General Fund revenues.

Although unassigned fund balance is viewed as the amount available for governing body appropriation, portions of the committed and assigned balances could be redirected with Board of Supervisor approval. For example, approximately \$6.69 million of the \$15,724,991 committed fund balance is un-encumbered and available for future appropriation or transfer to other funds.

**General Fund:** The General Fund is the chief operating fund of the County. At the end of FY 2017, the fund balance for this fund totaled \$10,116,933; an increase of \$957,523 from the prior year total of \$9,159,410. The County has established a policy to maintain a fund balance equal to 15% of budgetary revenues. Unassigned fund balances exceeding the 15% threshold are transferred from the General Fund to the County Capital Improvements Fund (Capital Fund) at year-end. For FY 2017, the County transferred \$2,023,562 in excess funds to the Capital Fund which will be used to fund future capital procurements on a cash basis.

**Airport Fund:** The Airport Fund is used to account for and report the financial resources and operations of the County Airport. The Fund is supported by local, state and federal funding. Local resources consist of fuel and oil sales, as well as hangar rental. Unlike other County capital improvements, most Airport capital improvement projects are eligible for 90% funding from the Federal Aviation Administration (FAA) and 8% funding from the Virginia Department of Aviation. At the end of FY 2017, the fund balance for this fund totaled \$105,665, an increase of \$20,789 from the FY 2016 balance of \$84,876.

**Debt Service Fund:** The Debt Service Fund is used to account for financial resources committed for the retirement of outstanding debt in accordance with existing amortization tables. The fund also reflects a school construction set-aside reserve that the Board of Supervisors established in FY 2014. For FY 2017, the fund balance for this fund decreased \$1,089,255. The decrease is directly related to the transfer of school set-aside funds in the amount of \$1.366 million to the capital improvement fund, for the expansion of the New Kent Middle School.

**Proprietary Funds:** The County's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary fund totals \$72,050,247, an increase \$863,009 when compared to the prior year. Operating revenues for FY 2017 total \$3,587,518, compared to \$3,137,894 for FY 2016. This \$449,624 increase is attributable to volume growth relative to new housing, and there was no rate increase. Connection and availability fees, which total \$1,716,016 for FY 2017, increased \$485,274 when compared to the prior year total of \$1,230,742. Connection fee revenues are a function of construction activity within the County, and varies annually. Operating expenses, which total \$4,169,169, decreased \$36,586. Unrestricted net position of the proprietary fund at the end of the fiscal year totaled \$9,068,490, an increase of \$1,586,135 when compared to the FY 2016 total of \$7,482,355.

#### **General Government Functions**

The following schedule presents a summary of revenues for the County's four major funds (General, Airport, Debt Service, and County Capital Improvements), and the non-major governmental fund (Human Services) for the fiscal year ended June 30, 2017.

<b>Governmental Funds Summary of Revenues June 30, 2017 and 2016</b>						
	<b>2017 Amount</b>	<b>Percent of Total</b>	<b>2016 Amount</b>	<b>Increase (Decrease) From 2016</b>	<b>Percent Increase (Decrease)</b>	
<b>Revenues</b>						
General property taxes	\$ 28,181,751	65.3%	\$ 26,453,183	\$ 1,728,568	6.5%	
Other local taxes	4,551,333	10.5%	4,244,523	306,810	7.2%	
Permits, privilege fees, and regulatory licenses	706,972	1.6%	542,595	164,377	30.3%	
Fines and forfeitures	230,561	0.5%	216,030	14,531	6.7%	
Revenue from the use of money and property	558,207	1.3%	827,194	(268,987)	-32.5%	
Charges for services	609,756	1.4%	533,312	76,444	14.3%	
Miscellaneous	843,826	2.0%	689,860	153,966	22.3%	
Recovered costs	427,766	1.0%	475,656	(47,890)	-10.1%	
Commonwealth	6,057,272	14.0%	5,840,270	217,002	3.7%	
Federal	998,718	2.3%	2,811,300	(1,812,582)	-64.5%	
<b>Total Revenues</b>	<b>\$ 43,166,162</b>	<b>100.0%</b>	<b>\$ 42,633,923</b>	<b>\$ 532,239</b>	<b>1.2%</b>	

When compared to FY 2016, governmental funds revenues increased by a total of \$532,239, due to the following:

- For FY 2017 general property taxes increased \$1,728,568. Of this amount, current and delinquent real estate revenues increased \$1,252,039, public service corporation tax collections increased \$37,371 and personal property tax revenues increased \$268,132. Mobile home, machinery and tools, and related penalty and interest increased a combined \$171,026. The real estate tax revenue increase was the result of new construction of homes and retail businesses.
- Other local taxes increased a combined \$306,810 due to strong growth in meals tax (\$31,670), sales tax (\$117,848) and recordation taxes (\$45,617). This growth is the result of several new retail businesses that have located to the County. We expect that this trend will continue into the foreseeable future. In addition, business license tax collections increased \$66,751 and vehicle registration fees increased \$26,593.
- The \$164,377 increase in permits, fees and licenses is due to continued strong growth in the County relative to new home construction.
- The \$268,987 decline in revenues from the use of money and property is related to a one-time FY16 receipt of proceeds from the sale of surplus property.
- Miscellaneous revenues increased \$153,966 primarily due to General Fund insurance recoveries and Capital Fund proffer collections. The proffer collections are related to strong housing activity relative to new homes.
- The FY17 \$1,812,582 decrease in federal revenues is due to the FY16 receipt of a large Airport capital project grant totaling \$1,404,718 (Taxiway Rehabilitation). Other FY16 grants included the VDOT ISTEA grant in the amount of \$153,007 and an assistance to firefighters grant in the amount of \$302,858. These grants were not received in FY 2017.

The following schedule presents the General Fund budgetary highlights for FY 2017. Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles. Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Budgetary integration is employed as a management control device during the year, and budgets are monitored and reported to the Board of Supervisors on a monthly basis. With the exception of personnel line items, the County Administrator is authorized to transfer line-item amounts within departmental budgets. All other budget transfers must be approved by the Board of Supervisors. The component unit School Board is authorized to transfer budgeted amounts within the school system's categories unless the transfer crosses functions. However, any transfer that crosses functions or supplemental appropriation that increases the School's total appropriated budget requires Board of Supervisors approval.

The following schedule presents the General Fund budgetary highlights for FY 2017. (See Exhibit 11)

General Fund Budgetary Highlights Fiscal Year 2017					
	Original Budget	Final Budget	Actual	Original vs. Actual	Final vs. Actual
<b>Revenues</b>					
Taxes	\$ 31,440,488	\$ 31,570,588	\$ 32,733,084	\$ 1,292,596	\$ 1,162,496
Intergovernmental	5,717,766	6,018,573	5,965,456	247,690	(53,117)
Other	2,248,555	2,544,333	2,875,320	626,765	330,987
<b>Total</b>	<b>\$ 39,406,809</b>	<b>\$ 40,133,494</b>	<b>\$ 41,573,860</b>	<b>\$ 2,167,051</b>	<b>\$ 1,440,366</b>
<b>Expenditures and Other Financing Sources (Uses)</b>					
Expenditures	\$ 31,862,027	\$ 33,276,138	\$ 30,815,148	\$ 1,046,879	\$ 2,460,990
Transfers In/Out	7,131,160	7,921,607	9,801,189	(2,670,029)	(1,879,582)
<b>Total</b>	<b>\$ 38,993,187</b>	<b>\$ 41,197,745</b>	<b>\$ 40,616,337</b>	<b>\$ (1,623,150)</b>	<b>\$ (581,408)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 413,622</b>	<b>\$ (1,064,251)</b>	<b>\$ 957,523</b>	<b>\$ 543,901</b>	<b>\$ 2,021,774</b>

The amended General Fund revenue budget exceeded actual revenues by a total of \$1,440,366 for FY 2017. The \$1,162,496 amount by which actual tax revenues exceeded the amended budget was primarily the result of better than expected collections across several revenue streams. Although the current real estate tax budget exceeds collections by \$30,389, delinquent real estate collections exceeded budget by \$213,132. This increase in delinquent collections was due to collection efforts by an outside attorney. Collectively, personal property current and delinquent collections exceeded budget by \$506,103. Most of this increase is related to current collections for vehicles which reflects an increase of \$235,848. This increase is due to population growth and a resulting increase in the number of vehicles registered in the County. As indicated above, meals, sales, recordation, vehicle registration and business license tax collections reflect increases due to moderate to strong population growth and the location of retail businesses to the County. Although the County does monitor revenue collections on a monthly basis, we do not amend tax-related budgets based on this information.

The amended expenditure budget exceeded actual expenditures by \$2,460,990 for a variety of reasons which include:

1. Vacancy savings relative to public safety and other departments.
2. Expenditures relative to the Comprehensive Service Act were \$444,279 under budget. Expenditures vary annually and are difficult to forecast. The annual budget reflects historical data and a cushion for contingencies.
3. Unexpended grants and other restricted funds will be carried forward and re-appropriated in fiscal year 2018.
4. Unexpended funds relative to the Department of Social Services totaled \$196,818. Again, this is an area that is difficult to forecast demand for services.
5. School Board carry forward funds for FY 2017 total \$877,403.
6. Unexpended Airport capital grants in the amount of \$707,286 will be carried forward to FY 2018.

Actual transfers to and from other funds exceeded the amended budget by \$1,879,582, which is directly related to the final year-end transfer from the General Fund to the Capital Improvement Fund. Annually, once the audit is complete and in accordance with County policy, the amount by which unassigned fund balance exceeds 15% of the annual budget is transferred to the Capital Improvement Fund. This transfer, which totaled \$2,023,562 for FY 2017, is not budgeted.

Also, during FY 2017, the Board of Supervisors amended the budget throughout the year. These budget amendments or supplemental appropriations were primarily for the following purposes:

- To re-appropriate monies to pay for continuing programs whose fiscal year extended beyond the prior fiscal year. For example, capital projects and donations.
- To re-appropriate grant revenues authorized in the prior fiscal year or earlier, but not expended or encumbered as of June 30, 2016.
- To appropriate grants or donations accepted or adjusted in FY 2017.
- To appropriate funds for program enhancements, small-scale capital projects or other operational needs that were not anticipated in the original FY 2017 budget.

### **CAPITAL ASSETS**

At the end of FY 2017, the County's investment in capital assets for its governmental, business-type and component unit activities total \$182,277,631 (net of accumulated depreciation). When compared to the prior fiscal year total of \$181,579,837, net investment in capital assets for all funds increased \$697,794. Although governmental activities total assets reflect an increase of \$109,305, business-type activities declined \$1,217,860, which is primarily due to a \$1,419,376 increase in depreciation. The Component Units reflect a combined increase of \$1,806,349. Most of this is related to the change in jointly-owned assets as related debt is retired. The following table provides an overview of capital assets.

Capital Assets (Net of accumulated depreciation) June 30, 2017 and 2016									
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units		
	2017	2016	2017	2016	2017	2016	2017	2016	
Non-Depreciable Assets									
Land	\$ 3,313,901	\$ 3,313,901	\$ 2,687,355	\$ 2,695,355	\$ 6,001,256	\$ 6,009,256	\$ 2,022,600	\$ 2,022,600	
Construction in progress	879,542	4,868,077	508,538	226,941	1,388,080	5,095,018	10,022	10,022	
Other Capital Assets									
Buildings	29,583,125	28,592,269	-	-	29,583,125	28,592,269	1,182,016	1,170,803	
Machinery and equipment	16,614,806	13,102,612	-	-	16,614,806	13,102,612	6,358,394	6,047,620	
Capital improvements	4,313,449	2,573,376	-	-	4,313,449	2,573,376	-	-	
Intangible assets	1,578,247	111,361	-	-	1,578,247	111,361	-	-	
Jointly owned assets	52,283,152	55,080,592	-	-	52,283,152	55,080,592	27,586,318	24,825,634	
Water production and distribution									
facilities	-	-	6,065,398	6,065,398	6,065,398	6,065,398	-	-	
Machinery and equipment	-	-	4,432,630	4,482,916	4,432,630	4,482,916	-	-	
Intangible assets	-	-	147,195	68,722	147,195	68,722	-	-	
Infrastructure	-	-	76,550,069	76,650,337	76,550,069	76,650,337	-	-	
	\$ 108,566,222	\$ 107,642,188	\$ 90,391,185	\$ 90,189,669	\$ 198,957,407	\$ 197,831,857	\$ 37,159,350	\$ 34,076,679	
Less Accumulated Depreciation	(29,465,868)	(28,651,139)	(12,979,625)	(11,560,249)	(42,445,493)	(40,211,388)	(11,393,633)	(10,117,311)	
Capital Assets Net of Depreciation	\$ 79,100,354	\$ 78,991,049	\$ 77,411,560	\$ 78,629,420	\$ 156,511,914	\$ 157,620,469	\$ 25,765,717	\$ 23,959,368	

## **LONG-TERM OBLIGATIONS**

At the end of the current fiscal year, outstanding long-term obligations (including the component units) total \$104,952,358 compared to a total of \$101,371,994 for FY 2016. Of this amount, \$8,726,826 comprises debt backed by the full faith and credit of the government (general obligation bonds) and \$57,386,418 represents bonds secured solely by specified revenue sources (i.e., revenue bonds). The remainder of the long-term obligations consists of accrued vacation and sick leave (\$1,241,319), bond premium (\$4,648,039), pension liability (\$30,392,524), and Other Post-Employment Benefits (OPEB) liability (\$863,000). Details are summarized in the following table. New this year are two capital leases which total \$1,694,232. The County and Business-type lease totals are related to a single seven-year lease with Tyler Technologies for licensee rights to the Munis Software. The \$285,804 reflects a School lease with Dell Financial Services for Chromebooks.

<b>Long-Term Obligations</b> <b>June 30, 2017 and 2016</b>									
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units		
	2017	2016	2017	2016	2017	2016	2017	2016	
Compensated Absences	\$ 809,988	\$ 725,013	\$ 121,280	\$ 106,694	\$ 931,268	\$ 831,707	\$ 310,051	\$ 326,490	
Net Pension Liability	2,180,442	1,253,660	287,193	168,536	2,467,635	1,422,196	27,924,889	24,714,806	
Bond Premium	330,930	384,477	1,142,580	1,298,104	1,473,510	1,682,581	3,174,529	3,696,234	
Capital Lease	1,336,908	-	71,520	-	1,408,428	-	285,804	-	
General Obligation Bonds	-	-	-	-	-	-	8,726,826	9,548,336	
Lease Revenue Bonds	11,899,179	10,413,851	14,106,418	14,624,042	26,005,597	25,037,893	31,380,821	33,356,751	
Net OPEB Obligation	-	-	-	-	-	-	863,000	755,000	
<b>Totals</b>	<b>\$ 16,557,447</b>	<b>\$ 12,777,001</b>	<b>\$ 15,728,991</b>	<b>\$ 16,197,376</b>	<b>\$ 32,286,438</b>	<b>\$ 28,974,377</b>	<b>\$ 72,665,920</b>	<b>\$ 72,397,617</b>	

New Kent County's total long-term obligations for the Primary government and the Component Units, including OPEB Liability, increased \$3,580,364. The schedule below provides details for this change in long-term obligations.

Summary of Changes in Long-term Obligations				
FY 2017 and FY 2016				
Description	Governmental	Business-type	Component Units	Total
Compensated Absences	\$ 84,975	\$ 14,586	\$ (16,439)	\$ 83,122
Net Pension Liability	926,782	118,657	3,210,083	4,255,522
Bond Premium	(53,547)	(155,524)	(521,705)	(730,776)
Capital Lease	1,336,908	71,520	285,804	1,694,232
General Obligation Bonds	-	-	(821,510)	(821,510)
Lease Revenue Bonds	1,485,328	(517,624)	(1,975,930)	(1,008,226)
Net OPEB Obligation	-	-	108,000	108,000
Totals	\$ 3,780,446	\$ (468,385)	\$ 268,303	\$ 3,580,364

On October 27, 2016 the County closed on two revenue bond issues, Series 2016A and Series 2016B. The Series 2016A totals \$2,246,000 and was issued for the construction of a new fire station. The Series 2016B debt (1.84%) provided funds totaling \$1,919,000 to refund the Series 2007 bonds (3.10%) issued for the construction of the County's Human Services Building. The County's total pension obligation increased \$4,255,522 primarily due to the component unit School Board teacher retirement fund. The Commonwealth of Virginia has taken steps to address this liability in the form of FY 2017 cash payments to the pension fund. The \$521,705 reduction in bond premium is consistent with the related amortization schedules. The accrued vacation and sick leave obligation is a product of many factors to include retirements, hires, and usage. On September 26, 2017 the County closed on a lease with a par amount of \$3,179,000 for four new pumper trucks and one new ladder truck. There was no FY 2017 change in leave policy. Additional information relative to general long-term debt is available in note 8.

#### **OTHER INFORMATION**

The above information and analysis provides the reader with an overview of the FY 2017 financial results of the operations for the County. It should be noted the FY 2018 budget was adopted without reductions to current services. The \$64,604,454 FY 2018 budget reflects a \$2,481,360 increase when compared to the FY 2017 budget which totaled \$62,123,094. The \$1,342,956 increase in the general fund budget was primarily funded by a \$315,218 increase in real estate and a \$596,189 increase in personal property tax revenues.

The Airport budget totals \$2,229,089. This is a \$1,734,124 increase compared to the FY 2017 budget of \$494,965. All of this increase is related to major capital projects in FY 2018. The Airport operating budget reflects an increase of \$12, while the Airport capital projects budget increased \$1,734,112. The County operating transfer to this fund, which totals \$17,913, decreased \$13,998. The FY 2018 capital transfer totals \$44,682.

The FY 2018 adopted General Fund expenditure budget totals \$39,689,639 (including transfers of \$21,783,528), which reflects a \$1,342,956 increase over the FY17 budget of \$38,346,683. The schedule below provides an overview of the major changes.

FY17 General Fund Expenditure Budget	\$38,346,683
School Set Aside – Two Additional Pennies at \$260,358 each	520,716
New Computer System Lease	228,886
Net Personnel Requests	228,821
Payroll – Four Additional Firefighters FY17	218,421
Employee Cost of Living Adjustments	131,897
School Board Funding - Operating Budget	100,000
Contingency – VML Insurance Renewal	40,000
Departmental & County Administrator Reductions	(125,785)
Total FY18 General Fund Expenditure Budget	\$39,689,639

## **ECONOMIC OUTLOOK**

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

## **REQUESTS FOR INFORMATION**

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



# **BASIC FINANCIAL STATEMENTS**

---



## COUNTY OF NEW KENT, VIRGINIA

STATEMENT OF NET POSITION  
June 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	School Board	EDA
<b>ASSETS</b>					
Cash and cash equivalents (Note 3)	\$ 25,147,944	\$ 9,034,423	\$ 34,182,367	\$ 4,190,673	\$ 233,195
Investments	-	-	-	-	548
Receivables, net:					
Taxes receivable	2,040,908	32,495	2,073,403	-	-
Accounts receivable	348,309	841,601	1,189,910	475,880	-
Due from other governments (Note 4)	915,847	-	915,847	924,616	-
Inventory	-	-	-	-	721,508
Prepaid items	612,871	57,091	669,962	-	-
Capital assets, net (Note 6)	79,100,354	77,411,560	156,511,914	25,765,717	-
Total assets	108,166,233	87,377,170	195,543,403	31,356,886	955,251
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred amount on bond refundings	2,082,809	890,715	2,973,524	-	-
Items related to measurement of					
net pension liability (Notes 12 and 13)	1,239,546	155,453	1,394,999	4,428,268	-
Total deferred outflows of resources	3,322,355	1,046,168	4,368,523	4,428,268	-
<b>LIABILITIES</b>					
Accounts payable	714,753	170,587	885,340	223,408	-
Accrued liabilities	109,868	-	109,868	3,202,844	-
Accrued interest payable	652,552	146,152	798,704	-	-
Unearned revenue	52,742	69,750	122,492	-	-
Deposits held in escrow	273,112	256,568	529,680	-	-
Long-term liabilities:					
Due within one year (Note 8)	5,541,862	798,039	6,339,901	284,162	-
Due in more than one year (Note 8)	54,583,565	14,930,952	69,514,517	28,813,778	-
Total liabilities	61,928,454	16,372,048	78,300,502	32,524,192	-
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes (Note 9)	108,568	-	108,568	-	-
Items related to measurement of					
net pension liability (Notes 12 and 13)	7,981	1,043	9,024	892,000	-
Total deferred inflows of resources	116,549	1,043	117,592	892,000	-
<b>NET POSITION</b>					
Net investment in capital assets	22,251,160	62,981,757	85,232,917	25,765,717	-
Restricted:					
E-911 Wireless	1,726	-	1,726	-	-
Asset forfeiture	26,086	-	26,086	-	-
Litter control	1,403	-	1,403	-	-
Unrestricted (deficit)	27,163,210	9,068,490	36,231,700	(23,396,755)	955,251
Total net position	\$ 49,443,585	\$ 72,050,247	\$ 121,493,832	\$ 2,368,962	\$ 955,251

## COUNTY OF NEW KENT, VIRGINIA

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	School Board	EDA
<b>Primary Government:</b>									
Governmental activities:									
General government administration	\$ 4,208,623	\$ -	\$ 241,192	\$ -	\$ (3,967,431)	\$ -	\$ (3,967,431)	\$ -	\$ -
Judicial administration	1,653,498	369,159	558,944	-	(725,395)	-	(725,395)	-	-
Public safety	10,401,870	717,286	1,608,153	220,031	(7,856,400)	-	(7,856,400)	-	-
Public works	2,126,022	101,822	46,304	222,682	(1,755,214)	-	(1,755,214)	-	-
Health and welfare	3,088,212	-	1,550,033	-	(1,538,179)	-	(1,538,179)	-	-
Education	14,609,161	-	-	-	(14,609,161)	-	(14,609,161)	-	-
Parks, recreation, and cultural	815,284	358,905	30,000	-	(426,379)	-	(426,379)	-	-
Community development	1,628,657	999	64,351	-	(1,563,307)	-	(1,563,307)	-	-
Interest and other debt related costs	3,415,662	-	-	-	(3,415,662)	-	(3,415,662)	-	-
Total governmental activities	41,946,989	1,548,171	4,098,977	442,713	(35,857,128)	-	(35,857,128)	-	-
Business-type activities									
Water and sewer	3,952,777	4,700,134	-	-	-	747,357	747,357	-	-
Bottom's Bridge	837,766	603,400	-	-	-	(234,366)	(234,366)	-	-
Total business-type activities	4,790,543	5,303,534	-	-	-	512,991	512,991	-	-
Total primary government	\$ 46,737,532	\$ 6,851,705	\$ 4,098,977	\$ 442,713	\$ (35,857,128)	\$ -	\$ (35,344,137)	\$ -	\$ -
<b>Component Units:</b>									
School Board	\$ 28,363,430	\$ 1,310,890	\$ 16,392,643	\$ -	\$ -	\$ -	\$ -	\$ (10,659,897)	\$ -
Economic Development Authority	112,893	-	10,000	-	-	-	-	-	(102,893)
Total component units	\$ 28,476,323	\$ 1,310,890	\$ 16,402,643	\$ -	\$ -	\$ -	\$ -	\$ (10,659,897)	\$ (102,893)
General revenues:									
General property taxes					\$ 28,017,446	\$ 281,546	\$ 28,298,992	\$ -	\$ -
Local sales and use					1,555,073	-	1,555,073	-	-
Taxes on recordation and wills					426,187	-	426,187	-	-
Business license tax					801,120	-	801,120	-	-
Vehicle registration tax					567,995	-	567,995	-	-
Meals tax					807,681	-	807,681	-	-
Other local taxes					392,039	-	392,039	-	-
Unrestricted revenues from use of money and property					558,206	-	558,206	11,169	-
Interest					-	58,839	58,839	-	842
Miscellaneous					817,821	10,258	828,079	115,209	-
Grants and contributions not restricted to specific programs					2,968,427	-	2,968,427	-	-
County contribution					-	-	-	13,042,692	60,000
Transfers in (out), net					625	(625)	-	-	-
Total general revenues and transfers					36,912,620	350,018	37,262,638	13,169,070	60,842
Change in net position					1,055,492	863,009	1,918,501	2,509,173	(42,051)
NET POSITION AT JULY 1, as restated					48,388,093	71,187,238	119,575,331	(140,211)	997,302
NET POSITION AT JUNE 30					\$ 49,443,585	\$ 72,050,247	\$ 121,493,832	\$ 2,368,962	\$ 955,251

## COUNTY OF NEW KENT, VIRGINIA

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

	<b>General</b>	<b>Airport</b>	<b>Debt Service</b>	<b>County Capital Improvements</b>	<b>Human Services</b>	<b>Total</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 8,782,862	\$ 99,491	\$ 8,243	\$ 16,257,348	\$ -	\$ 25,147,944
Receivables, net:						
Taxes receivable	2,040,908	-	-	-	-	2,040,908
Accounts receivable	304,459	13,891	-	29,959	-	348,309
Due from other funds	34,345	-	-	-	-	34,345
Due from other governments	781,840	-	-	-	134,007	915,847
Prepaid items	508,094	16,421	-	87,650	706	612,871
Total assets	<u>\$ 12,452,508</u>	<u>\$ 129,803</u>	<u>\$ 8,243</u>	<u>\$ 16,374,957</u>	<u>\$ 134,713</u>	<u>\$ 29,100,224</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 213,162	\$ 22,076	\$ -	\$ 379,697	\$ 99,818	\$ 714,753
Accrued liabilities	108,456	862	-	-	550	109,868
Due to other funds	-	-	-	-	34,345	34,345
Unearned revenue	52,742	-	-	-	-	52,742
Deposits held in escrow	-	1,200	-	271,912	-	273,112
Total liabilities	<u>374,360</u>	<u>24,138</u>	<u>-</u>	<u>651,609</u>	<u>134,713</u>	<u>1,184,820</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	<u>1,961,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,961,215</u>
<b>FUND BALANCES</b>						
Nonspendable	508,094	16,421	\$ -	87,650	706	612,871
Restricted	29,215	-	-	-	-	29,215
Committed	81,050	-	8,243	15,635,698	-	15,724,991
Assigned	-	89,244	-	-	-	89,244
Unassigned	9,498,574	-	-	-	(706)	9,497,868
Total fund balances	<u>10,116,933</u>	<u>105,665</u>	<u>8,243</u>	<u>15,723,348</u>	<u>-</u>	<u>25,954,189</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,452,508</u>	<u>\$ 129,803</u>	<u>\$ 8,243</u>	<u>\$ 16,374,957</u>	<u>\$ 134,713</u>	<u>\$ 29,100,224</u>

## COUNTY OF NEW KENT, VIRGINIA

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

<b>Total fund balances - Governmental Funds</b>		\$ 25,954,189
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Nondepreciable	4,193,443	
Depreciable, net	<u>74,906,911</u>	79,100,354
Deferred inflows of resources (i.e. taxes levied) are not available to pay for current period expenditures and, therefore, are deferred in the funds.		1,852,647
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	1,239,546	
Deferred inflows of resources related to pensions	<u>(7,981)</u>	1,231,565
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	(52,006,826)	
Bond issuance premium, net of accumulated amortization	(3,505,459)	
Capital lease and other long term obligation	(1,622,712)	
Deferred charge on refundings, net of accumulated amortization	2,082,809	
Interest payable	(652,552)	
Net pension Liability	(2,180,442)	
Compensated absences	<u>(809,988)</u>	(58,695,170)
<b>Net position of governmental activities</b>		<u><u>\$ 49,443,585</u></u>

## COUNTY OF NEW KENT, VIRGINIA

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

	<b>General</b>	<b>Airport</b>	<b>Debt Service</b>	<b>County Capital Improvements</b>	<b>Human Services</b>	<b>Total</b>
<b>REVENUES</b>						
General property taxes	\$ 28,181,751	\$ -	\$ -	\$ -	\$ -	\$ 28,181,751
Other local taxes	4,551,333	-	-	-	-	4,551,333
Permits, privilege fees, and regulatory licenses	706,972	-	-	-	-	706,972
Fines and forfeitures	230,561	-	-	-	-	230,561
Revenue from the use of money and property	461,072	92,748	-	4,387	-	558,207
Charges for services	534,491	75,265	-	-	-	609,756
Miscellaneous	514,458	-	-	318,944	10,424	843,826
Recovered costs	427,766	-	-	-	-	427,766
Intergovernmental revenues:						
Commonwealth	5,189,420	46,304	-	220,031	601,517	6,057,272
Federal	776,036	222,682	-	-	-	998,718
Total revenues	<u>41,573,860</u>	<u>436,999</u>	<u>-</u>	<u>543,362</u>	<u>611,941</u>	<u>43,166,162</u>
<b>EXPENDITURES</b>						
Current:						
General government administration	3,510,891	-	-	-	-	3,510,891
Judicial administration	1,469,075	-	-	-	-	1,469,075
Public safety	8,131,676	-	-	-	-	8,131,676
Public works	1,482,814	184,221	-	-	-	1,667,035
Health and welfare	1,681,100	-	-	-	1,321,258	3,002,358
Education	12,786,792	-	-	265,500	-	13,052,292
Parks, recreation, and cultural	735,648	-	-	-	-	735,648
Community development	1,017,152	-	-	-	-	1,017,152
Capital projects	-	269,901	-	6,241,124	-	6,511,025
Debt service:						
Principal retirement	-	-	5,477,112	-	-	5,477,112
Bond issuance cost	-	-	39,582	-	-	39,582
Interest and other fiscal charges	-	-	2,097,463	-	-	2,097,463
Total expenditures	<u>30,815,148</u>	<u>454,122</u>	<u>7,614,157</u>	<u>6,506,624</u>	<u>1,321,258</u>	<u>46,711,309</u>
Excess (deficiency) of revenues over expenditures	<u>10,758,712</u>	<u>(17,123)</u>	<u>(7,614,157)</u>	<u>(5,963,262)</u>	<u>(709,317)</u>	<u>(3,545,147)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of refunding bond	-	-	1,919,000	-	-	1,919,000
Issuance of debt	-	-	-	2,246,000	-	2,246,000
Transfers in	88,124	37,912	6,322,651	4,542,183	709,317	11,700,187
Transfers out	(9,889,313)	-	(1,716,749)	(93,500)	-	(11,699,562)
Total other financing sources (uses)	<u>(9,801,189)</u>	<u>37,912</u>	<u>6,524,902</u>	<u>6,694,683</u>	<u>709,317</u>	<u>4,165,625</u>
Net change in fund balances	<u>957,523</u>	<u>20,789</u>	<u>(1,089,255)</u>	<u>731,421</u>	<u>-</u>	<u>620,478</u>
<b>FUND BALANCES AT JULY 1</b>	<u>9,159,410</u>	<u>84,876</u>	<u>1,097,498</u>	<u>14,991,927</u>	<u>-</u>	<u>25,333,711</u>
<b>FUND BALANCES AT JUNE 30</b>	<u>\$ 10,116,933</u>	<u>\$ 105,665</u>	<u>\$ 8,243</u>	<u>\$ 15,723,348</u>	<u>\$ -</u>	<u>\$ 25,954,189</u>

## COUNTY OF NEW KENT, VIRGINIA

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

<b>Net Change in Fund Balance - Governmental Funds</b>		\$ 620,478
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	5,705,320	
Depreciation expense	(3,318,463)	
Allocation of jointly owned assets, net	<u>(2,122,768)</u>	
		264,089
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the property sold.		
		(154,784)
Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Employer pension contributions	657,809	
Pension Expense	<u>(624,938)</u>	
		32,871
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		
		(164,305)
The following transactions affecting long-term debt (provide) consume current financial resources of governmental funds. However, the transactions have no effect on net position:		
Issuance of refunding bonds	(4,165,000)	
Proceeds from capital lease	(1,559,726)	
Payments of principal on long-term obligations	<u>5,985,734</u>	
		261,008
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	(84,975)	
Change in interest payable	42,872	
Amortization of deferred amounts on refunding	(337,014)	
Amortization of premium on bonds payable	<u>575,252</u>	
		<u>196,135</u>
<b>Changes in net position of governmental activities</b>		<u><u>\$ 1,055,492</u></u>



## COUNTY OF NEW KENT, VIRGINIA

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2017**

	<b>Enterprise Funds</b>		
	<b>Water &amp; Sewer</b>	<b>Bottom's Bridge</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 9,034,423	\$ -	\$ 9,034,423
Receivables, net:			
Taxes receivable	-	32,495	32,495
Accounts receivable	841,601	-	841,601
Prepaid items	57,091	-	57,091
Total current assets	9,933,115	32,495	9,965,610
Noncurrent assets:			
Capital assets:			
Infrastructure	55,816,221	20,733,848	76,550,069
Land	1,434,314	1,253,041	2,687,355
Water production and distribution facilities	6,065,399	-	6,065,399
Machinery and equipment	4,432,629	-	4,432,629
Intangible assets	147,195	-	147,195
Construction in progress	508,538	-	508,538
Accumulated depreciation	(10,108,785)	(2,870,840)	(12,979,625)
Total noncurrent assets	58,295,511	19,116,049	77,411,560
Total assets	68,228,626	19,148,544	87,377,170
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on bond refunding	-	890,715	890,715
Items related to measurement of net pension liability	155,453	-	155,453
Total deferred outflows of resources	155,453	890,715	1,046,168
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	170,587	-	170,587
Accrued interest payable	6,607	139,545	146,152
Unearned revenue	69,750	-	69,750
Deposits held in escrow	256,568	-	256,568
Compensated absences - current portion	99,304	-	99,304
Bonds payable - current portion	65,650	633,085	698,735
Total current liabilities	668,466	772,630	1,441,096
Noncurrent liabilities:			
Compensated absences - net of current portion	21,976	-	21,976
Bonds payable - net of current portion	907,688	13,654,495	14,562,183
Capital lease payable	59,600	-	59,600
Net pension liability	287,193	-	287,193
Total noncurrent liabilities	1,276,457	13,654,495	14,930,952
Total liabilities	1,944,923	14,427,125	16,372,048
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Items related to measurement of net pension liability	1,043	-	1,043
<b>NET POSITION</b>			
Net investment in capital assets	57,262,573	5,719,184	62,981,757
Unrestricted	9,175,540	(107,050)	9,068,490
Total net position	\$ 66,438,113	\$ 5,612,134	\$ 72,050,247

**EXHIBIT 8****COUNTY OF NEW KENT, VIRGINIA****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS****Year Ended June 30, 2017**

	<b>Enterprise Funds</b>		
	<b>Water &amp; Sewer</b>	<b>Bottom's Bridge</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services:			
Water and sewer revenues	\$ 3,386,672	\$ -	\$ 3,386,672
Other revenues	200,846	-	200,846
Total operating revenues	3,587,518	-	3,587,518
<b>OPERATING EXPENSES</b>			
Personnel services	974,304	-	974,304
Fringe benefits	309,066	-	309,066
Contractual services	610,087	-	610,087
Other charges	730,383	-	730,383
Depreciation	1,226,347	318,982	1,545,329
Total operating expenses	3,850,187	318,982	4,169,169
Operating loss	(262,669)	(318,982)	(581,651)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Connection and reconnections fees	863,096	603,400	1,466,496
Investment income	58,839	-	58,839
Availability fees	249,520	-	249,520
Miscellaneous	10,258	-	10,258
Loss on disposal of assets	(82,032)	-	(82,032)
Tax revenue	-	281,546	281,546
Interest expense	(20,558)	(518,784)	(539,342)
Total non-operating revenues (expenses)	1,079,123	366,162	1,445,285
Income before transfers	816,454	47,180	863,634
Transfers In	-	154,733	154,733
Transfers Out	(155,358)	-	(155,358)
Change in net position	661,096	201,913	863,009
<b>NET POSITION AT JULY 1</b>	65,777,017	5,410,221	71,187,238
<b>NET POSITION AT JUNE 30</b>	\$ 66,438,113	\$ 5,612,134	\$ 72,050,247

**EXHIBIT 9**
**COUNTY OF NEW KENT VIRGINIA**
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**Year Ended June 30, 2017**

	<b>Enterprise Funds</b>		
	<b>Water &amp; Sewer</b>	<b>Bottom's Bridge</b>	<b>Total</b>
<b>OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 3,358,504	\$ -	\$ 3,358,504
Payments to suppliers	(1,586,562)	-	(1,586,562)
Payments to employees	(965,176)	-	(965,176)
Net cash provided by operating activities	806,766	-	806,766
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	(155,358)	-	(155,358)
Transfers from other funds	-	154,733	154,733
Other revenue	10,258	279,114	289,372
Net cash provided by (used for) noncapital financing activities	(145,100)	433,847	288,747
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(328,471)	-	(328,471)
Principal payments on bonds and capital lease	(64,544)	(465,000)	(529,544)
Proceeds from disposal of assets	2,410	-	2,410
Connection and availability fees	1,112,616	603,400	1,716,016
Interest expense	(20,920)	(572,247)	(593,167)
Net cash provided by (used in) capital and related financing activities	701,091	(433,847)	267,244
<b>INVESTING ACTIVITIES</b>			
Investment income	58,839	-	58,839
Net cash provided by investing activities	58,839	-	58,839
Net increase in cash and cash equivalents	1,421,596	-	1,421,596
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning at July 1	7,612,827	-	7,612,827
Ending at June 30	\$ 9,034,423	\$ -	\$ 9,034,423
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating loss	\$ (262,669)	\$ (318,982)	\$ (581,651)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense	1,226,347	318,982	1,545,329
Pension expense net of employer contributions	(5,458)	-	(5,458)
Change in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(233,913)	-	(233,913)
Prepaid items	(583)	-	(583)
(Decrease) increase in:			
Accounts payable	63,556	-	63,556
Unearned revenue	(9,300)	-	(9,300)
Deposits	14,200	-	14,200
Compensated absences	14,586	-	14,586
Net cash provided by operating activities	\$ 806,766	\$ -	\$ 806,766
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital asset additions financed by capital lease	\$ 83,440	\$ -	\$ 83,440

**COUNTY OF NEW KENT, VIRGINIA**

**STATEMENT OF FIDUCIARY NET POSITION**

**AGENCY FUNDS**

**June 30, 2017**

	<u><b>Agency Funds</b></u>
<b>ASSETS</b>	
Cash and cash equivalents (Note 3)	\$ 10,904
Total assets	<u>\$ 10,904</u>
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 10,904
Total liabilities	<u>\$ 10,904</u>

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**A. Financial Reporting Entity**

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

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

**B. Individual Component Unit Disclosures**

*Discretely Presented Component Units*

The School Board members are elected by the citizens of New Kent County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The School Board does not issue a separate financial report. Additionally, the School Board provides a potential benefit or burden to the County, and cannot be included as part of another financial reporting entity. The County not only provides financial support to the School Board but also is responsible for any debt or financial obligation. The financial statements of the School Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2017.

The New Kent County Economic Development Authority (EDA) is responsible for industrial and commercial development in the County. The Authority consists of five members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the EDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2017. The Authority does not issue a separate financial report.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**C. Other Related Organizations**

*The Central Virginia Waste Management Authority*

The Central Virginia Waste Management Authority (the “Waste Authority”) was established in December 1990 under the provision of the Virginia Water and Sewer Authorities Act (Ch. 31, Title 15.2, *Code of Virginia*). The Waste Authority’s board is comprised of representatives from the cities of Petersburg, Hopewell, Colonial Heights, and Richmond, the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George and the Town of Ashland. The 20 member board is comprised of no less than one and up to no more than three members from each of the participating jurisdictions, determined on a population basis. The County has one representative on the board. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Except for contribution requirements and direct payments for special projects, no participant has any on-going financial interest or responsibility in the Waste Authority. The County’s contribution and direct payments for special projects for the year ended June 30, 2017 was \$320,980. Complete financial statements can be obtained from the Authority’s office at 2100 West Laburnum Avenue, Suite 105, Richmond, Virginia 23227.

*Middle Peninsula Juvenile Detention Commission*

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

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

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

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

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

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

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

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

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

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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



**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

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

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

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

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

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

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

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Governmental Funds (Continued)**

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

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

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

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

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

3. **Fiduciary Funds – (Trust and Agency Funds)** – account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. Agency Funds utilize the accrual basis of accounting, but do not have a measurement focus. Fiduciary funds are not included in the government-wide financial statements. The County's Agency Funds include amounts held for others in a fiduciary capacity, which includes social services clients. Agency Funds include the Special Welfare Fund and the Supplemental Security Income (SSI) Dedicated Fund.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

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

**E. Cash and Cash Equivalents**

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

**F. Investments**

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

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

**G. Receivables and Payables**

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$302,108 at June 30, 2017 and is comprised of property taxes of \$290,319 and water and sewer receivables of \$11,789.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

**H. Capital Assets**

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There is no capitalized interest for the year June 30, 2017.

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

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

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**I. Prepaid Items**

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

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

**J. Restricted Assets**

The County reports restricted fund balance on the balance sheet in the amount of \$29,215, which represents E-911 wireless, Litter Control and asset forfeiture funds.

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

In addition to assets, the statements that present net position reports a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. The County has the following items that qualify for reporting in this category:

- Deferred loss on refunding. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Due to the relationship with outstanding debt, these deferred outflows are included in the calculation of net position, net investment in capital assets.
- Contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension liability. This difference will be recognized in pension expense over the closed five year period.
- Difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over the closed five year period.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

In addition to liabilities, the statements that present financial position report a separate section for deferred inflows of resources. These items represent an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has the following items that qualify for reporting in this category:

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

**L. Compensated Absences**

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

**M. Long-term Obligations**

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

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

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**N. Pensions**

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

**O. Use of Estimates**

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

**P. Net Position**

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

**Q. Net Position Flow Assumption**

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

**R. Fund Equity**

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

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



**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**R. Fund Equity (Continued)**

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

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

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

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

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

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

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



**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**R. Fund Equity (Continued)**

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

	<b>General Fund</b>	<b>Airport Fund</b>	<b>Debt Service Fund</b>	<b>County Capital Improvements Fund</b>	<b>Other Governmental Fund</b>	<b>Total</b>
<b>Fund Balances:</b>						
Nonspendable:						
Prepaid items	\$ 508,094	\$ 16,421	\$ -	\$ 87,650	\$ 706	\$ 612,871
Total Nonspendable Fund Balances	508,094	16,421	-	87,650	706	612,871
<b>Restricted</b>						
Public safety	27,812	-	-	-	-	27,812
Public works	1,403	-	-	-	-	1,403
Total Restricted Fund Balance	29,215	-	-	-	-	29,215
<b>Committed:</b>						
General Government	81,050	-	-	-	-	81,050
Capital projects	-	-	8,243	15,635,698	-	15,643,941
Total Committed Fund Balance	81,050	-	8,243	15,635,698	-	15,724,991
<b>Assigned:</b>						
Subsequent appropriation	-	89,244	-	-	-	89,244
Total Assigned Fund Balance	-	89,244	-	-	-	89,244
<b>Unassigned:</b>	9,498,574	-	-	-	(706)	9,497,868
Total Fund Balances	<u>\$ 10,116,933</u>	<u>\$ 105,665</u>	<u>\$ 8,243</u>	<u>\$ 15,723,348</u>	<u>\$ -</u>	<u>\$ 25,954,189</u>

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

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

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

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 3. Deposits and Investments**

**Deposits**

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

**Investments**

**Investment policy**

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

Pursuant to Sec. 2.1-234.7 of the *Code*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the carrying value of the position in LGIP and SNAP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share in accordance with GASB 79).

**Custodial credit risk**

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

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Credit Risk of Debt Securities**

The County's rated debt investments as of June 30, 2017 were rated by *Standard and Poor's* and the ratings are presented below using the *Standard and Poor's* rating scale. The County's investment policy limits investments to those allowed by the *Code of Virginia*. The County may however restrict investments beyond the limits imposed by the *Code of Virginia* as such restrictions serve the purpose of further safeguarding County funds or are in the best interest of the County.

<b>County's Rated Debt Investments' Values</b>	
<b><u>Rated Debt Investments</u></b>	<b><u>Fair Quality Ratings</u></b>
	<b><u>AAAm</u></b>
Local Government Investment Pool	<u>\$ 3,937</u>

**Interest Rate Risk**

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

**Note 4. Due From Other Governments**

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

	<b><u>Primary Government</u></b>	<b><u>Component Unit</u></b>
		<b><u>School Board</u></b>
Commonwealth of Virginia:		
State sales tax	\$ -	\$ 606,110
Department of social services	35,277	-
Constitutional officers reimbursement	127,547	-
Rental vehicle tax	853	-
E-911 wireless funds	7,504	-
Recordation tax	29,301	-
VA domestic violence victim grant	11,250	-
Victim witness grant	24,151	-
Comprehensive services	134,007	-
Communication sales tax	92,505	-
Local sales tax	292,969	-
Other state grants	30,298	-
Federal Government:		
School fund grants	-	318,506
Emergency management and response grant	27,932	-
Welfare	83,021	-
Other Federal Grants	19,232	-
Total due from other governments	<u>\$ 915,847</u>	<u>\$ 924,616</u>

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 5. Interfund Obligations**

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

	Interfund Receivables	Interfund Payables
General Fund	\$ 34,345	-
Other Governmental	-	34,345
	<u>\$ 34,345</u>	<u>\$ 34,345</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include the amount of working capital loans made to internal service funds that the general fund expects to collect in the subsequent year.

**Note 6. Capital Assets**

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

<b>Governmental Activities</b>	Beginning Balance	Transfers and Increases	Transfers and Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,313,901	\$ -	\$ -	\$ 3,313,901
Construction in progress	4,868,077	858,424	4,846,959	879,542
Total capital assets, not being depreciated	8,181,978	858,424	4,846,959	4,193,443
Capital assets, being depreciated:				
Buildings	28,592,269	990,856	-	29,583,125
Machinery and equipment	13,102,612	5,496,040	1,983,846	16,614,806
Capital improvements	2,573,376	1,740,073	-	4,313,449
Intangible assets	111,361	1,466,886	-	1,578,247
Jointly owned assets - buildings	55,080,592	-	2,797,440	52,283,152
Total capital assets being depreciated	99,460,210	9,693,855	4,781,286	104,372,779
Accumulated depreciation:				
Buildings	6,466,563	835,016	-	7,301,579
Machinery and equipment	8,930,737	1,216,788	1,829,062	8,318,463
Capital improvements	1,029,361	117,647	-	1,147,008
Intangible assets	48,973	27,839	-	76,812
Jointly owned assets - buildings	12,175,505	1,121,173	674,672	12,622,006
Total accumulated depreciation	28,651,139	3,318,463	2,503,734	29,465,868
Total capital assets, being depreciated, net	70,809,071	6,375,392	2,277,552	74,906,911
Governmental activities capital assets, net	<u>\$ 78,991,049</u>	<u>\$ 7,233,816</u>	<u>\$ 7,124,511</u>	<u>\$ 79,100,354</u>

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 6. Capital Assets (Continued)**

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

<b>Business-type activities:</b>	<b>Beginning Balance</b>	<b>Transfers and Increases</b>	<b>Transfers and Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 2,695,355	\$ -	\$ 8,000	\$ 2,687,355
Construction in progress	226,941	281,597	-	508,538
Total capital assets, not being depreciated	2,922,296	281,597	8,000	3,195,893
Capital assets, being depreciated:				
Water production and distribution	6,065,398	-	-	6,065,398
Machinery and equipment	4,482,916	51,842	102,128	4,432,630
Intangible assets	68,722	78,473	-	147,195
Infrastructure	76,650,337	-	100,268	76,550,069
Total capital assets being depreciated	87,267,373	130,315	202,396	87,195,292
Accumulated depreciation:				
Water production and distribution	1,981,081	135,865	-	2,116,946
Machinery and equipment	2,075,763	212,673	85,076	2,203,360
Intangible assets	-	17,180	-	17,180
Infrastructure	7,503,405	1,179,611	40,877	8,642,139
Total accumulated depreciation	11,560,249	1,545,329	125,953	12,979,625
Total capital assets, being Depreciated. net	75,707,124	(1,415,015)	76,443	74,215,667
Business-type activities capital assets, net	<u>\$ 78,629,420</u>	<u>\$ (1,133,417)</u>	<u>\$ 84,443</u>	<u>\$ 77,411,560</u>

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 6. Capital Assets (Continued)**

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

<b>Component Unit – School Board:</b>	<b>Beginning Balance</b>	<b>Transfers and Increases</b>	<b>Transfers and Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 2,022,600	\$ -	\$ -	\$ 2,022,600
Construction in progress	10,022	-	-	10,022
Total capital assets, not being depreciated	2,032,622	-	-	2,032,622
Capital assets, being depreciated:				
Buildings	1,170,803	11,213	-	1,182,016
Jointly owned assets - buildings	24,825,634	2,797,440	36,756	27,586,318
Machinery and equipment	6,047,620	708,086	397,312	6,358,394
Total capital assets being depreciated	32,044,057	3,516,739	434,068	35,126,728
Accumulated depreciation:				
Buildings	132,529	46,588	-	179,117
Jointly owned assets - buildings	5,487,679	1,180,001	27,200	6,640,480
Machinery and equipment	4,497,103	474,245	397,312	4,574,036
Total accumulated depreciation	10,117,311	1,700,834	424,512	11,393,633
Total capital assets, being Depreciated, net	21,926,746	1,815,905	9,556	23,733,095
School Board capital assets, net	\$ 23,959,368	\$ 1,815,905	\$ 9,556	\$ 25,765,717

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$ 178,766
Judicial administration	149,270
Public safety	1,061,418
Public works	417,012
Health and welfare	76,921
Education	1,121,174
Parks, recreation, and cultural	55,867
Community development	258,035
Total Governmental activities	\$ 3,318,463

Component Unit School Board	\$ 1,700,834
-----------------------------	--------------

Business-type Activities

Water and sewer	\$ 1,226,347
Bottom's Bridge	318,982
Total Business-type activities	\$ 1,545,329

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 6. Capital Assets (Continued)**

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the *Code of Virginia*, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of New Kent, Virginia for the year ended June 30, 2017, is that school financed assets in the amount of \$40,107,647 are reported in the Primary Government for financial reporting purposes.

**Note 7. Interfund Transfers**

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

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General	\$ 88,124	\$ 9,889,313
Human Services	709,317	-
County Capital Improvements	4,542,183	93,500
Debt Service	6,322,651	1,716,749
Airport	37,912	-
	<u>11,700,187</u>	<u>11,699,562</u>
Total Governmental Funds		
Enterprise Funds:		
Water and Sewer	-	155,358
Bottom’s Bridge	154,733	-
	<u>154,733</u>	<u>155,358</u>
Total Enterprise Funds		
	<u>154,733</u>	<u>155,358</u>
Total Primary Government	<u>\$ 11,854,920</u>	<u>\$ 11,854,920</u>
Component Unit – School Board:		
School Operating	\$ -	\$ 132,879
Textbook	132,879	-
	<u>132,879</u>	<u>-</u>
Total Component Unit – School Board Funds	<u>\$ 132,879</u>	<u>\$ 132,879</u>



**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 7. Interfund Transfers (Continued)**

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

**Governmental Funds:**

The largest interfund transfers out were the General Fund's support of the Debt Service and the County Capital Improvements Fund in the amount of \$6,322,651 and \$4,542,183, respectively. The Debt Service Fund is used to account for financial resources committed for the retirement of outstanding debt in accordance with existing amortization tables. All County debt (excluding the Enterprise Fund) is paid from the Debt Service Fund. The General Fund supports the Debt Service Fund through real estate tax and other local taxes collections.

The transfer out of the County Capital Improvements Fund (\$93,500) consists of transfers to the Computer Fund (included with the General Fund) (\$56,700), Airport Fund (\$6,000) and the transfer to the General Fund (\$30,800).

The majority of the transfers in were funds transferred from the General Fund to the other Funds. The largest, as discussed above, is to the Debt Service Fund and the County Capital Improvements Fund. The General Fund also supports the Airport Fund with local funds which totaled \$37,912. The remaining transfers consist of the County's support of Human Services.

**Enterprise Funds:**

The Enterprise Funds made a transfer between Water and Sewer and Bottom's Bridge. The Bottom's Bridge District was established in 2004 as a financing vehicle to provide resources for the construction of water and sewer facilities in the Bottom's Bridge area. Excluding water and sewer volume fees, all revenues collected in the District are legally dedicated to the payment of debt service on the original construction bonds. Because the District did not collect enough funds to pay the debt service, the Water and Sewer Fund provided \$154,733 in additional support.

**Component Unit – School Board:**

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

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 8. Long-Term Obligations**

**Primary Government:**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Governmental Activities</u></b>					
<b>Incurred by County:</b>					
Compensated absences	\$ 725,013	\$ 867,377	\$ (782,402)	\$ 809,988	\$ 663,218
Net pension liability	1,253,660	926,782	-	2,180,442	-
Lease revenue bonds	10,413,851	4,165,000	(2,679,672)	11,899,179	962,558
Capital Lease	-	1,559,726	(222,818)	1,336,908	222,818
Bond premium	384,477	-	(53,547)	330,930	51,009
Total incurred by County	12,777,001	7,518,885	(3,738,439)	16,557,447	1,899,603
<b>Incurred by School Board:</b>					
General obligation bonds	9,548,336	-	(821,510)	8,726,826	826,765
Lease revenue bonds	33,356,751	-	(1,975,930)	31,380,821	2,034,442
Other long-term obligations*	571,608	-	(285,804)	285,804	285,804
Bond premium	3,696,234	-	(521,705)	3,174,529	495,248
Total incurred by School Board	47,169,929	-	(3,604,949)	43,567,980	3,642,259
Total Governmental Activities	\$ 59,946,930	\$ 7,518,885	\$ (7,343,388)	\$ 60,125,427	\$ 5,541,862
<b><u>Business-Type Activities</u></b>					
Compensated absences	\$ 106,694	\$ 108,354	\$ (93,768)	\$ 121,280	\$ 99,304
Net pension liability	168,536	118,657	-	287,193	-
Capital lease	-	83,440	(11,920)	71,520	11,920
Lease revenue bonds	14,624,042	-	(517,624)	14,106,418	538,730
Bond premium	1,298,104	-	(155,524)	1,142,580	148,085
	\$ 16,197,376	\$ 310,451	\$ (778,836)	\$ 15,728,991	\$ 798,039

\*— In prior year, the County purchased laptops for use at the Schools. While these purchases did not individually meet the capitalization threshold for recording a capital asset, the purchase resulted in a multi-year obligation with the vendor. Beginning net position for the governmental activities was restated and decreased \$571,608 at June 30, 2016 to show this previously unrecorded obligation.

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

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

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 8. Long-Term Obligations (Continued)**

**Primary Government: (Continued)**

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

<b>Year Ending June 30</b>	<b>County Obligations</b>		<b>Capital Lease</b>	
	<b>Lease Revenue Bonds</b>		<b>Governmental Activities</b>	<b>Business-Type Activities</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal Only</b>	
2018	\$ 962,558	\$ 322,177	\$ 222,218	\$ 11,920
2019	985,544	299,252	222,218	11,920
2020	1,010,526	273,657	222,218	11,920
2021	1,039,503	244,382	222,218	11,920
2022	1,070,977	213,716	222,218	11,920
2023-2027	5,292,959	580,084	225,818	11,920
2028-2032	1,537,112	67,719	-	-
Total	<u>\$ 11,899,179</u>	<u>\$ 2,000,987</u>	<u>\$ 1,336,908</u>	<u>\$ 71,520</u>

<b>Year Ending June 30</b>	<b>School Obligations</b>			
	<b>General Obligation Bond</b>		<b>Lease Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 826,765	\$ 397,201	\$ 2,034,442	\$ 1,259,115
2019	830,897	357,876	2,097,456	1,198,740
2020	835,474	318,106	2,178,474	1,117,593
2021	840,284	278,104	2,286,497	1,006,441
2022	845,807	237,388	2,408,023	886,144
2023-2027	4,174,610	586,238	13,989,041	2,494,869
2028-2032	372,989	9,511	6,386,888	205,911
Total	<u>\$ 8,726,826</u>	<u>\$ 2,184,424</u>	<u>\$ 31,380,821</u>	<u>\$ 8,168,813</u>

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 8. Long-Term Obligations (Continued)**

**Primary Government: (Continued)**

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

<u>Year Ending June 30</u>	<u>Enterprise Obligations</u>	
	<u>Lease</u>	
	<u>Revenue Bond</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 538,730	\$ 566,292
2019	559,859	540,570
2020	591,011	512,842
2021	622,188	483,553
2022	658,389	452,599
2023-2027	3,735,872	1,759,543
2028-2032	4,529,929	901,230
2033-2037	2,870,440	138,544
Total	<u>\$ 14,106,418</u>	<u>\$ 5,355,173</u>

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 8. Long-Term Obligations (Continued)**

**Primary Government: (Continued)**

Details of long-term indebtedness are as follows:

	<u>Year Issued</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities Obligations:</b>					
<b>Incurred by County:</b>					
Lease revenue Bonds					
2015 lease revenue bond	2015	2.35%	10/1/2025	\$ 4,414,000	\$ 446,000
2014 refunding lease revenue bond	2015	2.125%-5.125%	10/1/2028	3,479,179	225,558
2016a lease revenue bond	2016	2.13%	10/1/2031	2,246,000	129,000
2016b refunding lease revenue bond	2007	1.84%		1,760,000	162,000
Total incurred by County				11,899,179	962,558
<b>Incurred by School Board:</b>					
General obligation bonds					
2007 School bond	2008	5.10%	7/15/2027	3,929,155	343,548
2006 School bond	2007	4.225%-5.10%	7/15/2026	3,669,127	362,111
2005 School bond - primary school	2006	4.60%-5.10%	7/15/2025	1,128,544	121,106
Total general obligation bonds				8,726,826	826,765
Lease revenue bond					
2014 refunding lease revenue bond	2015	2.125%-5.125%	10/1/2028	31,380,821	2,034,442
Total incurred by School Board				40,107,647	2,861,207
Capital lease – financial software	2017	-0-%	2023	1,336,908	222,818
Total Governmental Activities Obligations				\$ 53,343,734	\$ 4,046,583
<b>Business-type Activities Obligations:</b>					
Lease revenue bonds					
2014 lease revenue bond	2015	2.09%	9/1/2034	\$ 961,418	\$ 53,730
2012B lease revenue bond	2012	2.279-5.125%	10/1/2029	8,065,000	455,000
2012C lease revenue bond	2012	2.172-4.839%	10/1/2034	5,080,000	30,000
Capital lease – financial software	2017	-0-%		71,520	11,920
Total Business-type Obligations				\$ 14,177,938	\$ 550,650

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 8. Long-Term Obligations (Continued)**

**Primary Government: (Continued)**

**Rate Covenant**

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

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

\*1 - Uncommitted cash at June 30th

**Component Unit – School Board:**

The following is a summary of long-term obligations of the Component Unit – School Board for the year ended June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 326,490	\$ 282,788	\$ (299,227)	\$ 310,051	\$ 284,162
Net pension liability	24,714,806	5,827,285	(2,617,202)	27,924,889	-
Other postemployment benefits	755,000	173,000	(65,000)	863,000	-
	<u>\$ 25,796,296</u>	<u>\$ 6,283,073</u>	<u>\$ (2,981,429)</u>	<u>\$ 29,097,940</u>	<u>\$ 284,162</u>

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 9. Unearned and Deferred/Unavailable Revenue**

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

Unavailable Property Tax Revenue: Revenue representing uncollected tax billings not available for funding of current expenditures totaled \$1,852,647.

Prepaid Property Taxes: Property taxes due subsequent to June 30 but paid in advance by the tax payers totaled \$108,568.

Unearned Revenue: Other miscellaneous unearned revenue consisting of unearned utility connection fees totaled \$52,742.

**Note 10. Commitments and Contingencies**

Special Purpose Grants

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

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

Construction Commitments

The following construction contracts were outstanding at June 30, 2017:

<b>Fund</b>	<b>Project</b>	<b>Contractor</b>	<b>Amount of Contract</b>	<b>Contract Outstanding At June 30, 2017</b>
Capital Projects	Historic School Campus Reno	Alpha Construction & Eng.	\$ 20,000	\$ 310
Capital Projects	NKMS Classroom Additions	Athens Building Corp.	1,065,234	107,032
Capital Projects	Fire Station #5 Construction	Evans Construction, Inc.	30,000	20,005
Water and Sewer	Metal Garage Building	Bush Construction Crop.	115,511	5,776

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 11. Risk Management**

County

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

Component Units

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

The School Board retains a portion of the risks through a self-insurance health insurance plan. Plan participants are eligible for medical benefits from the School Board health insurance internal service fund. The School Board records an estimated liability for healthcare claims liability for 2017, 2016, and 2015:

<b>Fiscal Year Ended</b>	<b>Beginning Liability</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Ending Liability</b>
June 30, 2017	\$ 308,562	\$ 3,619,447	\$ 3,587,963	\$ 340,046
June 30, 2016	259,251	3,470,913	3,421,602	308,562
June 30, 2015	248,379	3,290,656	3,279,784	259,251



**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 12. Defined Benefit Pension Plan**

**County of New Kent**

**Plan Description**

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are as follows:

**Plan 1** – Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 12. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Plan Description (Continued)**

**Plan 1 (Continued)**

- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Age 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 12. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Plan Description (Continued)**

**Plan 1 (Continued)**

- **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
  - **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
  - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
    - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
    - The member retires on disability.
    - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
    - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
    - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 12. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Plan Description (Continued)**

**Plan 2** – Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
  - **Eligibility** – Same as Plan 1.

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 12. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Plan Description (Continued)**

**Plan 2 (Continued)**

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

**Hybrid Retirement Plan** – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

- **Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
- **Retirement Contributions** – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 12. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

• **Creditable Service –**

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

• **Vesting –**

- **Defined Benefit Component** – Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
- **Defined Contributions Component** – Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.

• **Calculating the Benefit –**

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

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 12. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

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

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 12. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** –
  - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
    - Hybrid Retirement Plan members are ineligible for ported service.
    - The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
    - Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.
  - **Defined Contribution Component** – Not Applicable.

**Employees Covered by Benefit Terms**

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

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>76</u>
Inactive members:	
Vested inactive members	34
Non-vested inactive members	41
Inactive members active elsewhere in VRS	<u>79</u>
Total inactive members	154
Active members	<u>168</u>
Total covered employees	<u><u>398</u></u>



**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 12. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The political subdivision's contractually required contribution rate for the year ended June 30, 2017 was 8.72% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016.

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 \$742,030 and \$830,373 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 NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 12. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Actuarial Assumptions**

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 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 NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 12. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Long-Term Expected Rate of Return**

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

<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%

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 12. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 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**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2015	\$ 23,373,411	\$ 21,951,215	\$ 1,422,196
Changes for the year:			
Service cost	1,020,689	-	1,020,689
Interest	1,603,231	-	1,603,231
Differences between expected and actual experience	69,930	-	69,930
Contributions – employer	-	830,373	(830,373)
Contributions – employee	-	432,382	(432,382)
Net investment income	-	399,167	(399,167)
Benefit payments, including refunds of employee contributions	(940,234)	(940,234)	-
Administrative expenses	-	(13,345)	13,345
Other changes	-	(166)	166
Net changes	1,753,616	708,177	1,045,439
Balances at June 30, 2016	\$ 25,127,027	\$ 22,659,392	\$ 2,467,635

(Continued)

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 12. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

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

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

	<b><u>1.00% Decrease (6.00%)</u></b>	<b><u>Current Discount Rate (7.00%)</u></b>	<b><u>1.00% Increase (8.00%)</u></b>
Political subdivision's net pension liability (asset)	\$ 6,067,751	\$ 2,467,635	\$ (493,678)

**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 \$691,640. At June 30, 2017, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 52,663	\$ 9,024
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	600,306	-
Employer contributions subsequent to the measurement date	742,030	-
Total	<u>\$ 1,394,999</u>	<u>\$ 9,024</u>

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 12. Defined Benefit Pension Plan (Continued)**

**County of New Kent (Continued)**

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

The \$742,030 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:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2018	\$ 33,991
2019	33,990
2020	345,457
2021	230,507
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 NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 12. Defined Benefit Pension Plan (Continued)**

**School Board Nonprofessionals**

**Plan Description**

All full-time, salaried permanent non-professional employees (non-teachers) of the New Kent County Schools, (the "School division") are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service. The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. The plan provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described earlier in this note in relation to the County plan.

**Employees Covered by Benefit Terms**

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

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>44</u>
Inactive members:	
Vested inactive members	17
Non-vested inactive members	40
Inactive members active elsewhere in VRS	<u>19</u>
Total inactive members	76
Active members	<u>50</u>
Total covered employees	<u><u>170</u></u>

**Contributions**

The school division's contractually required contribution rate for the year ended June 30, 2017 was 6.48% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016.

Contributions to the pension plan from the school division were \$83,158 and \$79,204 for the years ended June 30, 2017 and June 30, 2016, respectively.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 12. Defined Benefit Pension Plan (Continued)**

**School Board Nonprofessionals (Continued)**

**Changes in Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2015	\$ 4,596,954	\$ 4,518,148	\$ 78,806
Changes for the year:			
Service cost	133,967	-	133,967
Interest	314,163	-	314,163
Differences between expected and actual experience	74,505	-	74,505
Contributions – employer	-	79,204	(79,204)
Contributions – employee	-	58,414	(58,414)
Net investment income	-	77,785	(77,785)
Benefit payments, including refunds of employee contributions	(217,821)	(217,821)	-
Administrative expenses	-	(2,818)	2,818
Other changes	-	(33)	33
Net changes	304,814	(5,269)	310,083
Balances at June 30, 2016	\$ 4,901,768	\$ 4,512,879	\$ 388,889

**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:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
School division's net pension liability (asset)	\$ 1,022,258	\$ 388,889	\$ (139,177)



**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 12. Defined Benefit Pension Plan (Continued)**

**School Board Nonprofessionals (Continued)**

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

For the year ended June 30, 2017, the school division recognized pension expense of \$123,671. At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 54,946	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	119,120	-
Employer contributions subsequent to the measurement date	83,158	-
Total	<u>\$ 257,224</u>	<u>\$ -</u>

The \$83,158 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:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2018	\$ 43,631
2019	15,057
2020	68,264
2021	47,114
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 NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Plan**

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

*Plan Description*

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

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described in Note 13.

***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 \$2,534,044 and \$2,091,789 for the years ended June 30, 2017 and June 30, 2016, respectively.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)**

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

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

At June 30, 2017, the school division reported a liability of \$27,536,000 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 0.19649% as compared to 0.19574% at June 30, 2015.

For the year ended June 30, 2017, the school division recognized pension expense of \$2,394,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 892,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,573,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	64,000	-
Employer contributions subsequent to the measurement date	2,534,044	-
Total	<u>\$ 4,171,044</u>	<u>\$ 892,000</u>

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)**

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

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

The \$2,534,044 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:

<u>Year Ending June 30,</u>	<u>Reduction to Pension Expense</u>
2018	\$ (158,000)
2019	(158,000)
2020	680,000
2021	431,000
2022	(50,000)
Thereafter	-

*Net Pension Liability*

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

	<u><b>Teacher Employee Retirement Plan</b></u>
Total Pension Liability	\$ 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%

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)**

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

*Net Pension Liability (Continued)*

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

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

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

	<b><u>1.00% Decrease (6.00%)</u></b>	<b><u>Current Discount Rate (7.00%)</u></b>	<b><u>1.00% Increase (8.00%)</u></b>
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	\$ 39,253,000	\$ 27,536,000	\$ 17,884,000

*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 14. Deferred Compensation Plan**

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

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 15. Other Postemployment Benefits**

**Health Insurance**

**A. Plan Description**

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

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

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

**B. Funding Policy**

Health benefits include medical and dental. The retirees are responsible for 100% of the premiums. Benefits end at the age of 65. The Schools currently have 12 retirees and 1 spouse on their plan.

**C. Annual OPEB Cost and Net OPEB Obligation**

The School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The School Board has elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with GASB parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 15. Other Postemployment Benefits (Continued)**

**Health Insurance (Continued)**

**C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the School Board. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation to the Retiree Health Plan:

	<b><u>SCHOOL BOARD</u></b>
Annual required contribution	\$ 180,000
Interest on net OPEB obligation	26,000
Adjustment to annual required contribution	<u>(33,000)</u>
Annual OPEB cost (expense)	173,000
Contributions made	<u>(65,000)</u>
Increase in net OPEB obligation	108,000
Net OPEB obligation-beginning of year	<u>755,000</u>
Net OPEB obligation-end of year	<u><u>\$ 863,000</u></u>

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the preceding two years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
School Board:			
6/30/2017	\$ 173,000	37.57%	\$ 863,000
6/30/2016	175,000	50.86%	755,000
6/30/2015	166,000	45.18%	669,000

**Funded Status and Funding Progress**

At July 1, 2016, the start of the most recent actuarial report, the School Board's actuarial accrued liability for benefits was \$1,901,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$17,018,000, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11.17 percent.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 15. Other Postemployment Benefits (Continued)**

**Health Insurance (Continued)**

**C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

**Funded Status and Funding Progress (Continued)**

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

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

**Cost Method**

In the July 1, 2014 actuarial valuation, the projected unit credit method, with linear pro-rata to assumed benefit commencement was used. The unfunded liability is amortized over 30 years as a level percentage of pay.

The following simplifying assumptions were made:

*Retirement age for active employees* – Retirement age was estimated based on tables used for the VRS pension valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.

*Mortality* – Life expectancies were based on mortality tables from the RP-2014 Combined Healthy mortality tables for males and females.

*Coverage elections* – The actuarial assumed that 30% of eligible retirees who qualify will elect coverage.

Based on the historical and expected returns of the School Board's short-term investment portfolio, a discount of 3.50% was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2015 was twenty-three years.



**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 15. Other Postemployment Benefits (Continued)**

**VRS Health Insurance Credit**

**D. Plan Description**

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the *Code of Virginia*. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 13.

**E. Funding Policy**

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2017, 2016, and 2015 were \$190,032, \$157,928, and \$155,015, respectively and equaled the required contributions for each year.

**Note 16. Subsequent Events**

In September 2017, the County authorized the issuance of \$3.2 million lease revenue Bonds for the purchase of new fire apparatus to replace existing fleet vehicles.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 17. 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.

**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.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 17. New Accounting Standards (Continued)**

**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.

**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.

**COUNTY OF NEW KENT, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 17. New Accounting Standards (Continued)**

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

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
General property taxes	\$ 27,362,804	\$ 27,492,904	\$ 28,181,751	\$ 688,847
Other local taxes	4,077,684	4,077,684	4,551,333	473,649
Permits, privilege fees, and regulatory licenses	460,495	460,495	706,972	246,477
Fines and forfeitures	270,400	270,400	230,561	(39,839)
Revenue from the use of money and property	467,700	467,700	461,072	(6,628)
Charges for services	514,160	524,582	534,491	9,909
Miscellaneous	181,800	427,051	514,458	87,407
Recovered costs	354,000	394,105	427,766	33,661
Intergovernmental revenues:				
Commonwealth	5,717,766	5,898,487	5,189,420	(709,067)
Federal	-	120,086	776,036	655,950
Total revenues	<u>39,406,809</u>	<u>40,133,494</u>	<u>41,573,860</u>	<u>1,440,366</u>
<b>EXPENDITURES</b>				
General government administration	3,458,105	3,838,747	3,510,891	327,856
Judicial administration	1,545,139	1,601,312	1,469,075	132,237
Public safety	7,932,176	8,788,796	8,131,676	657,120
Public works	1,578,001	1,579,390	1,482,814	96,576
Health and welfare	1,840,049	1,877,919	1,681,100	196,819
Education	13,664,195	13,664,195	12,786,792	877,403
Parks, recreation, and cultural	774,757	834,399	735,648	98,751
Community development	1,069,605	1,091,380	1,017,152	74,228
Total expenditures	<u>31,862,027</u>	<u>33,276,138</u>	<u>30,815,148</u>	<u>2,460,990</u>
Excess of revenues over expenditures	<u>7,544,782</u>	<u>6,857,356</u>	<u>10,758,712</u>	<u>3,901,356</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	56,700	88,124	88,124	-
Transfers out	(7,187,860)	(8,009,731)	(9,889,313)	(1,879,582)
Total other financing sources (uses)	<u>(7,131,160)</u>	<u>(7,921,607)</u>	<u>(9,801,189)</u>	<u>(1,879,582)</u>
Net change in fund balance	<u>413,622</u>	<u>(1,064,251)</u>	<u>957,523</u>	<u>2,021,774</u>
<b>FUND BALANCE, JULY 1</b>	<u>(413,622)</u>	<u>1,064,251</u>	<u>9,159,410</u>	<u>8,095,159</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,116,933</u>	<u>\$ 10,116,933</u>

## COUNTY OF NEW KENT, VIRGINIA

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

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Revenue from use of money and property	\$ 85,900	\$ 88,850	\$ 92,748	\$ 3,898
Charges for services	70,800	70,800	75,265	4,465
Intergovernmental revenues:				
Commonwealth	30,354	129,298	46,304	(82,994)
Federal	270,000	787,543	222,682	(564,861)
Total revenues	457,054	1,076,491	436,999	(639,492)
<b>EXPENDITURES</b>				
Public works	194,965	205,916	184,221	21,695
Capital projects	300,000	955,491	269,901	685,590
Total expenditures	494,965	1,161,407	454,122	707,285
Excess (deficiency) of revenues over expenditures	(37,911)	(84,916)	(17,123)	67,793
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	224,965	373,864	37,912	(335,952)
Total other financing sources (uses)	224,965	373,864	37,912	(335,952)
Net change in fund balance	187,054.00	288,948	20,789	(268,159)
<b>FUND BALANCE, JULY 1</b>	84,876	84,876	84,876	-
<b>FUND BALANCE, JUNE 30</b>	\$ 271,930	\$ 373,824	\$ 105,665	\$ (268,159)



## COUNTY OF NEW KENT, VIRGINIA

**SCHEDULES OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS**  
**Year Ended June 30, 2017**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Annual Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
<b>School Board: Retiree Healthcare Plan</b>						
July 1, 2011	\$ -	\$ 1,751,000	\$ 1,751,000	0.00%	\$ 14,771,287	11.85%
July 1, 2012	-	1,118,000	1,118,000	0.00%	15,128,675	7.39%
July 1, 2013	-	1,208,000	1,208,000	0.00%	15,922,044	7.59%
July 1, 2014	-	1,580,000	1,580,000	0.00%	15,412,145	10.25%
July 1, 2015	-	1,667,000	1,667,000	0.00%	15,586,059	10.70%
July 1, 2016	-	1,901,000	1,901,000	0.00%	17,018,000	11.17%

## COUNTY OF NEW KENT, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**PRIMARY GOVERNMENT**  
**Year Ended June 30, 2017**

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

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

## COUNTY OF NEW KENT, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
 COMPONENT UNIT - SCHOOL NONPROFESSIONAL  
 Year Ended June 30, 2017

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

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

## COUNTY OF NEW KENT, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY**  
**VRS TEACHER RETIREMENT PLAN**  
**June 30, 2017**

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

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

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

## COUNTY OF NEW KENT, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**June 30, 2017**

<b>Year Ended June 30</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Primary Government</b>					
2017	\$ 742,030	\$ 742,030	\$ -	\$ 8,724,191	8.51%
2016	842,434	842,434	-	8,259,154	10.20%
2015	789,667	789,667	-	7,802,880	10.12%
2014	888,961	888,961	-	7,546,356	11.78%
2013	823,149	823,149	-	6,987,684	11.78%
2012	655,039	655,039	-	7,020,784	9.33%
2011	628,773	628,773	-	6,739,258	9.33%
2010	389,299	389,299	-	6,609,492	5.89%
2009	384,390	384,390	-	6,526,149	5.89%
2008	527,465	527,465	-	5,966,798	8.84%
<b>Schools - Nonprofessional Employees</b>					
2017	\$ 83,158	\$ 83,158	\$ -	\$ 1,318,452	6.31%
2016	86,299	80,035	(6,264)	1,159,928	6.90%
2015	93,023	85,947	(7,076)	1,250,311	6.87%
2014	122,170	122,170	-	1,454,410	8.40%
2013	111,960	111,960	-	1,332,855	8.40%
2012	87,173	87,173	-	1,263,373	6.90%
2011	80,730	80,730	-	1,170,006	6.90%
2010	59,910	59,910	-	1,165,562	5.14%
2009	79,029	79,029	-	1,537,521	5.14%
2008	56,866	56,866	-	1,418,100	4.01%
<b>Schools - Professional Employees</b>					
2017	\$ 2,534,044	\$ 2,534,044	\$ -	\$ 17,119,983	14.80%
2016	2,091,789	2,091,789	-	14,877,589	14.06%
2015	2,110,075	2,110,075	-	14,552,241	14.50%
2014	2,409,714	2,409,714	-	14,464,067	16.66%
2013	2,300,413	2,300,413	-	13,808,000	16.66%
2012	1,530,447	1,530,447	-	13,507,914	11.33%
2011	1,165,167	1,165,167	-	13,047,781	8.93%
2010	1,504,950	1,504,950	-	13,327,914	11.29%
2009	1,948,314	1,948,314	-	14,107,995	13.81%
2008	2,014,456	2,014,456	-	13,166,381	15.30%

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

## COUNTY OF NEW KENT, 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

**OTHER  
SUPPLEMENTARY INFORMATION**

---





## COUNTY OF NEW KENT, VIRGINIA

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

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	\$ 3,597,426	\$ 5,477,112	\$ 5,477,112	\$ -
Interest and other fiscal charges	2,082,881	2,137,045	2,137,045	-
Total expenditures	5,680,307	7,614,157	7,614,157	-
Excess (deficiency) of revenues over expenditures	(5,680,307)	(7,614,157)	(7,614,157)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	1,919,000	1,919,000	-
Transfers in	6,302,651	6,322,651	6,322,651	-
Transfers out	-	(1,716,749)	(1,716,749)	-
Total other financing sources (uses)	6,302,651	6,524,902	6,524,902	-
Net change in fund balance	622,344	(1,089,255)	(1,089,255)	-
<b>FUND BALANCE, JULY 1</b>	(622,344)	1,089,255	1,097,498	8,243
<b>FUND BALANCE, JUNE 30</b>	\$ -	\$ -	\$ 8,243	\$ 8,243

## COUNTY OF NEW KENT, VIRGINIA

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

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Revenue from use of money and property	\$ -	\$ 1,845	\$ 4,387	\$ 2,542
Miscellaneous	-	25,125	318,944	293,819
Intergovernmental revenues:				
Commonwealth	56,000	123,583	220,031	96,448
Federal	436,500	400,000	-	(400,000)
Total revenues	492,500	550,553	543,362	(7,191)
<b>EXPENDITURES</b>				
Education	200,000	265,500	265,500	-
Capital projects	3,938,742	14,279,946	6,241,124	8,038,822
Total expenditures	4,138,742	14,545,446	6,506,624	8,038,822
Excess (deficiency) of revenues over expenditures	(3,646,242)	(13,994,893)	(5,963,262)	8,031,631
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	1,800,000	2,246,000	2,246,000	-
Transfers in	-	2,518,620	4,542,183	2,023,563
Transfers out	(62,700)	(93,500)	(93,500)	-
Total other financing sources (uses)	1,737,300	4,671,120	6,694,683	2,023,563
Net change in fund balance	(1,908,942)	(9,323,773)	731,421	10,055,194
<b>FUND BALANCE, JULY 1</b>	1,908,942	9,323,773	14,991,927	(5,668,154)
<b>FUND BALANCE, JUNE 30</b>	\$ -	\$ -	\$ 15,723,348	\$ 4,387,040

## COUNTY OF NEW KENT, VIRGINIA

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

	Human Services Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 10,424	\$ 10,424
Intergovernmental revenues:				
Commonwealth	912,239	912,239	601,517	(310,722)
Total revenues	912,239	912,239	611,941	(300,298)
EXPENDITURES				
Health and welfare	1,765,537	1,765,537	1,321,258	444,279
Total expenditures	1,765,537	1,765,537	1,321,258	444,279
Excess (deficiency) of revenues over expenditures	(853,298)	(853,298)	(709,317)	143,981
OTHER FINANCING SOURCES				
Transfers in	853,298	\$ 853,298	709,317	(143,981)
Total other financing sources	853,298	853,298	709,317	(143,981)
Net change in fund balance	-	-	-	-
FUND BALANCE, JULY 1	-	-	-	-
FUND BALANCE, JUNE 30	\$ -	\$ -	\$ -	\$ -

## COUNTY OF NEW KENT, VIRGINIA

**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**June 30, 2017**

	<u>Special Welfare</u>	<u>SSI Dedicated</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,764	\$ 2,140	\$ 10,904
Total assets	<u>\$ 8,764</u>	<u>\$ 2,140</u>	<u>\$ 10,904</u>
<b>LIABILITIES</b>			
Amounts held for social services clients	\$ 8,764	\$ 2,140	\$ 10,904
Total liabilities	<u>\$ 8,764</u>	<u>\$ 2,140</u>	<u>\$ 10,904</u>

## COUNTY OF NEW KENT VIRGINIA

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Special Welfare Fund</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,095	\$ 4,804	\$ 5,135	\$ 8,764
Total assets	<u>\$ 9,095</u>	<u>\$ 4,804</u>	<u>\$ 5,135</u>	<u>\$ 8,764</u>
<b>LIABILITIES</b>				
Amounts held for social services clients	\$ 9,095	\$ 4,804	\$ 5,135	\$ 8,764
Total liabilities	<u>\$ 9,095</u>	<u>\$ 4,804</u>	<u>\$ 5,135</u>	<u>\$ 8,764</u>
<b>SSI Dedicated Fund</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,826	\$ 10,427	\$ 11,113	\$ 2,140
Total assets	<u>\$ 2,826</u>	<u>\$ 10,427</u>	<u>\$ 11,113</u>	<u>\$ 2,140</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 2,826	\$ 10,427	\$ 11,113	\$ 2,140
Total liabilities	<u>\$ 2,826</u>	<u>\$ 10,427</u>	<u>\$ 11,113</u>	<u>\$ 2,140</u>
<b>Totals – All Agency Funds</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,921	\$ 15,231	\$ 16,248	\$ 10,904
Total assets	<u>\$ 11,921</u>	<u>\$ 15,231</u>	<u>\$ 16,248</u>	<u>\$ 10,904</u>
<b>LIABILITIES</b>				
Amounts held for social service clients	\$ 11,921	\$ 15,231	\$ 16,248	\$ 10,904
Total liabilities	<u>\$ 11,921</u>	<u>\$ 15,231</u>	<u>\$ 16,248</u>	<u>\$ 10,904</u>

## COUNTY OF NEW KENT VIRGINIA

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

	<b>School Operating Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Component Unit</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,112,836	\$ 931,980	\$ 3,044,816
Accounts receivable, net	2,113	4,210	6,323
Due from other governmental units	900,953	23,663	924,616
Total assets	<u>\$ 3,015,902</u>	<u>\$ 959,853</u>	<u>\$ 3,975,755</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	208,226	15,182	223,408
Accrued liabilities	2,807,676	55,057	2,862,733
Total liabilities	<u>3,015,902</u>	<u>70,239</u>	<u>3,086,141</u>
Fund balances:			
Committed			
Cafeteria fund	-	287,752	287,752
Textbook fund	-	601,862	601,862
Total fund balances	<u>-</u>	<u>889,614</u>	<u>889,614</u>
Total liabilities and fund balances	<u>\$ 3,015,902</u>	<u>\$ 959,853</u>	<u>\$ 3,975,755</u>

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

Total fund balances – governmental funds \$ 889,614

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

Capital assets cost	\$ 37,159,350	
Less: accumulated depreciation	<u>(11,393,633)</u>	25,765,717

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

Deferred outflows of resources for the net difference between projected and actual investment earnings on pension plan investments		1,692,120
--	--	-----------

Net deferred outflows of resources related to changes in proportion and differences between employer contributions and proportionate share of contributions - teacher cost sharing pension plan		64,000
Difference between expected and actual experience - teacher cost sharing plan		(892,000)
Difference between expected and actual experience - nonprofessional employees		54,946

Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		2,617,202
--	--	-----------

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		1,275,303
--	--	-----------

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

Compensated absences	(310,051)	
Net pension liability	(27,924,889)	
Net OPEB obligation	<u>(863,000)</u>	<u>(29,097,940)</u>

<b>Net position of governmental activities</b>		<u><u>\$ 2,368,962</u></u>
--	--	----------------------------

## COUNTY OF NEW KENT, VIRGINIA

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

	School Operating Fund	Nonmajor Governmental Funds	Total Component Unit
<b>REVENUES</b>			
Revenue from the use of money and property	\$ -	\$ 1,354	\$ 1,354
Charges for services	154,524	737,468	891,992
Miscellaneous revenues	88,919	26,290	115,209
Intergovernmental revenues:			
Contributions from County	13,042,692	-	13,042,692
Commonwealth	14,885,935	214,171	15,100,106
Federal	911,406	381,131	1,292,537
Total revenues	<u>29,083,476</u>	<u>1,360,414</u>	<u>30,443,890</u>
<b>EXPENDITURES</b>			
Current:			
Education	<u>28,950,597</u>	<u>1,224,532</u>	<u>30,175,129</u>
Excess of revenues over expenditures	<u>132,879</u>	<u>135,882</u>	<u>268,761</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	<u>(132,879)</u>	<u>132,879</u>	<u>-</u>
Net change in fund balances	-	268,761	268,761
<b>FUND BALANCES AT JULY 1</b>	<u>-</u>	<u>620,853</u>	<u>620,853</u>
<b>FUND BALANCES AT JUNE 30</b>	<u>\$ -</u>	<u>\$ 889,614</u>	<u>\$ 889,614</u>
<b>Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:</b>			
Net change in fund balances – total governmental funds			\$ 268,761
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital asset additions		3,516,739	
Depreciation expense		<u>(1,700,834)</u>	1,815,905
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trades)			(9,556)
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense.			
Employer pension contributions			2,617,202
Pension expense			<u>(2,520,291)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.			
Decrease in compensated absences		16,439	
Increase in net OPEB obligation		<u>(108,000)</u>	(91,561)
Internal services funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue of the internal service fund is reported with governmental activities.			<u>428,713</u>
<b>Change in net position of governmental activities</b>			<u>\$ 2,509,173</u>

## COUNTY OF NEW KENT, VIRGINIA

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

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ 126,200	\$ 126,200	\$ 154,524	\$ 28,324
Miscellaneous revenues	72,500	72,500	88,919	16,419
Intergovernmental revenues:				
Local government	13,854,595	13,920,095	13,042,692	(877,403)
Commonwealth	14,842,505	14,883,855	14,885,935	2,080
Federal	947,463	955,963	911,406	(44,557)
Total revenues	29,843,263	29,958,613	29,083,476	(875,137)
EXPENDITURES				
Current:				
Education	29,843,263	29,825,734	28,950,597	875,137
Excess of revenues over expenditures	-	132,879	132,879	-
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(132,879)	(132,879)
Total other financing sources (uses)	-	-	(132,879)	(132,879)
Net change in fund balances	-	132,879	-	(132,879)
FUND BALANCES, JULY 1	-	-	-	-
FUND BALANCES, JUNE 30	\$ -	\$ 132,879	\$ -	\$ (132,879)



## COUNTY OF NEW KENT, VIRGINIA

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

	School Nutrition Fund				Textbook Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
<b>REVENUES</b>								
Revenue from the use of money and property	\$ -	\$ -	\$ 1,354	\$ 1,354	\$ -	\$ -	\$ -	\$ -
Charges for services	615,000	769,394	737,468	(31,926)	-	-	-	-
Miscellaneous revenues	-	-	26,290	26,290	-	-	-	-
Intergovernmental revenues:								
Commonwealth	14,284	14,284	17,435	3,151	192,598	192,598	196,736	4,138
Federal	335,000	380,000	381,131	1,131	-	-	-	-
Total revenues	964,284	1,163,678	1,163,678	-	192,598	192,598	196,736	4,138
<b>EXPENDITURES</b>								
Current:								
Education	964,284	1,170,718	1,170,718	-	192,598	325,477	53,814	271,663
Excess (deficiency) of revenues over expenditures	-	(7,040)	(7,040)	-	-	(132,879)	142,922	275,801
<b>OTHER FINANCING SOURCES</b>								
Transfers in	-	-	-	-	-	132,879	132,879	-
Total other financing sources	-	-	-	-	-	132,879	132,879	-
Net change in fund balances	-	(7,040)	(7,040)	-	-	-	275,801	275,801
<b>FUND BALANCES, JULY 1</b>	-	-	294,792	294,792	-	-	326,061	326,061
<b>FUND BALANCES, JUNE 30</b>	\$ -	\$ (7,040)	\$ 287,752	\$ 294,792	\$ -	\$ -	\$ 601,862	\$ 601,862

## COUNTY OF NEW KENT, VIRGINIA

**STATEMENT OF FIDUCIARY NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**June 30, 2017**

	<u><b>Bridging Communities</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 354,948
Accounts receivable, net	<u>8,533</u>
Total assets	<u>363,481</u>
<b>LIABILITIES</b>	
Accounts payable	10,579
Accrued liabilities	<u>65,226</u>
Total liabilities	<u>75,805</u>
<b>NET POSITION</b>	
Held in trust for education	<u><u>\$ 287,676</u></u>

## COUNTY OF NEW KENT, VIRGINIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD  
Year Ended June 30, 2017**

	<b><u>Bridging Communities</u></b>
<b>ADDITIONS</b>	
Tuition	\$ 840,420
Grants from the Commonwealth of Virginia	61,124
Contributions	4,354
Start up revenue	41,960
Other revenues	24,701
Total additions	<u>972,559</u>
<b>DEDUCTIONS</b>	
Instruction	858,627
Operation and maintenance	63,767
Technology	13,255
Total deductions	<u>935,649</u>
Change in net position	36,910
<b>Net position, beginning</b>	<u>250,766</u>
<b>Net position, ending</b>	<u><u>\$ 287,676</u></u>

## COUNTY OF NEW KENT, VIRGINIA

**STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUND -**  
**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**June 30, 2017**

	<u>Self-Insurance Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,145,857
Accounts receivable, net	<u>469,557</u>
Total assets	<u>1,615,414</u>
<b>LIABILITIES</b>	
Claims payable	<u>340,111</u>
Total liabilities	<u>340,111</u>
<b>NET POSITION</b>	
Unrestricted	<u>1,275,303</u>
Total net position	<u><u>\$ 1,275,303</u></u>

## COUNTY OF NEW KENT, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUND -**  
**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**Year Ended June 30, 2017**

	<u>Self-Insurance Fund</u>
<b>OPERATING REVENUES</b>	
Insurance premiums	\$ 4,038,365
Total revenues	<u>4,038,365</u>
<b>OPERATING EXPENSES</b>	
Insurance claims and expenses	<u>3,619,467</u>
Total expenses	<u>3,619,467</u>
Operating income	<u>418,898</u>
<b>NONOPERATING REVENUE</b>	
Investment income	<u>9,815</u>
Change in net position	<u>428,713</u>
Net position, beginning	<u>846,590</u>
Net position, ending	<u><u>\$ 1,275,303</u></u>

## COUNTY OF NEW KENT VIRGINIA

**STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUND -  
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD  
Year Ended June 30, 2017**

	<b>Self-Insurance Fund</b>
<b>OPERATING ACTIVITIES</b>	
Receipts for insurance premiums	\$ 4,024,745
Payments for premiums	<u>(3,587,918)</u>
Net cash provided by operating activities	<u>436,827</u>
<b>INVESTING ACTIVITIES</b>	
Investment income	<u>9,815</u>
Net cash provided by investing activities	<u>9,815</u>
Net increase in cash and cash equivalents	446,642
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning at July 1	<u>699,215</u>
Ending at June 30	<u><u>\$ 1,145,857</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 418,898
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts receivable	(13,620)
Increase in claims payable	<u>31,549</u>
Total adjustments	<u>17,929</u>
Net cash provided by operating activities	<u><u>\$ 436,827</u></u>

## COUNTY OF NEW KENT, VIRGINIA

**STATEMENT OF NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNIT –**  
**ECONOMIC DEVELOPMENT AUTHORITY**  
**June 30, 2017**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 233,195
Investments	548
Inventories	<u>721,508</u>
Total assets	<u>955,251</u>
<b>NET POSITION</b>	
Unrestricted	<u><u>\$ 955,251</u></u>

## COUNTY OF NEW KENT, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNIT –**  
**ECONOMIC DEVELOPMENT AUTHORITY**  
**Year Ended June 30, 2017**

**OPERATING REVENUES**

Contributions from County	\$ 60,000
Total revenues	<u>60,000</u>

**OPERATING EXPENSES**

Other charges	<u>112,893</u>
Total expenses	<u>112,893</u>

Operating loss	<u>(52,893)</u>
----------------	-----------------

**NONOPERATING REVENUE**

Intergovernmental revenues	10,000
Investment income	<u>842</u>
Total nonoperating revenue	<u>10,842</u>

Change in net position	<u>(42,051)</u>
------------------------	-----------------

Net position, beginning	997,302
Net position, ending	<u><u>\$ 955,251</u></u>



## COUNTY OF NEW KENT VIRGINIA

**STATEMENT OF CASH FLOWS**  
**DISCRETELY PRESENTED COMPONENT UNIT –**  
**ECONOMIC DEVELOPMENT AUTHORITY**  
**Year Ended June 30, 2017**

**OPERATING ACTIVITIES**

Contribution from County	\$ 60,000
Payments for operating activities	<u>(112,893)</u>
Net cash used by operating activities	<u>(52,893)</u>

**NONCAPITAL FINANCING ACTIVITIES**

Intergovernmental grants	<u>10,000</u>
--------------------------	---------------

**INVESTING ACTIVITIES**

Investment income	<u>838</u>
Net decrease in cash and cash equivalents	(42,055)

**CASH AND CASH EQUIVALENTS**

Beginning at July 1	<u>275,250</u>
Ending at June 30	<u><u>\$ 233,195</u></u>

**RECONCILIATION OF OPERATING LOSS TO NET****CASH USED BY OPERATING ACTIVITIES:**

Operating loss	<u>\$ (52,893)</u>
Net cash used by operating activities	<u><u>\$ (52,893)</u></u>

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

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund:</b>				
<b>Revenue from local sources:</b>				
General property taxes:				
Real property taxes	\$ 21,332,242	\$ 21,332,242	\$ 21,464,822	\$ 132,580
Real and personal public service corporation taxes	1,070,346	1,070,346	1,120,510	50,164
Personal property taxes	4,582,186	4,712,286	4,931,993	219,707
Mobile home taxes	46,912	46,912	39,363	(7,549)
Machinery and tools taxes	7,242	7,242	141,738	134,496
Penalties	182,000	182,000	246,158	64,158
Interest	141,876	141,876	237,167	95,291
Total general property taxes	<u>\$ 27,362,804</u>	<u>\$ 27,492,904</u>	<u>\$ 28,181,751</u>	<u>\$ 688,847</u>
Other local taxes:				
Local sales and use taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,555,073	\$ 155,073
Consumers' utility taxes	222,000	222,000	228,943	6,943
Electric consumption taxes	68,000	68,000	67,568	(432)
Business license taxes	727,984	727,984	801,120	73,136
Cable TV franchise tax	6,900	6,900	7,095	195
Vehicle registration tax	511,000	511,000	567,994	56,994
Bank stock taxes	12,000	12,000	69,476	57,476
Taxes on recordation and wills	340,000	340,000	426,187	86,187
Hotel and motel room taxes	16,000	16,000	19,540	3,540
Meals tax	771,000	771,000	807,681	36,681
Admissions tax	2,800	2,800	655	(2,145)
Total other local taxes	<u>\$ 4,077,684</u>	<u>\$ 4,077,684</u>	<u>\$ 4,551,333</u>	<u>\$ 473,649</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 20,000	\$ 20,000	\$ 20,041	\$ 41
Transfer fees	770	770	937	167
Permits and other licenses	439,725	439,725	685,994	246,269
Total permits, privilege fees, and regulatory licenses	<u>\$ 460,495</u>	<u>\$ 460,495</u>	<u>\$ 706,972</u>	<u>\$ 246,477</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 270,400	\$ 270,400	\$ 230,561	\$ (39,839)
Total fines and forfeitures	<u>\$ 270,400</u>	<u>\$ 270,400</u>	<u>\$ 230,561</u>	<u>\$ (39,839)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 210,000	\$ 210,000	\$ 192,434	\$ (17,566)
Revenue from use of property	257,700	257,700	268,638	10,938
Total revenue from use of money and property	<u>\$ 467,700</u>	<u>\$ 467,700</u>	<u>\$ 461,072</u>	<u>\$ (6,628)</u>

**Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2017 (Continued)**

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund: (Continued)</b>				
Charges for services:				
Excess fees of clerk	\$ 15,000	\$ 15,000	\$ 16,550	\$ 1,550
Charges for law enforcement and traffic control	1,100	1,100	903	(197)
Charges for circuit court	63,645	63,645	59,675	(3,970)
Circuit court judge fees	8,325	8,325	8,947	622
Charges for courthouse security	75,000	75,000	53,979	(21,021)
Charges for fire and rescue	300	300	200	(100)
Charges for Commonwealth's Attorney	1,600	1,600	1,819	219
Charges for other protection	2,000	2,000	4,640	2,640
Charges for library	1,200	1,200	1,317	117
Charges for parks and recreation	304,000	314,422	358,905	44,483
Charges for planning and community development	1,600	1,600	999	(601)
Charges for environmental management	40,390	40,390	26,556	(13,834)
Total charges for services	<u>\$ 514,160</u>	<u>\$ 524,582</u>	<u>\$ 534,491</u>	<u>\$ 9,909</u>
Miscellaneous:				
Miscellaneous	\$ 51,800	\$ 177,051	\$ 236,620	\$ 59,569
Off-track betting proceeds	130,000	250,000	277,838	27,838
Total miscellaneous	<u>\$ 181,800</u>	<u>\$ 427,051</u>	<u>\$ 514,458</u>	<u>\$ 87,407</u>
Recovered costs:				
Plum Point loan repay-program income	\$ -	\$ 7,673	\$ 7,673	\$ -
Extension program sponsorship	-	8,705	8,705	-
9th judicial court/localities	14,000	14,000	9,638	(4,362)
Other recovered costs	-	23,727	24,559	832
Ambulance and rescue service	340,000	340,000	377,191	37,191
Total recovered costs	<u>\$ 354,000</u>	<u>\$ 394,105</u>	<u>\$ 427,766</u>	<u>\$ 33,661</u>
Total revenue from local sources	<u>\$ 33,689,043</u>	<u>\$ 34,114,921</u>	<u>\$ 35,608,405</u>	<u>\$ 1,493,483</u>
<b>Intergovernmental:</b>				
<b>Revenue from the Commonwealth:</b>				
Noncategorical aid:				
Rolling stock tax	\$ 40,000	\$ 40,000	\$ 59,706	\$ 19,706
Mobile home titling tax	4,500	4,500	14,019	9,519
Motor vehicle rental tax	1,200	1,200	5,965	4,765
State recordation tax	100,000	100,000	108,178	8,178
Personal property tax relief funds	2,217,883	2,217,883	2,217,883	-
Total noncategorical aid	<u>\$ 2,363,583</u>	<u>\$ 2,363,583</u>	<u>\$ 2,405,752</u>	<u>\$ 42,169</u>

**Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2017 (Continued)**

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 234,801	\$ 234,801	\$ 232,314	\$ (2,487)
Sheriff	883,236	883,236	871,566	(11,670)
Commissioner of revenue	100,327	100,327	98,818	(1,509)
Treasurer	92,413	92,413	87,924	(4,489)
Registrar/electoral board	37,061	37,061	37,029	(32)
Clerk of the Circuit Court	244,691	244,691	233,534	(11,157)
Total shared expenses	<u>\$ 1,592,529</u>	<u>\$ 1,592,529</u>	<u>\$ 1,561,185</u>	<u>\$ (31,344)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 1,014,141	\$ 1,033,139	\$ 275,482	\$ (757,657)
Triad crime prevention	-	1,650	-	(1,650)
VA telecomm planning initiative grant	-	-	58,352	58,352
Franchise tax	605,000	605,000	562,675	(42,325)
Four for Life grant	-	22,908	22,908	-
Emergency services grants	-	20,500	20,500	-
Litter control	-	5,999	5,999	-
Virginia commission for the arts	5,000	5,000	5,000	-
Other state grants	-	2,169	5,869	3,700
E-911 wireless	45,985	45,985	44,128	(1,857)
Forfeited assets	-	-	3,007	3,007
Va. Domestic Violence grant	45,000	45,000	45,000	-
Victim-witness grant	46,528	95,221	93,096	(2,125)
Fire programs	-	59,804	59,804	-
Hurricane Irene	-	-	3,125	3,125
Spay/neuter income tax donations	-	-	118	118
DMV select office	-	-	16,977	16,977
DMV animal friendly plates	-	-	443	443
Total other categorical aid	<u>\$ 1,761,654</u>	<u>\$ 1,942,375</u>	<u>\$ 1,222,484</u>	<u>\$ (719,892)</u>
Total categorical aid	<u>\$ 3,354,183</u>	<u>\$ 3,534,904</u>	<u>\$ 2,783,668</u>	<u>\$ (751,236)</u>
Total revenue from the Commonwealth	<u>\$ 5,717,766</u>	<u>\$ 5,898,487</u>	<u>\$ 5,189,420</u>	<u>\$ (709,067)</u>
Categorical aid:				
Public assistance and welfare administration	\$ -	\$ 7,635	\$ 673,034	\$ 665,399

**Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2017 (Continued)**

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Emergency management and response	\$ -	\$ 27,932	\$ 27,932	\$ -
Justice assistance grants	-	12,463	12,463	-
Hurricane Irene	-	-	15,626	15,626
Forfeited assets	-	58,175	45,467	(12,708)
Bulletproof vest grant	-	2,644	1,514	(1,130)
Miscellaneous federal aid	-	11,237	-	(11,237)
Total categorical aid	<u>\$ -</u>	<u>\$ 120,086</u>	<u>\$ 776,036</u>	<u>\$ 655,951</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 120,086</u>	<u>\$ 776,036</u>	<u>\$ 655,951</u>
Total General Fund	<u>\$ 39,406,809</u>	<u>\$ 40,133,494</u>	<u>\$ 41,573,860</u>	<u>\$ 1,440,367</u>
Special Revenue Funds:				
Airport Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 85,900	\$ 88,850	\$ 92,748	\$ 3,898
Total revenue from use of money and property	<u>\$ 85,900</u>	<u>\$ 88,850</u>	<u>\$ 92,748</u>	<u>\$ 3,898</u>
Charges for services:				
Fuel/oil sales	\$ 70,200	\$ 70,200	\$ 75,265	\$ 5,065
Airport access fees	600	600	-	(600)
Total charges for services	<u>\$ 70,800</u>	<u>\$ 70,800</u>	<u>\$ 75,265</u>	<u>\$ 4,465</u>
Total revenue from local sources	<u>\$ 156,700</u>	<u>\$ 159,650</u>	<u>\$ 168,013</u>	<u>\$ 8,363</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Department of Aviation grants	\$ 30,354	\$ 129,298	\$ 46,304	\$ (82,993)
Total categorical aid	<u>\$ 30,354</u>	<u>\$ 129,298</u>	<u>\$ 46,304</u>	<u>\$ (82,993)</u>
Total revenue from the Commonwealth	<u>\$ 30,354</u>	<u>\$ 129,298</u>	<u>\$ 46,304</u>	<u>\$ (82,993)</u>
Revenue from the federal government:				
Categorical aid:				
Airport improvement program	\$ 270,000	\$ 787,543	\$ 222,682	\$ (564,861)
Total categorical aid	<u>\$ 270,000</u>	<u>\$ 787,543</u>	<u>\$ 222,682</u>	<u>\$ (564,861)</u>
Total revenue from the federal government	<u>\$ 270,000</u>	<u>\$ 787,543</u>	<u>\$ 222,682</u>	<u>\$ (564,861)</u>
Total Airport Fund	<u>\$ 457,054</u>	<u>\$ 1,076,490</u>	<u>\$ 436,999</u>	<u>\$ (639,491)</u>

**Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2017 (Continued)**

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
Special Revenue Funds: (Continued)				
Human Services Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 10,424	\$ 10,424
Total miscellaneous	\$ -	\$ -	\$ 10,424	\$ 10,424
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ 912,239	\$ 912,239	\$ 601,517	\$ (310,722)
Total categorical aid	\$ 912,239	\$ 912,239	\$ 601,517	\$ (310,722)
Total revenue from the Commonwealth	\$ 912,239	\$ 912,239	\$ 601,517	\$ (310,722)
Total Human Services Fund	\$ 912,239	\$ 912,239	\$ 611,941	\$ (300,298)
Capital Projects Funds:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 1,845	\$ 4,387	\$ 2,542
Total revenue from use of money and property	\$ -	\$ 1,845	\$ 4,387	\$ 2,542
Miscellaneous:				
Cash proffers	\$ -	\$ -	\$ 293,804	\$ 293,804
Gifts and donations	-	25,125	25,125	-
Other miscellaneous	-	-	15	15
Total miscellaneous	\$ -	\$ 25,125	\$ 318,944	\$ 293,819
Total revenue from local sources	\$ -	\$ 26,970	\$ 323,331	\$ 296,361
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
RSAF grant program	\$ 56,000	\$ 123,583	\$ 220,031	\$ 96,448
Total categorical aid	\$ 56,000	\$ 123,583	\$ 220,031	\$ 96,448
Total revenue from the Commonwealth	\$ 56,000	\$ 123,583	\$ 220,031	\$ 96,448
Revenue from the federal government:				
Categorical aid:				
FEMA - assistance to firefighters	\$ 436,500	\$ 400,000	\$ -	\$ (400,000)
Total categorical aid	\$ 436,500	\$ 400,000	\$ -	\$ (400,000)
Total revenue from the federal government	\$ 436,500	\$ 400,000	\$ -	\$ (400,000)
Total County Capital Improvements Fund	\$ 492,500	\$ 550,553	\$ 543,362	\$ (7,191)
Total Primary Government	\$ 41,268,602	\$ 42,672,777	\$ 43,166,162	\$ 493,387

**Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2017 (Continued)**

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
Discretely Presented Component Unit-School Board:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Tuition and payments from other divisions	\$ 126,200	\$ 126,200	\$ 154,524	\$ 28,324
Total charges for services	\$ 126,200	\$ 126,200	\$ 154,524	\$ 28,324
Miscellaneous:				
Other miscellaneous	\$ 72,500	\$ 72,500	\$ 88,919	\$ 16,419
Total miscellaneous	\$ 72,500	\$ 72,500	\$ 88,919	\$ 16,419
Total revenue from local sources	\$ 198,700	\$ 198,700	\$ 243,442	\$ 44,742
Intergovernmental:				
Revenues from local governments:				
Contribution from County of New Kent, Virginia	\$ 13,854,595	\$ 13,920,095	\$ 13,042,692	\$ (877,403)
Total revenues from local governments	\$ 13,854,595	\$ 13,920,095	\$ 13,042,692	\$ (877,403)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,361,785	\$ 3,361,785	\$ 3,302,370	\$ (59,415)
Basic school aid	8,170,952	8,170,952	8,439,268	268,316
ISAE (GED program)	7,859	7,859	8,418	559
Regular foster care	11,880	11,880	9,308	(2,572)
Gifted and talented	84,211	84,211	86,021	1,810
Remedial education	122,808	122,808	125,447	2,639
English as a second language	10,211	10,211	10,968	757
Special education	991,236	991,236	1,012,534	21,298
Vocational education	107,018	107,018	110,098	3,080
Social security fringe benefits	468,425	468,425	478,490	10,065
Retirement fringe benefits	964,920	964,920	985,653	20,733
Group life insurance fringe benefits	31,579	31,579	32,258	679
Early reading intervention	22,914	22,914	22,914	-
Homebound education	13,757	13,757	9,377	(4,380)
Vocational education equipment	5,201	5,201	9,778	4,577
At risk payments	55,823	55,823	57,019	1,196
Technology	180,000	180,000	-	(180,000)
Compensation supplement	210,731	210,731	-	(210,731)
Mentor teacher program	1,581	1,581	2,489	908
Security equipment grant	-	41,350	41,350	-
Other state funds	19,614	19,614	142,175	122,561
Total categorical aid	\$ 14,842,505	\$ 14,883,855	\$ 14,885,935	\$ 2,080
Total revenue from the Commonwealth	\$ 14,842,505	\$ 14,883,855	\$ 14,885,935	\$ 2,080

**Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2017 (Continued)**

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
Discretely Presented Component Unit-School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I, Part A	\$ 237,582	\$ 237,582	\$ 221,202	\$ (16,380)
Title I, academic achievement award	-	8,500	5,356	(3,144)
Title VI-B, special education flow-through	614,753	614,753	586,461	(28,292)
Vocational education	29,668	29,668	29,514	(154)
Title VI-B, special education preschool	14,308	14,308	15,038	730
Title I, Part G	-	-	570	570
Title II - teacher quality	51,152	51,152	53,264	2,112
Total categorical aid	<u>\$ 947,463</u>	<u>\$ 955,963</u>	<u>\$ 911,406</u>	<u>\$ (44,557)</u>
Total revenue from the federal government	<u>\$ 947,463</u>	<u>\$ 955,963</u>	<u>\$ 911,406</u>	<u>\$ (44,557)</u>
Total School Operating Fund	<u><u>\$ 29,843,263</u></u>	<u><u>\$ 29,958,613</u></u>	<u><u>\$ 29,083,475</u></u>	<u><u>\$ (875,138)</u></u>
Special Revenue Funds:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,354</u>	<u>\$ 1,354</u>
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,354</u>	<u>\$ 1,354</u>
Charges for services:				
Cafeteria sales	<u>\$ 615,000</u>	<u>\$ 769,394</u>	<u>\$ 737,468</u>	<u>\$ (31,926)</u>
Total charges for services	<u>\$ 615,000</u>	<u>\$ 769,394</u>	<u>\$ 737,468</u>	<u>\$ (31,926)</u>
Miscellaneous:				
Other miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,290</u>	<u>\$ 26,290</u>
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,290</u>	<u>\$ 26,290</u>
Total revenue from local sources	<u>\$ 615,000</u>	<u>\$ 769,394</u>	<u>\$ 765,112</u>	<u>\$ (4,282)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	<u>\$ 14,284</u>	<u>\$ 14,284</u>	<u>\$ 17,435</u>	<u>\$ 3,151</u>
Total categorical aid	<u>\$ 14,284</u>	<u>\$ 14,284</u>	<u>\$ 17,435</u>	<u>\$ 3,151</u>
Total revenue from the Commonwealth	<u>\$ 14,284</u>	<u>\$ 14,284</u>	<u>\$ 17,435</u>	<u>\$ 3,151</u>



**Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2017 (Continued)**

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
Discretely Presented Component Unit-School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Cafeteria Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 335,000	\$ 380,000	\$ 381,131	\$ 1,131
Total categorical aid	\$ 335,000	\$ 380,000	\$ 381,131	\$ 1,131
Total revenue from the federal government	\$ 335,000	\$ 380,000	\$ 381,131	\$ 1,131
Total School Cafeteria Fund	\$ 964,284	\$ 1,163,678	\$ 1,163,678	\$ -
Textbook Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payment	\$ 192,598	\$ 192,598	\$ 196,736	\$ 4,138
Total revenue from the Commonwealth	\$ 192,598	\$ 192,598	\$ 196,736	\$ 4,138
Total Textbook Fund	\$ 192,598	\$ 192,598	\$ 196,736	\$ 4,138
Total Discretely Presented Component Unit - School Board	\$ 31,000,145	\$ 31,314,889	\$ 30,443,889	\$ (871,000)

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

<b>Fund, Function, Activity and Element</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 96,306	\$ 102,366	\$ 94,882	\$ 7,484
General and financial administration:				
County administrator	\$ 321,163	\$ 333,027	\$ 324,446	\$ 8,581
Legal services	180,875	180,875	124,797	56,078
Central switchboard	26,883	37,433	27,046	10,387
Commissioner of revenue	572,162	595,840	581,310	14,529
Treasurer	396,047	433,897	432,539	1,358
Financial services	572,738	588,410	582,633	5,777
Department of information technology	641,111	654,412	583,517	70,895
Human Resources	195,507	196,976	184,745	12,232
Purchasing	250,804	479,314	343,735	135,579
Other general and financial administration	775	775	2	773
Total general and financial administration	\$ 3,158,065	\$ 3,500,959	\$ 3,184,770	\$ 316,189
Board of elections:				
Electoral board and officials	\$ 203,734	\$ 235,423	\$ 231,239	\$ 4,184
Total board of elections	\$ 203,734	\$ 235,423	\$ 231,239	\$ 4,184
Total general government administration	\$ 3,458,105	\$ 3,838,747	\$ 3,510,891	\$ 327,856
Judicial administration:				
Courts:				
Circuit court	\$ 89,156	\$ 89,269	\$ 82,259	\$ 7,010
General district court	16,155	20,478	18,396	2,082
Sheriff	595,011	595,011	517,166	77,845
Magistrate	1,500	1,500	656	844
Juvenile and domestic relations district court	8,300	10,150	7,144	3,006
Clerk of the circuit court	391,781	391,781	361,223	30,558
Victim and witness assistance	47,026	95,984	93,356	2,628
Total courts	\$ 1,148,929	\$ 1,204,173	\$ 1,080,198	\$ 123,974
Commonwealth's attorney:				
Commonwealth's attorney	\$ 396,210	\$ 397,139	\$ 388,877	\$ 8,263
Total commonwealth's attorney	\$ 396,210	\$ 397,139	\$ 388,877	\$ 8,263
Total judicial administration	\$ 1,545,139	\$ 1,601,312	\$ 1,469,075	\$ 132,237
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,428,465	\$ 2,510,576	\$ 2,333,082	\$ 177,494
Grants programs	-	156,317	119,251	37,066
Total law enforcement and traffic control	\$ 2,428,465	\$ 2,666,893	\$ 2,452,333	\$ 214,560

**Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017 (Continued)**

<b>Fund, Function, Activity and Element</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer rescue squads	\$ 600	\$ 51,250	\$ 20,911	\$ 30,339
State forestry service	7,208	7,208	7,207	1
Emergency management and preparedness	42,405	66,571	38,772	27,799
Fire and emergency management	3,003,542	3,411,191	3,264,183	147,008
Total fire and rescue services	<u>\$ 3,053,755</u>	<u>\$ 3,536,220</u>	<u>\$ 3,331,073</u>	<u>\$ 205,147</u>
Correction and detention:				
Confinement and care of prisoners	\$ 631,000	\$ 634,319	\$ 609,298	\$ 25,021
Probation and pretrial	118,926	158,147	143,307	14,840
Total correction and detention	<u>\$ 749,926</u>	<u>\$ 792,466</u>	<u>\$ 752,605</u>	<u>\$ 39,861</u>
Inspections:				
Building	\$ 374,777	\$ 375,303	\$ 365,119	\$ 10,184
Total inspections	<u>\$ 374,777</u>	<u>\$ 375,303</u>	<u>\$ 365,119</u>	<u>\$ 10,184</u>
Other protection:				
Animal control	\$ 249,843	\$ 295,926	\$ 244,633	\$ 51,293
E-911	798,298	807,325	691,618	115,707
Communications system	277,112	314,662	294,294	20,368
Total other protection	<u>\$ 1,325,253</u>	<u>\$ 1,417,913</u>	<u>\$ 1,230,545</u>	<u>\$ 187,368</u>
Total public safety	<u>\$ 7,932,176</u>	<u>\$ 8,788,796</u>	<u>\$ 8,131,676</u>	<u>\$ 657,120</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 696,535	\$ 697,437	\$ 669,749	\$ 27,688
Total sanitation and waste removal	<u>\$ 696,535</u>	<u>\$ 697,437</u>	<u>\$ 669,749</u>	<u>\$ 27,688</u>
Maintenance of general buildings and grounds:				
General properties	\$ 881,466	\$ 881,953	\$ 813,065	\$ 68,888
Total maintenance of general buildings and grounds	<u>\$ 881,466</u>	<u>\$ 881,953</u>	<u>\$ 813,065</u>	<u>\$ 68,888</u>
Total public works	<u>\$ 1,578,001</u>	<u>\$ 1,579,390</u>	<u>\$ 1,482,814</u>	<u>\$ 96,576</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 219,568	\$ 219,568	\$ 219,568	\$ -
Total health	<u>\$ 219,568</u>	<u>\$ 219,568</u>	<u>\$ 219,568</u>	<u>\$ -</u>

**Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017 (Continued)**

<b>Fund, Function, Activity and Element</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
General Fund: (Continued)				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Community services board	\$ 125,574	\$ 125,574	\$ 125,574	\$ -
Total mental health and mental retardation	\$ 125,574	\$ 125,574	\$ 125,574	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,401,224	\$ 1,439,094	\$ 1,242,275	\$ 196,819
Area agency on aging	4,083	4,083	4,083	-
Meals on wheels	4,000	4,000	4,000	-
Legal aid society	5,000	5,000	5,000	-
Transportation for the elderly	52,582	52,582	52,582	-
Social service agency donations	28,018	28,018	28,018	-
Total welfare	\$ 1,494,907	\$ 1,532,777	\$ 1,335,958	\$ 196,819
Total health and welfare	\$ 1,840,049	\$ 1,877,919	\$ 1,681,100	\$ 196,819
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 9,600	\$ 9,600	\$ 9,600	\$ -
Contribution to County School Board	13,654,595	13,654,595	12,777,192	877,403
Total education	\$ 13,664,195	\$ 13,664,195	\$ 12,786,792	\$ 877,403
Parks, recreation, and cultural:				
Parks and recreation:				
Administration and programs	\$ 580,391	\$ 615,033	\$ 516,282	\$ 98,751
Total parks and recreation	\$ 580,391	\$ 615,033	\$ 516,282	\$ 98,751
Cultural enrichment:				
Fine arts center	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
County fair association	9,900	9,900	9,900	-
Total cultural enrichment	\$ 19,900	\$ 19,900	\$ 19,900	\$ -
Library:				
Contribution to regional library	\$ 174,466	\$ 199,466	\$ 199,466	\$ -
Total library	\$ 174,466	\$ 199,466	\$ 199,466	\$ -
Total parks, recreation, and cultural	\$ 774,757	\$ 834,399	\$ 735,648	\$ 98,751
Community development:				
Planning and community development:				
Community development	\$ 166,231	\$ 166,480	\$ 163,099	\$ 3,381
Zoning board	2,400	2,400	873	1,527
Planning commission	33,805	32,355	29,154	3,201
Plum Point housing rehab	-	7,673	150	7,523
Planning and zoning	227,657	228,176	221,420	6,756
Economic development	239,713	234,808	231,451	3,357
Agricultural and forestal	10,150	10,150	4,046	6,104
Wetlands board	4,540	5,165	1,667	3,498
Historic commission	725	725	493	232
Total planning and community development	\$ 685,221	\$ 687,932	\$ 652,353	\$ 35,579

**Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017 (Continued)**

<b>Fund, Function, Activity and Element</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
General Fund: (Continued)				
Community development: (Continued)				
Environmental management:				
Contribution to soil and water conservation district	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Environmental management	313,710	312,110	298,234	13,876
Total environmental management	<u>\$ 325,710</u>	<u>\$ 324,110</u>	<u>\$ 310,234</u>	<u>\$ 13,876</u>
Cooperative extension program:				
Extension office	\$ 58,674	\$ 79,338	\$ 54,565	\$ 24,774
Total cooperative extension program	<u>\$ 58,674</u>	<u>\$ 79,338</u>	<u>\$ 54,565</u>	<u>\$ 24,774</u>
Total community development	<u>\$ 1,069,605</u>	<u>\$ 1,091,380</u>	<u>\$ 1,017,152</u>	<u>\$ 74,229</u>
Total General Fund	<u><u>\$ 31,862,027</u></u>	<u><u>\$ 33,276,139</u></u>	<u><u>\$ 30,815,148</u></u>	<u><u>\$ 2,460,991</u></u>
Special Revenue Funds:				
Airport Fund:				
Current:				
Public Works:				
Salaries and fringes	\$ 94,723	\$ 94,725	\$ 93,254	\$ 1,471
Contractual services	17,346	17,346	9,208	8,138
Electricity	7,300	7,300	5,740	1,560
Miscellaneous	75,596	86,544	76,018	10,526
Total public works	<u>\$ 194,965</u>	<u>\$ 205,915</u>	<u>\$ 184,221</u>	<u>\$ 21,694</u>
Capital projects expenditures:				
Airport improvement	\$ 300,000	\$ 955,492	\$ 269,901	\$ 685,591
Total capital projects	<u>\$ 300,000</u>	<u>\$ 955,492</u>	<u>\$ 269,901</u>	<u>\$ 685,591</u>
Total Airport Fund	<u><u>\$ 494,965</u></u>	<u><u>\$ 1,161,407</u></u>	<u><u>\$ 454,122</u></u>	<u><u>\$ 707,285</u></u>
Human Services Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 1,745,037	\$ 1,745,037	\$ 1,300,758	\$ 444,279
Virginia juvenile crime control act	20,500	20,500	20,500	-
Total welfare and social services	<u>\$ 1,765,537</u>	<u>\$ 1,765,537</u>	<u>\$ 1,321,258</u>	<u>\$ 444,279</u>
Total health and welfare	<u>\$ 1,765,537</u>	<u>\$ 1,765,537</u>	<u>\$ 1,321,258</u>	<u>\$ 444,279</u>
Total Human Services Fund	<u><u>\$ 1,765,537</u></u>	<u><u>\$ 1,765,537</u></u>	<u><u>\$ 1,321,258</u></u>	<u><u>\$ 444,279</u></u>

**Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017 (Continued)**

<b>Fund, Function, Activity and Element</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 3,597,426	\$ 5,477,112	\$ 5,477,112	\$ -
Interest and other fiscal charges	2,082,881	2,097,463	2,097,463	-
Bond issuance costs	-	39,582	39,582	-
Total Debt Service Fund	<u>\$ 5,680,307</u>	<u>\$ 7,614,157</u>	<u>\$ 7,614,157</u>	<u>\$ -</u>
Capital Projects Funds:				
County Capital Improvements Fund:				
Education:				
Contribution to County School Board	<u>\$ 200,000</u>	<u>\$ 265,500</u>	<u>\$ 265,500</u>	<u>\$ -</u>
Capital projects expenditures:				
County capital projects	\$ 3,205,050	\$ 10,622,550	\$ 4,340,233	\$ 6,282,317
County Motor vehicles	75,800	79,315	78,392	923
Affordable housing	-	28,761	-	28,761
School projects	657,892	3,549,320	1,822,499	1,726,821
Total capital projects	<u>\$ 3,938,742</u>	<u>\$ 14,279,946</u>	<u>\$ 6,241,124</u>	<u>\$ 8,038,822</u>
Total County Capital Improvements Fund	<u>\$ 4,138,742</u>	<u>\$ 14,545,446</u>	<u>\$ 6,506,624</u>	<u>\$ 8,038,822</u>
Total Primary Government	<u>\$ 43,941,578</u>	<u>\$ 58,362,686</u>	<u>\$ 46,711,310</u>	<u>\$ 11,651,376</u>
Discretely Presented Component Unit-School Board				
School Operating Fund:				
Education:				
Administration of schools:				
School board	\$ 34,379	\$ 34,379	\$ 34,239	\$ 140
Executive administration services	1,080,980	1,080,980	1,045,025	35,955
Total administration of schools	<u>\$ 1,115,359</u>	<u>\$ 1,115,359</u>	<u>\$ 1,079,264</u>	<u>\$ 36,095</u>
Instruction costs:				
Elementary and secondary schools	<u>\$ 21,314,205</u>	<u>\$ 21,241,676</u>	<u>\$ 20,774,554</u>	<u>\$ 467,122</u>
Total instruction costs	<u>\$ 21,314,205</u>	<u>\$ 21,241,676</u>	<u>\$ 20,774,554</u>	<u>\$ 467,122</u>
Operating costs:				
Attendance and health services	\$ 883,984	\$ 883,984	\$ 864,775	\$ 19,209
Pupil transportation	2,632,050	2,639,050	2,456,585	182,465
Operation and maintenance of school plant	3,897,665	3,945,665	3,775,419	170,246
Total operating costs	<u>\$ 7,413,699</u>	<u>\$ 7,468,699</u>	<u>\$ 7,096,779</u>	<u>\$ 371,920</u>
Total education	<u>\$ 29,843,263</u>	<u>\$ 29,825,734</u>	<u>\$ 28,950,597</u>	<u>\$ 875,137</u>
Total School Operating Fund	<u>\$ 29,843,263</u>	<u>\$ 29,825,734</u>	<u>\$ 28,950,597</u>	<u>\$ 875,137</u>

**Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017 (Continued)**

<b>Fund, Function, Activity and Element</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
Discretely Presented Component Unit-School Board (Continued)				
Special Revenue Funds:				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 964,284	\$ 1,170,718	\$ 1,170,718	\$ -
Total school food services	\$ 964,284	\$ 1,170,718	\$ 1,170,718	\$ -
Total Cafeteria Fund	\$ 964,284	\$ 1,170,718	\$ 1,170,718	\$ -
Textbook Fund:				
Education:				
Instruction	\$ 192,598	\$ 325,477	\$ 53,814	\$ 271,663
Total Textbook	\$ 192,598	\$ 325,477	\$ 53,814	\$ 271,663
Total Discretely Presented Component Unit - School Board	\$ 31,000,145	\$ 31,321,929	\$ 30,175,129	\$ 1,146,800

---

---

**THIS PAGE INTENTIONALLY BLANK**



# 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.*

## **Contents**

## **Table**

### **Financial Trends**

**1-4**

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

### **Revenue Capacity**

**5-9**

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

### **Debt Capacity**

**10-11**

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

### **Demographic and Economic Information**

**12-13**

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

### **Operating Information**

**14-16**

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

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



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

**Table 1**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 16,407,609	\$ 15,885,375	\$ 24,889,762	\$ 20,138,682	\$ 21,006,854	\$ 22,838,671	\$ 24,578,103	\$ 21,130,986	\$ 24,011,223	\$ 22,251,160
Restricted	-	5,017,970	-	-	33,738	36,885	111,638	97,487	34,668	29,215
Unrestricted	17,921,278	22,836,534	21,701,270	26,045,094	25,006,307	23,895,010	22,545,554	25,034,225	24,913,810	27,163,210
Total governmental activities net position	\$ 34,328,887	\$ 43,739,879	\$ 46,591,032	\$ 46,183,776	\$ 46,046,899	\$ 46,770,566	\$ 47,235,295	\$ 46,262,698	\$ 48,959,701	\$ 49,443,585
Business-type activities										
Net investment in capital assets	\$ 35,637,527	\$ 38,497,889	\$ 52,595,933	\$ 66,749,297	\$ 67,060,987	\$ 66,062,606	\$ 65,443,647	\$ 64,641,023	\$ 63,704,883	\$ 62,981,757
Unrestricted	31,615,532	28,769,945	19,181,071	7,694,815	7,320,135	7,224,382	6,406,631	6,761,564	7,482,355	9,068,490
Total business-type activities net position	\$ 67,253,059	\$ 67,267,834	\$ 71,777,004	\$ 74,444,112	\$ 74,381,122	\$ 73,286,988	\$ 71,850,278	\$ 71,402,587	\$ 71,187,238	\$ 72,050,247
Primary Government										
Net investment in capital assets	\$ 52,045,136	\$ 54,383,264	\$ 77,485,695	\$ 86,887,979	\$ 88,067,841	\$ 88,901,277	\$ 90,021,750	\$ 85,772,009	\$ 87,716,106	\$ 85,232,917
Restricted	-	5,017,970	-	-	33,738	36,885	111,638	97,487	34,668	29,215
Unrestricted	49,536,810	51,606,479	40,882,341	33,739,909	32,326,442	31,119,392	28,952,185	31,795,789	32,396,165	36,231,700
Total Primary government net position	\$ 101,581,946	\$ 111,007,713	\$ 118,368,036	\$ 120,627,888	\$ 120,428,021	\$ 120,057,554	\$ 119,085,573	\$ 117,665,285	\$ 120,146,939	\$ 121,493,832

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

**Table 2**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities										
General government administration	\$ 1,897,867	\$ 3,112,985	\$ 3,178,178	\$ 3,127,903	\$ 3,249,773	\$ 3,108,766	\$ 3,540,907	\$ 3,460,790	\$ 3,570,793	\$ 4,208,623
Judicial administration	1,369,100	1,340,241	1,281,668	1,626,082	1,689,574	1,724,039	1,958,406	1,467,720	1,561,953	1,653,498
Public safety	5,941,239	6,448,840	6,974,536	6,873,657	8,096,297	7,591,790	7,748,268	7,874,442	8,551,676	10,401,870
Public works	1,821,422	2,029,548	2,111,602	2,135,389	1,917,625	1,874,687	2,020,146	1,382,495	1,956,184	2,126,022
Health and welfare	2,789,425	2,549,020	2,470,269	2,632,900	2,443,203	2,425,394	2,547,174	2,533,163	2,978,320	3,088,212
Education	7,691,487	5,617,649	15,413,852	13,735,944	14,503,170	14,343,635	16,107,096	16,771,912	16,932,338	14,609,161
Parks, Recreation and cultural	680,412	764,787	707,331	710,686	711,281	943,381	754,994	736,236	825,223	815,284
Community development	1,728,272	1,389,121	1,017,515	1,194,287	894,520	824,551	855,116	950,049	1,232,325	1,628,657
Interest and other financial charges	3,166,070	3,211,074	3,141,450	2,896,772	2,713,149	2,642,703	2,581,399	2,572,651	1,915,549	3,415,662
Total governmental activities	\$ 27,085,294	\$ 26,463,265	\$ 36,296,401	\$ 34,933,620	\$ 36,218,592	\$ 35,478,946	\$ 38,113,506	\$ 37,749,458	\$ 39,524,361	\$ 41,946,989
Business-type activities										
Water and Sewer	\$ 2,396,236	\$ 2,892,413	\$ 2,665,738	\$ 3,043,612	\$ 3,380,899	\$ 4,328,428	\$ 4,573,366	\$ 4,016,909	\$ 4,011,047	\$ 3,952,777
Bottoms Bridge	-	932,255	1,053,599	1,040,173	1,026,936	1,018,674	889,145	875,271	856,142	837,766
Total business-type activities	\$ 2,396,236	\$ 3,824,668	\$ 3,719,337	\$ 4,083,785	\$ 4,407,835	\$ 5,347,102	\$ 5,462,511	\$ 4,892,180	\$ 4,867,189	\$ 4,790,543
<b>Total primary government expenses</b>	<b>\$ 29,481,530</b>	<b>\$ 30,287,933</b>	<b>\$ 40,015,738</b>	<b>\$ 39,017,405</b>	<b>\$ 40,626,427</b>	<b>\$ 40,826,048</b>	<b>\$ 43,576,017</b>	<b>\$ 42,641,638</b>	<b>\$ 44,391,550</b>	<b>\$ 46,737,532</b>
<b>Program Revenues</b>										
Governmental activities										
Charges for services:										
General government administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Judicial administration	386,857	393,169	351,749	363,772	329,291	399,170	457,005	396,566	368,540	369,159
Public safety	670,915	467,676	437,179	319,879	461,092	390,953	401,785	569,757	550,385	717,286
Public works	69,744	110,879	45,231	50,901	126,347	145,479	122,127	111,840	69,039	101,822
Health and welfare	-	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-
Parks, recreation and cultural	247,457	268,455	294,890	263,089	276,852	271,041	298,204	317,367	301,733	358,905
Community development	6,462	2,440	87,478	106,075	63,701	1,305	1,636	2,305	2,240	999
Operating grants and contributions	3,940,686	3,534,316	3,541,020	3,361,044	3,850,528	3,680,325	3,966,842	3,542,972	4,147,197	4,098,977
Capital Grants and contributions	700,673	428,223	26,451	14,818	-	397,482	336,649	-	1,544,281	442,713
Total governmental activities	\$ 6,022,794	\$ 5,205,158	\$ 4,783,998	\$ 4,479,578	\$ 5,107,811	\$ 5,285,755	\$ 5,584,248	\$ 4,940,807	\$ 6,983,415	\$ 6,089,861
Business-type activities										
Charges for services:										
Water and Sewer	\$ 2,993,759	\$ 3,094,791	\$ 4,155,390	\$ 3,191,329	\$ 3,456,940	\$ 3,470,827	\$ 3,431,765	\$ 3,945,220	\$ 3,834,861	\$ 4,700,134
Bottoms Bridge	599,004	271,412	98,928	292,400	372,700	588,950	408,475	467,175	533,775	603,400
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	947,934	-	3,798,166	2,942,658	305,348	-	-	-	-	-
Total business-type activities	\$ 4,540,697	\$ 3,366,203	\$ 8,052,484	\$ 6,426,387	\$ 4,134,988	\$ 4,059,777	\$ 3,840,240	\$ 4,412,395	\$ 4,368,636	\$ 5,303,534
<b>Total primary government revenues</b>	<b>\$ 10,563,491</b>	<b>\$ 8,571,361</b>	<b>\$ 12,836,482</b>	<b>\$ 10,905,965</b>	<b>\$ 9,242,799</b>	<b>\$ 9,345,532</b>	<b>\$ 9,424,488</b>	<b>\$ 9,353,202</b>	<b>\$ 11,352,051</b>	<b>\$ 11,393,395</b>

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (21,230,463)	\$ (21,258,107)	\$ (31,512,403)	\$ (30,454,042)	\$ (31,110,781)	\$ (30,193,191)	\$ (32,529,258)	\$ (32,808,651)	\$ (32,540,946)	\$ (35,857,128)
Business-type activities	2,144,461	(458,465)	4,333,147	2,342,602	(272,847)	(1,287,325)	(1,622,271)	(479,785)	(498,553)	512,991
Total primary government net expense	<u>\$ (19,086,002)</u>	<u>\$ (21,716,572)</u>	<u>\$ (27,179,256)</u>	<u>\$ (28,111,440)</u>	<u>\$ (31,383,628)</u>	<u>\$ (31,480,516)</u>	<u>\$ (34,151,529)</u>	<u>\$ (33,288,436)</u>	<u>\$ (33,039,499)</u>	<u>\$ (35,344,137)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes										
Property taxes	\$ 18,678,094	\$ 22,352,347	\$ 22,330,764	\$ 22,263,513	\$ 23,080,188	\$ 23,669,284	\$ 25,046,147	\$ 25,661,803	\$ 26,514,680	\$ 28,017,446
Other local taxes	4,305,199	4,093,622	3,665,210	3,884,188	3,428,191	3,620,732	3,869,620	4,069,547	4,244,523	4,550,095
Investment earnings	2,427,528	1,631,096	872,932	797,493	632,029	582,919	538,920	553,401	827,194	558,206
Miscellaneous	1,144,452	305,112	858,794	781,793	865,267	816,074	614,507	354,380	689,860	817,821
Non-categorical aid from the Commonwealth	2,375,270	2,286,922	6,635,296	2,323,459	2,968,229	2,952,844	2,924,793	2,924,756	2,960,092	2,968,427
Loss on disposal of net assets	(5,719)	-	-	-	-	-	-	-	-	-
Transfers	-	-	560	(3,660)	-	-	-	-	1,600	625
Total governmental activities	<u>\$ 28,924,824</u>	<u>\$ 30,669,099</u>	<u>\$ 34,363,556</u>	<u>\$ 30,046,786</u>	<u>\$ 30,973,904</u>	<u>\$ 31,641,853</u>	<u>\$ 32,993,987</u>	<u>\$ 33,563,887</u>	<u>\$ 35,237,949</u>	<u>\$ 36,912,620</u>
Business-type activities:										
Taxes	\$ 52,012	\$ 94,877	\$ 112,973	\$ 117,658	\$ 127,667	\$ 120,765	\$ 132,638	\$ 213,391	\$ 231,748	\$ 281,546
Investment earnings	1,539,254	378,363	63,610	203,188	82,190	72,426	52,923	52,533	53,056	58,839
Miscellaneous	-	-	-	-	-	-	-	-	-	10,258
Transfers	-	-	(560)	3,660	-	-	-	-	(1,600)	(625)
Total business-type activities	<u>\$ 1,591,266</u>	<u>\$ 473,240</u>	<u>\$ 176,023</u>	<u>\$ 324,506</u>	<u>\$ 209,857</u>	<u>\$ 193,191</u>	<u>\$ 185,561</u>	<u>\$ 265,924</u>	<u>\$ 283,204</u>	<u>\$ 350,018</u>
<b>Total primary government</b>	<u><u>\$ 30,516,090</u></u>	<u><u>\$ 31,142,339</u></u>	<u><u>\$ 34,539,579</u></u>	<u><u>\$ 30,371,292</u></u>	<u><u>\$ 31,183,761</u></u>	<u><u>\$ 31,835,044</u></u>	<u><u>\$ 33,179,548</u></u>	<u><u>\$ 33,829,811</u></u>	<u><u>\$ 35,521,153</u></u>	<u><u>\$ 37,262,638</u></u>
<b>Changes in Net Position</b>										
Governmental activities	\$ 7,694,361	\$ 9,410,992	\$ 2,851,153	\$ (407,256)	\$ (136,877)	\$ 1,448,662	\$ 464,729	\$ 755,236	\$ 2,697,003	\$ 1,055,492
Business-type activities	3,735,727	14,775	4,509,170	2,667,108	(62,990)	(1,094,134)	(1,436,710)	(213,861)	(215,349)	863,009
<b>Total primary government</b>	<u>\$ 11,430,088</u>	<u>\$ 9,425,767</u>	<u>\$ 7,360,323</u>	<u>\$ 2,259,852</u>	<u>\$ (199,867)</u>	<u>\$ 354,528</u>	<u>\$ (971,981)</u>	<u>\$ 541,375</u>	<u>\$ 2,481,654</u>	<u>\$ 1,918,501</u>

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

**Table 3**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General fund</b>										
Reserved	\$ 42,394	\$ 324,244	\$ 296,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	8,365,163	8,828,235	8,409,015	-	-	-	-	-	-	-
Nonspendable	-	-	-	3,934	9,319	43,994	367,300	297,507	310,819	508,094
Restricted	-	-	-	46,118	33,738	36,885	111,638	97,487	34,668	29,215
Committed	-	-	-	82,456	55,837	133,399	110,812	73,339	75,444	81,050
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	7,688,117	7,718,777	7,603,739	7,674,050	8,169,368	8,738,479	9,498,574
Total general fund	\$ 8,407,557	\$ 9,152,479	\$ 8,705,715	\$ 7,820,625	\$ 7,817,671	\$ 7,818,017	\$ 8,263,800	\$ 8,637,701	\$ 9,159,410	\$ 10,116,933
<b>All other governmental funds</b>										
Reserved for:										
Construction	\$ 11,635,215	\$ 5,017,970	\$ 4,405,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid items	-	1,629,190	31,734	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	514,657	275,033	450,208	-	-	-	-	-	-	-
Capital projects funds	13,488,892	10,802,647	10,674,722	-	-	-	-	-	-	-
Debt service funds	2,784,806	1,093,216	1,821,150	-	-	-	-	-	-	-
Nonspendable	-	-	-	1,255,909	1,251,693	134,892	19,880	8,469	8,753	104,777
Restricted	-	-	-	4,137,075	-	-	-	-	-	-
Committed	-	-	-	673,763	305,772	900,499	1,089,353	1,392,202	1,097,498	15,643,941
Assigned	-	-	-	12,187,794	15,439,060	15,290,274	13,155,730	15,904,990	14,991,927	89,244
Unassigned	-	-	-	-	-	-	(29,118)	(13,757)	76,123	(706)
Total all other governmental funds	\$ 28,423,570	\$ 18,818,056	\$ 17,383,107	\$ 18,254,541	\$ 16,996,525	\$ 16,325,665	\$ 14,235,845	\$ 17,291,904	\$ 16,174,301	\$ 15,837,256

**Note:**

In FY 2011 the County implemented GASB 54 and therefore fund balance classifications have been changed accordingly. Restatement of prior year balances is not feasible. Therefore, ten years of fund balance information in accordance with GASB 54 is not available, but will be accumulated over time.

The explanation for the fund balance difference between FY 2016 and FY 2015 is best understood by reading the MD&A.

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

**Table 4**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
General property taxes	\$ 18,678,094	\$ 22,029,662	\$ 22,222,442	\$ 22,297,958	\$ 22,901,566	\$ 23,426,941	\$ 24,678,308	\$ 25,641,948	\$ 26,453,183	\$ 28,181,751
Other local taxes	4,305,199	4,093,622	3,665,210	3,884,188	3,428,191	3,620,732	3,869,620	4,069,547	4,244,523	4,551,333
Permits, privilege fees and licenses	660,112	459,232	430,902	310,578	377,288	385,976	395,155	561,042	542,595	706,972
Fines and Forfeitures	212,547	219,372	191,841	215,521	242,185	243,811	289,644	244,896	216,030	230,561
Revenue from use of money & property	2,259,565	1,631,096	872,932	797,493	632,029	582,919	538,920	553,401	827,194	558,207
Charges for services	508,776	564,015	593,784	577,617	637,810	578,161	595,958	591,897	533,312	609,756
Miscellaneous	1,144,452	1,011,475	858,794	781,793	865,267	816,074	614,507	354,380	689,860	843,826
Recovered costs	533,865	736,896	594,960	485,748	495,986	454,320	265,097	617,157	475,656	427,766
Commonwealth of Virginia	5,685,369	5,384,875	4,869,299	4,823,858	5,244,698	5,471,597	5,668,219	5,529,241	5,840,270	6,057,272
Federal Government	1,331,260	864,586	990,768	875,463	1,574,059	1,559,054	1,560,065	938,487	2,811,300	998,718
Total revenues	\$ 35,319,239	\$ 36,994,831	\$ 35,290,932	\$ 35,050,217	\$ 36,399,079	\$ 37,139,585	\$ 38,475,493	\$ 39,101,996	\$ 42,633,923	\$ 43,166,162
<b>Expenditures</b>										
General government administration	\$ 2,838,389	\$ 2,966,220	\$ 2,892,335	\$ 2,859,703	\$ 3,111,352	\$ 3,018,483	\$ 3,291,289	\$ 3,366,101	\$ 3,332,137	\$ 3,510,891
Judicial administration	1,334,679	1,271,699	1,271,058	1,293,438	1,355,640	1,379,237	1,445,417	1,413,082	1,457,164	1,469,075
Public Safety	5,875,647	5,803,309	6,223,255	6,757,429	8,028,355	7,561,349	7,459,094	7,796,549	7,301,905	8,131,676
Public works	1,693,001	1,797,806	1,825,072	1,832,237	1,782,409	1,640,421	1,597,591	1,596,335	1,605,279	1,667,035
Health and welfare	2,804,957	2,536,125	2,487,966	2,529,648	2,354,831	2,349,627	2,500,813	2,517,092	2,947,998	3,002,358
Education	9,674,192	10,199,591	9,292,122	10,689,229	11,314,721	11,343,488	12,789,955	12,527,071	12,905,854	13,052,292
Parks, recreation and cultural	615,715	656,906	668,412	652,519	617,971	635,788	697,661	691,829	724,004	735,648
Community development	1,410,997	1,290,168	964,421	1,118,510	763,602	714,269	711,650	777,280	889,349	1,017,152
Capital projects	39,636,653	12,079,368	3,473,438	1,649,068	2,639,793	3,573,424	3,958,484	4,296,214	6,852,692	6,511,025
Debt service										
Principal retirement	2,124,007	3,697,636	4,705,781	2,626,864	2,704,858	2,787,611	2,941,726	2,967,281	3,095,530	5,477,112
Interest and other fiscal charges	3,109,102	3,556,595	3,369,345	3,102,636	2,986,517	2,877,650	2,725,850	2,577,144	2,119,505	2,097,463
Bond issuance costs	98,920	-	-	-	-	-	-	707,305	-	39,582
Total Expenditures	\$ 71,216,259	\$ 45,855,423	\$ 37,173,205	\$ 35,111,281	\$ 37,660,049	\$ 37,881,347	\$ 40,119,530	\$ 41,233,283	\$ 43,231,417	\$ 46,711,309
Revenues over (under) expenditures	\$ (35,897,020)	\$ (8,860,592)	\$ (1,882,273)	\$ (61,064)	\$ (1,260,970)	\$ (741,762)	\$ (1,644,037)	\$ (2,131,287)	\$ (597,494)	\$ (3,545,147)
<b>Other financing sources (uses)</b>										
Transfers in	\$ 6,872,077	\$ 11,739,565	\$ 13,193,093	\$ 9,455,572	\$ 11,595,115	\$ 8,816,327	\$ 8,165,591	\$ 8,740,963	\$ 10,925,576	\$ 11,700,187
Transfers out	(6,872,077)	(11,739,565)	(13,192,533)	(9,459,232)	(11,595,115)	(8,816,327)	(8,165,591)	(8,740,963)	(10,923,976)	(11,699,562)
Issuance of bonds	9,859,103	-	-	-	-	-	-	4,850,000	-	2,246,000
Bond issuance premium	388,337	-	-	-	-	-	-	4,620,242	-	-
Refunding of bonds	2,395,106	-	-	-	-	-	-	39,195,000	-	1,919,000
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(43,103,995)	-	-
Sale of capital assets	76,281	-	-	51,068	-	71,248	-	-	-	-
Total other financing sources (uses)	\$ 12,718,827	\$ -	\$ 560	\$ 47,408	\$ -	\$ 71,248	\$ -	\$ 5,561,247	\$ 1,600	\$ 4,165,625
Net change in fund balances	\$ (23,178,193)	\$ (8,860,592)	\$ (1,881,713)	\$ (13,656)	\$ (1,260,970)	\$ (670,514)	\$ (1,644,037)	\$ 3,429,960	\$ (595,894)	\$ 620,478
Debt service as a percentage of noncapital expenditures	17.54%	25.33%	22.63%	16.72%	16.01%	16.43%	15.29%	14.69%	13.44%	17.91%

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

**Table 5**

	2017			2008		
	Rank	Assessed Valuation (1)	Percentage of Total Assessed Valuation	Rank	Assessed Valuation (2)	Percentage of Total Assessed Valuation
<b>Taxpayer</b>						
City of Newport News	1	\$ 31,406,600	1.21%	2	\$ 23,697,142	1.51%
Kent Farms Holding Company LLC	2	25,782,400	1.00%			
Kinney Jonathan C Trustee	3	24,507,800	0.95%	6	7,928,903	0.50%
New Kent Farms LLC	4	22,377,900	0.86%	3	23,674,500	1.51%
Colonial Downs Holdings Inc	5	20,785,000	0.80%	1	29,846,200	1.90%
Kentland Investments LLC	6	13,040,800	0.50%	7	7,424,300	0.47%
SPF Investments LLC	7	11,405,300	0.44%			
Criss Cross Properties LLC	8	9,597,900	0.37%			
Patriots Landing Mgmt Corp	9	9,093,100	0.35%			
AHS Cumberland Hospital LLC	10	8,225,700	0.32%	8	6,313,200	0.40%
NKP LB5 LLC				4	12,828,100	0.82%
Bluegreen Properties of Virginia				5	10,376,200	0.66%
Tideland Title Agency, Inc.				9	6,231,500	0.40%
Wingspread Partners Invest LTD				10	4,443,900	0.28%
Total		<u>\$ 176,222,500</u>	6.811%		<u>\$ 132,763,945</u>	8.451%
Total Assessed Valuation of RE		<u>\$ 2,587,248,900</u>	100.000%		<u>\$ 1,571,023,219</u>	100.000%

**Notes:**

(1) Based on January 1, 2016 Real Estate Assessments Less Land Use

(2) Based on January 1, 2007 Real Estate Assessments Less Land Use



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

**Table 6**

Fiscal Year	Taxes Levied for the Fiscal Year (2)		Collected within the		Adjustments to Levy in Subsequent Years	Total Adjusted Levy	Collections In Subsequent Years	Total Collections to Date						
			Fiscal Year of the Levy					Percentage						
	Amount (1)	Percentage of Levy	Amount (1)	Percentage of Levy										
2017	\$	21,283,082	\$	20,587,847	96.73%	\$	-	\$	21,283,082	\$	-	\$	20,587,847	96.73%
2016		20,167,115		19,423,778	96.31%		4,943		20,172,058		470,354		19,894,132	98.62%
2015		19,858,010		19,127,721	96.32%		(4,208)		19,853,802		542,324		19,670,045	99.07%
2014		19,552,791		18,769,457	95.99%		7,879		19,560,670		634,140		19,403,597	99.20%
2013		18,281,426		17,694,331	96.79%		15,619		18,297,044		495,991		18,190,322	99.42%
2012		18,212,680		17,636,241	96.83%		4,130		18,216,810		519,769		18,156,010	99.67%
2011		18,024,674		17,412,481	96.60%		3,165		18,027,839		571,924		17,984,405	99.76%
2010		18,150,753		17,481,715	96.31%		(130,933)		18,019,820		510,499		17,992,214	99.85%
2009		17,544,380		16,928,858	96.49%		(21,191)		17,523,189		576,115		17,504,972	99.90%
2008		14,683,271		14,228,315	96.90%		(373)		14,682,898		445,618		14,673,933	99.94%

**Notes:**

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

Notes are presented on a fiscal year and cash basis.

(1) Exclusive of penalties and interest.

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

**COUNTY OF NEW KENT, VIRGINIA**

**Table 7**

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

<b>Fiscal Year</b>		<b>Residential/ Agricultural Property (4) (5)</b>		<b>Commercial Property (4)</b>		<b>Total Assessed Value</b>		<b>Less: Land-Use Property (4)</b>		<b>Total Taxable Assessed Value</b>		<b>Total Direct Tax Rate (3)</b>		<b>Estimated Actual Value (1)</b>	<b>Taxable Assessed Value as a % of Est. Actual Value</b>
2017	\$	2,356,232,640	\$	317,636,760	\$	2,673,869,400	\$	86,620,500	\$	2,587,248,900	\$	0.83	\$	2,697,861,210	95.90% (2)
2016		2,199,446,161		287,800,983		2,487,247,144		76,160,300		2,411,086,844		0.84		2,623,955,210	91.89%
2015		2,159,481,911		286,468,033		2,445,949,944		71,259,400		2,374,690,544		0.84		2,563,888,830	92.62%
2014		2,168,009,978		211,393,700		2,379,403,678		76,100,600		2,303,303,078		0.85		2,425,487,949	94.96%
2013		2,135,222,057		211,238,700		2,346,460,757		75,552,700		2,270,908,057		0.81		2,358,252,017	96.30%
2012		2,446,399,899		242,290,949		2,688,690,848		75,360,400		2,613,330,448		0.70		2,448,716,619	106.72%
2011		2,408,011,129		235,381,426		2,643,392,555		72,264,750		2,571,127,805		0.70		2,569,542,911	100.06%
2010		2,372,385,106		188,049,050		2,560,434,156		66,421,900		2,494,012,256		0.73		2,530,073,277	98.57%
2009		2,249,924,409		171,828,270		2,421,752,679		58,656,600		2,363,096,079		0.73		2,527,925,552	93.48%
2008		1,485,801,900		127,861,119		1,613,663,019		42,639,800		1,571,023,219		0.93		2,671,627,515	58.80%

**Notes:**

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

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

(2) Ratio based on 2017 Estimated Ratio provided by the Department of Taxation.

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

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

(5) Includes Land Use Exemptions.

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

<b>Fiscal Year</b>	<b>Personal Property (1)</b>	<b>Machinery &amp; Tools (1)</b>	<b>Aircraft (1)</b>	<b>Public Service (2,3)</b>	<b>Total</b>
2017	\$ 208,527,111	\$ 637,147	\$ 1,342,334	\$ 134,966,269	\$ 345,472,861
2016	194,598,143	513,582	1,220,227	128,928,446	325,260,398
2015	187,360,448	590,954	1,227,874	120,632,737	309,812,013
2014	177,749,271	906,954	1,076,630	119,599,045	299,331,900
2013	177,404,046	407,528	1,237,663	110,051,084	289,100,321
2012	167,618,216	411,632	1,390,736	97,839,996	267,260,580
2011	159,680,205	507,358	1,508,951	84,794,487	246,491,001
2010	155,957,292	18,000	1,352,404	82,047,884	239,375,580
2009	170,220,143	18,000	1,271,150	74,410,649	245,919,942
2008	156,913,939	18,000	1,298,750	44,828,759	203,059,448

**Notes:**

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

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

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

(3) Includes Real Estate.

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

**Table 9**

<b>Fiscal Year</b>	<b>Public Service</b>		<b>Machinery &amp; Tools</b>	<b>Aircraft</b>	<b>Mobile Homes</b>
	<b>Real Estate</b>	<b>Personal Property</b>			
2017	\$ 0.83	\$ 3.75	\$ 1.50	\$ 0.75	\$ 0.83
2016	0.84	3.75	1.50	0.75	0.84
2015	0.84	3.75	1.50	0.75	0.84
2014	0.85	3.75	1.50	0.75	0.85
2013	0.81	3.75	1.50	0.75	0.81
2012	0.70	3.75	1.50	0.75	0.70
2011	0.70	3.75	1.50	0.75	0.70
2010	0.73	3.75	1.50	0.75	0.73
2009	0.73	3.75	1.50	0.75	0.73
2008	0.93	3.75	3.00	0.75	0.93

**Note:**

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

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

**Table 10**

Fiscal Year	Governmental Activities				Business-Type Activities		Summary Totals		
	General Obligation Bonds	State Literary Funds Loans	Capital Lease and Other Obligations	Lease Revenue & Acquisition Bond	Revenue Bonds	Bond Premium	Total Primary Government	Percentage of Total Personal Income	Per Capita Personal Income (1)
2017	\$ 8,726,826	\$ -	\$ 1,622,712	\$ 43,280,000	\$ 14,106,418	\$ 4,648,039	\$ 72,383,995	N/A	N/A
2016	9,548,336	-	-	43,770,602	14,624,042	5,378,815	73,321,795	N/A	N/A
2015	10,363,309	-	-	46,051,159	15,099,947	6,140,431	77,654,846	6.94%	54,876
2014	11,274,259	-	-	43,397,490	14,535,000	2,940,805	72,147,554	6.88%	52,442
2013	12,253,753	-	-	45,359,722	14,995,000	3,275,157	75,883,632	7.85%	49,581
2012	13,162,303	-	-	47,238,783	15,755,000	1,662,288	77,818,374	8.68%	46,790
2011	14,062,018	-	-	49,043,926	16,160,000	1,846,825	81,112,769	9.60%	45,009
2010	14,953,146	-	-	50,779,662	16,555,000	2,038,724	84,326,532	10.66%	42,643
2009	16,085,397	-	-	54,353,091	16,940,000	2,237,826	89,616,314	11.61%	42,734
2008	17,076,570	100,000	-	56,959,655	17,310,000	2,447,435	93,893,660	12.04%	43,984

**Notes:**

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

**(1)** Total personal income and per capital personal income data for 2008 through 2015 was obtained from Calculations by the Virginia Regional Economic Analysis Project (VA-REAP) with data provided by the U.S. Department of Commerce, Bureau of Economic Analysis - BEARFACTS

N/A - This information was not available.

**COUNTY OF NEW KENT, VIRGINIA**  
**Ratio of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

**Table 11**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>State Literary Fund Loans</b>	<b>Total General Bonded Debt</b>	<b>Net Bonded Debt Per Capita</b>	<b>Percent of General Bonded Debt to Assessed Real Property Value</b>
2017	\$ 8,726,826	\$ -	\$ 8,726,826	\$ 411	0.33%
2016	9,548,336	-	9,548,336	452	0.38%
2015	10,363,309	-	10,363,309	511	0.42%
2014	11,274,259	-	11,274,259	566	0.47%
2013	12,253,753	-	12,253,753	627	0.52%
2012	13,162,303	-	13,162,303	687	0.49%
2011	14,062,018	-	14,062,018	749	0.53%
2010	14,953,146	-	14,953,146	806	0.58%
2009	16,085,398	-	16,085,398	891	0.66%
2008	17,076,570	100,000	17,176,570	969	1.06%

**Notes:**

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

See Table 7 for property value data.

Population data can be found in Table 12.

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

**Table 12**

<b>Year</b>	<b>Population (4)</b>	<b>Total Personal Income (in thousands) (1)</b>	<b>Per Capita Personal Income (1)</b>	<b>Unemployment Rate (2)</b>	<b>School Enrollment (3)</b>
2017	21,226	N/A	N/A	3.3	3,156
2016	21,147	N/A	N/A	3.5	3,042
2015	20,424	1,119,023	54,876	4.0	3,027
2014	20,019	1,048,795	52,442	4.7	2,977
2013	19,504	966,330	49,581	5.4	3,001
2012	19,159	896,075	46,790	5.7	2,940
2011	18,773	844,736	45,009	6.5	2,938
2010	18,558	791,406	42,643	7.0	2,888
2009	18,057	771,650	42,734	6.8	2,854
2008	17,728	779,741	43,984	3.4	2,784

**Notes:**

- (1) Total personal income and per capital personal income data for 2008 through 2015 was obtained from Calculations by the Virginia Regional Economic Analysis Project (VA-REAP) with data provided by the U.S. Department of Commerce, Bureau of Economic Analysis - BEARFACTS.
- (2) U.S. Bureau of Labor Statistics - Unemployment Rates by County, Not Seasonally Adjusted at June of each year.
- (3) Virginia Department of Education Fall Membership Reports (division totals by grade)  
Fall Membership is the number of students enrolled in public school on September 30th of each year.
- (4) United States Census Bureau, Population Estimates of the Resident Population for Counties of Virginia.
- (5) New Kent County Department of Community Development - Estimate for June 2017.

N/A - This information was not available.

**COUNTY OF NEW KENT, VIRGINIA**  
**Principal Employers**  
**Current and Nine Years Ago**

**Table 13**

<b>Employer</b>	<b>2017</b>			<b>2008</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment**</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment**</b>
New Kent County School Board	500 to 999	1		500 to 999	1	
Curtis Contracting Inc	250 to 499	2		50 to 99	9	
County of New Kent	250 to 499	3		100 to 249	3	
AHS Cumberland Hospital	100 to 249	4		250 to 499	2	
Food Lion	100 to 249	5		100 to 249	6	
County of Henrico	100 to 249	6		100 to 249	4	
Cornerstone Support Services	50 to 99	7				
McDonald's	50 to 99	8				
Comfort Keepers 160	20 to 49	9				
Allied Pallet Company	20 to 49	10		50 to 99	8	
Ccc Transportation LLC				100 to 249	5	
Kerkim Inc				50 to 99	7	
Interior Specialty Cons Inc				50 to 99	10	

**Notes:**

Source: Virginia Employment Commission  
Quarterly Census of Employment and Wages (QCEW)  
Data for 2017: 1st Quarter 2017  
Data for 2008: 1st Quarter 2008

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



**COUNTY OF NEW KENT, VIRGINIA**  
**Full-Time County Government Employees by Function/Program**  
**Last Ten Fiscal Years**

**Table 14**

Function / Department	Full-time Equivalent Employees as of June 30									
	2017 (2)	2016 (2)	2015 (2)	2014 (2)	2013 (2)	2012 (1)	2011	2010	2009	2008
<b>General government:</b>										
Clerk of the Board	3.9	4.1	5.5	5.0	5.0	5.0	4.5	4.5	4.5	4.0
Commissioner of the Revenue	8.6	7.9	8.9	8.1	7.1	7.0	6.0	6.0	6.0	6.0
Treasurer	5.0	4.9	4.9	5.1	5.0	5.0	4.0	4.0	4.0	4.0
Finance	5.5	5.5	5.5	5.5	5.5	5.5	4.0	4.0	4.0	6.0
Human Resources	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0
Information Technologies	4.0	3.7	3.7	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Registrar	2.7	2.6	2.6	2.7	2.4	2.5	2.0	2.0	2.0	2.0
County Attorney	-	-	0.8	1.0	2.0	2.0	2.0	2.0	2.5	2.0
<b>Total General Government</b>	<b>31.7</b>	<b>30.7</b>	<b>33.9</b>	<b>32.4</b>	<b>31.9</b>	<b>32.0</b>	<b>27.5</b>	<b>27.5</b>	<b>28.0</b>	<b>28.0</b>
<b>Judicial Administration:</b>										
Clerk of the Circuit Court	3.9	4.1	4.4	4.3	4.5	4.5	3.0	3.0	3.0	3.0
Circuit Court Judge	1.0	1.0	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Victim Witness	1.6	1.1	0.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Commonwealth Attorney	4.1	4.0	3.6	4.1	4.1	3.5	3.5	3.5	3.5	3.5
<b>Total Judicial Administration</b>	<b>10.5</b>	<b>10.1</b>	<b>9.6</b>	<b>10.4</b>	<b>10.6</b>	<b>10.0</b>	<b>8.5</b>	<b>8.5</b>	<b>8.5</b>	<b>8.5</b>
<b>Public Safety:</b>										
Sheriff and Animal Control	54.7	53.9	54.6	55.1	55.6	50.5	41.0	39.0	39.0	37.0
Fire and Emergency Mgmt.	38.4	32.4	32.4	30.8	27.6	22.5	16.0	16.0	13.0	10.0
Building Inspections	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	7.0
<b>Total Public Safety</b>	<b>98.1</b>	<b>91.3</b>	<b>92.0</b>	<b>90.9</b>	<b>88.2</b>	<b>78.0</b>	<b>62.0</b>	<b>60.0</b>	<b>57.0</b>	<b>54.0</b>
<b>Public Works:</b>										
Refuse	9.5	9.4	9.6	10.0	9.6	9.0	10.0	10.0	10.0	10.0
General Services	8.6	8.1	8.0	7.3	8.0	9.0	8.0	8.0	8.0	8.0
<b>Total Public Works</b>	<b>18.1</b>	<b>17.5</b>	<b>17.6</b>	<b>17.3</b>	<b>17.6</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>
<b>Health and Welfare:</b>										
Social Services	16.1	16.7	14.2	16.5	18.7	16.5	15.5	12.5	12.5	13.5
Human Services	2.0	2.0	1.5	2.0	1.0	1.0	-	-	-	-
<b>Total Health and Welfare</b>	<b>18.1</b>	<b>18.7</b>	<b>15.7</b>	<b>18.5</b>	<b>19.7</b>	<b>17.5</b>	<b>15.5</b>	<b>12.5</b>	<b>12.5</b>	<b>13.5</b>
<b>Community Development</b>										
Planning/Environmental/Permitting	9.7	8.4	7.4	9.0	7.0	7.0	9.0	9.0	9.0	11.0
Extension	0.5	0.6	0.5	0.5	0.5	0.5	-	-	-	-
Economic Development	2.4	2.5	7.6	2.1	2.1	1.0	2.0	2.0	2.0	1.0
Airport	1.7	1.7	1.5	1.3	1.8	1.5	1.0	1.0	1.0	1.0
<b>Total Community Development</b>	<b>14.3</b>	<b>13.2</b>	<b>17.0</b>	<b>12.9</b>	<b>11.4</b>	<b>10.0</b>	<b>12.0</b>	<b>12.0</b>	<b>12.0</b>	<b>13.0</b>
<b>Parks, Recreation and Cultural</b>										
Parks and Recreation	8.3	8.1	7.6	7.4	5.4	3.5	3.5	4.0	4.0	4.0
<b>Total Parks, Recreation and Cultural</b>	<b>8.3</b>	<b>8.1</b>	<b>7.6</b>	<b>7.4</b>	<b>5.4</b>	<b>3.5</b>	<b>3.5</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>
<b>Total Governmental</b>	<b>199.1</b>	<b>189.6</b>	<b>193.4</b>	<b>189.8</b>	<b>184.8</b>	<b>169.0</b>	<b>147.0</b>	<b>142.5</b>	<b>140.0</b>	<b>139.0</b>
<b>Public Utilities</b>										
Water/Sewer	18.5	18.8	17.6	18.0	20.0	18.0	17.0	16.0	16.0	13.0
<b>Total Public Utilities</b>	<b>18.5</b>	<b>18.8</b>	<b>17.6</b>	<b>18.0</b>	<b>20.0</b>	<b>18.0</b>	<b>17.0</b>	<b>16.0</b>	<b>16.0</b>	<b>13.0</b>
<b>Total County</b>	<b>217.6</b>	<b>208.4</b>	<b>211.0</b>	<b>207.8</b>	<b>204.8</b>	<b>187.0</b>	<b>164.0</b>	<b>158.5</b>	<b>156.0</b>	<b>152.0</b>

Source: Human Resources Department, Human Resources Specialist

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

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

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

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

**Table 15**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety (1)										
Fire and rescue companies	1	1	1	1	1	1	1	1	1	1
Number of Stations	4	4	4	4	4	4	4	4	3	3
Public Utilities (2)										
Active Vehicles	18	18	18	18	18	18	18	17	17	9
Refuse Collection (3)										
Refuse collected (tons per year)	5,716	5,836	5,985	5,580	5,561	6,134	5,820	6,195	6,449	7,202
Number of refuse sites	4	4	4	4	4	4	4	4	4	4
Recyclables Collected										
Metal (tons)	287	254	202	199	201	222	260	277	284	311
ONP (tons) (7)	-	-	-	76	77	91	92	91	128	158
OCC (tons)	126	100	88	81	93	89	93	79	99	85
Mixed Paper	316	-	-	-	-	-	-	-	-	-
Propane Tanks (units)	55	56	82	35	51	58	105	73	126	104
Batteries (units)	229	367	121	156	158	178	127	309	280	329
Used Oil (gallons)	11,725	10,995	9,857	9,034	12,095	10,368	12,381	12,320	12,210	13,845
Antifreeze (gallons)	315	228	352	394	353	560	475	515	480	595
Oil Filters (gallons)	935	1,100	770	1,045	1,045	880	935	935	1,210	1,210
Category 1 (gallons)	1,320	1,650	1,540	1,155	1,155	1,375	1,485	1,265	1,320	1,320
Co-Mix (8)	2,176	-	-	-	-	-	-	-	-	-
Parks, Recreation & Cultural (4)										
Land acres	330	330	330	330	330	275	275	275	275	275
Trails (miles)	6	6	6	6	6	6	6	5	5	5
Number of visitors	32,550	32,550	32,300	32,125	26,725	26,725	26,725	24,750	24,750	22,620
Library (5)										
Material circulated	44,924	46,803	45,594	47,805	48,922	52,592	50,637	43,230	41,589	47,850
Library patrons	28,214	22,039	24,156	23,382	24,193	26,466	26,763	25,937	24,123	24,160
Education (6)										
Elementary Schools										
Buildings	2	2	2	2	2	2	2	2	2	2
Primary Schools										
Buildings	0	0	0	0	0	0	0	0	0	0
Middle Schools										
Buildings	1	1	1	1	1	1	1	1	1	1
Capacity	750	750	750	750	750	750	750	750	750	522
High Schools										
Buildings	1	1	1	1	1	1	1	1	1	1
Capacity	1200	1200	1200	1200	1200	1200	1200	1200	1200	800
Number of school buses	54	54	55	58	60	60	60	60	60	63

**Sources:**

- (1) New Kent County Fire Department
- (2) Public Utilities
- (3) New Kent County General Services and CVWMA (Central Virginia Waste Management Authority)
- (4) New Kent County Parks and Recreation
- (5) Heritage Public Library
 

The Heritage Public Library in the past had served two localities, New Kent County and Charles City County.  
 FY09 was the first full year the library recorded separate statistics for New Kent and Charles City County.  
 The Library migrated systems the week of January 21, 2013 and some data was lost during the migration.
- (6) New Kent County Public Schools
- (7) As of FY15 Old News Print (ONP) is collected with mixed paper
- (8) FY17 was the first full year of revenue from Co-Mix Collection under our new contract,

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

**Table 16**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Sheriff's Department (1)</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	19	19	19	19	19	19	19	19	19	19
Total Calls Dispatched	51,131	40,097	38,426	38,204	34,651	34,964	34,884	31,094	34,087	38,302
Calls dispatched for traffic	12,200	10,624	9,152	9,035	8,702	6,810	6,628	4,043	3,503	3,298
Calls dispatched for rescue	3,072	2,879	2,899	1,756	1,524	2,994	2,765	1,707	1,620	1,353
Number of criminal warrants served	1,317	1,125	1,223	1,189	1,419	1,359	1,318	1,161	1,129	1,146
Number of civil warrants and traffic notices	5,975	4,714	9,422	7,914	6,108	6,829	7,171	7,165	8,424	8,576
<b>Volunteer Fire and Rescue (2)</b>										
Companies	1	1	1	1	1	1	1	1	1	1
Stations	4	4	4	4	4	4	4	4	3	3
Emergency responses	3,053	2,714	2,415	2,434	3,255	3,010	2,765	2,891	1,418	1,453**
Fires extinguished	84	83	104	56	132	112	168	224	289	213**
Inspections	466	50	84	176	357	784	810	688	594	312
<b>Parks and recreation (3)</b>										
Number of parks maintained	8	8	8	8	8	7	7	7	7	6
Park acreage owned by the County	330	330	330	330	330	275	275	275	275	275
<b>Library (4)</b>										
Number of libraries	1	1	1	1	1	1	1	1	1	1*
Number of bookmobiles (non-operational)	-	-	-	-	-	-	-	-	1	1
<b>Public Utilities (5)</b>										
<b>Water</b>										
Daily average consumption (gallons)	689,000	631,233	583,000	660,071	502,263	667,000	828,208	572,212	697,149	811,600
Number of connections	2,847	2,675	2,583	2,418	2,400	2,133	2,101	1,990	1,918	1,887
<b>Sewer</b>										
Average daily wastewater treated (thousands of gallons)	270,000	272,877	283,000	239,069	244,000	255,000	234,000	320,000	340,000	328,000
Number of connections	1,515	1,365	1,246	1,154	1,142	951	916	809	733	725
<b>Reclaimed</b>										
Daily average consumption (gallons)	203,000****	71,584***	92,000	240,000	240,000	198,000	-	-	-	-
Number of connections	3	3	3	3	3	3	-	-	-	-

\* For FY07-08 Heritage Public Library has been operating out of 2 branches. One in New Kent County and one in Charles City County.

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

\*\*\* For FY15-16 Reclaimed Water billing was only sent for two months out of the year. Colonial Downs closed and the golf courses used very little.

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

**Sources:**

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

---

---

**THIS PAGE INTENTIONALLY BLANK**

## COMPLIANCE SECTION

---



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of New Kent, Virginia, (the "County") as of and for the year ended June 30, 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 30, 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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

## Compliance and Other Matters

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

## County of New Kent, Virginia's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## Purpose of this Report

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

  
CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 30, 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 Board of Supervisors  
County of New Kent, Virginia

**Report on Compliance for Each Major Federal Program**

We have audited the County of New Kent, Virginia's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended June 30, 2017. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the County of New Kent, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 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 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.



CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 30, 2017

**COUNTY OF NEW KENT, 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 laws, regulations, contracts, and grants shown below:

**STATE COMPLIANCE MATTERS**

*Code of Virginia*

Budget and Appropriation Laws

Cash and Investment Laws

Comprehensive Services Act

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Economic Development Opportunity Funds

Sheriff Internal Controls

Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Education

**FEDERAL COMPLIANCE MATTERS**

Compliance Supplement for Single Audits of State and Local Governments

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

COUNTY OF NEW KENT, VIRGINIA

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

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Clusters	Federal Expenditures
<b>Department of Agriculture:</b>				
Pass Through Payments:				
Department of Education:				
School Breakfast Program	10.553	17901-40591	\$ 93,967	
National School Lunch Program	10.555	17901-40623	287,144	
Department of Agriculture:				
National School Lunch Program - Commodities	10.555	17901-45707	55,514	436,625
Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	10111		144,931
<b>Total Department of Agriculture</b>			\$	581,556
<b>Department of Justice:</b>				
Direct payments:				
Bulletproof Vest Partnership Program	16.607	N/A	\$	1,514
Pass Through Payments:				
Department of Criminal Justice Service:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-51100		12,463
<b>Total Department of Justice</b>			\$	13,977
<b>Department of Transportation:</b>				
Pass Through Payments:				
Department of Aviation:				
Airport Improvement Program	20.106	N/A	\$	222,682
Department of Motor Vehicles:				
State and Community Highway Safety	20.600	60507-53150		11,330
Alcohol Open Container Requirements	20.607	60507-53137		29,732
National Priority Safety Programs	20.616	60507-54084		4,405
<b>Total Department of Transportation</b>			\$	268,149
<b>Department of Education:</b>				
Pass Through Payments:				
Department of Education:				
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$	226,559
Special Education Grants to States	84.027	17901-43071	586,461	
Special Education Preschool Grants	84.173	17901-462521	15,038	601,499
Career and Technical Education Basic Grants to States	84.048	17901-61095		29,514
Advanced Placement Program	84.330	17901-60957		570
Supporting Effective Instruction State Grants	84.367	17901-61480		53,264
<b>Total Department of Education</b>			\$	911,406
<b>Department of Health and Human Services:</b>				
Pass Through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950115/0950116	\$	154
Temporary Assistance for Needy Families	93.558	0400115/0400116		108,142
Refugee and Entrant Assistance State Administered Programs	93.566	0500115/0500116		331
Low-Income Home Energy Assistance	93.568	0600415/0600416		12,505
Child Care Mandatory and Matching Funds	93.596	0760115/0760116		20,557
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115/0900116		146
Foster Care - Title IV-E	93.658	1100115/1100116		58,416
Adoption Assistance	93.659	1120115/1120116		63,898
Social Services Block Grant	93.667	1000115/1000116		74,598
Chafee Foster Care Independence Program	93.674	9150115/9150116		472
Children's Health Insurance Program	93.767	0540115/0540116		5,734
Medical Assistance Program	93.778	1200115/1200116		183,150
<b>Total Department of Health and Human Services</b>			\$	528,103

COUNTY OF NEW KENT, VIRGINIA

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Clusters	Federal Expenditures
<b>Department of Homeland Security:</b>				
Pass Through Payments:				
Department of Emergency Services:				
Emergency Management Performance Grants	97.042	77501-52743		\$ 27,932
Disaster Grants - Public Assistance	97.036	77602-155		<u>15,626</u>
<b>Total Department of Homeland Security</b>				<u>\$ 43,558</u>
Total Expenditure of Federal Awards				<u><u>\$ 2,346,749</u></u>

**COUNTY OF NEW KENT, VIRGINIA**

**Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017**

---

**Note 1: Basis of Presentation**

The Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting as contemplated by generally accepted accounting principles.

**Note 2: Non-Cash Assistance**

The County of New Kent participated in the National School Lunch Program, CFDA Number 10.555, which provides non-cash benefits. The Schedule of Expenditures of Federal Awards includes commodity distributions of \$55,514 from the National School Lunch Program.

**Note 3: De Minimis Rate**

The County of New Kent has not elected to use the 10% de minimis cost rate.

COUNTY OF NEW KENT, 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. **No significant deficiencies** relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings** relating to major programs.
7. The programs tested as major programs include:

<u>Name of Program:</u>	<u>CFDA #</u>
Title VI-B Special Education Cluster	
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The County was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

2017-001: Timely Disclosure Statement Filings

**Condition:**

Seven disclosure statements of appointed board members were filed after the January 17, 2017 deadline. This is not in compliance with the deadline as stated in the *Code of Virginia*.

**Recommendation:**

We recommend all disclosure statements be submitted prior to the annual deadline, specified in the *Code of Virginia*.

**COUNTY OF NEW KENT, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2017**

**D. FINDINGS – COMMONWEALTH OF VIRGINIA (Continued)**

**2017-002: Social Services Business Continuity Plan**

***Condition:***

The Business Continuity Plan has not been updated within the previous twelve months as required by the Virginia Department of Social Services, (VDSS). The Plan was last updated on July 13, 2015.

***Recommendation:***

We recommend management review the Business Continuity Plan Annually in compliance with VDSS guidelines.

***Management's Response:***

Social Services management concurs and will review the Plan annually.