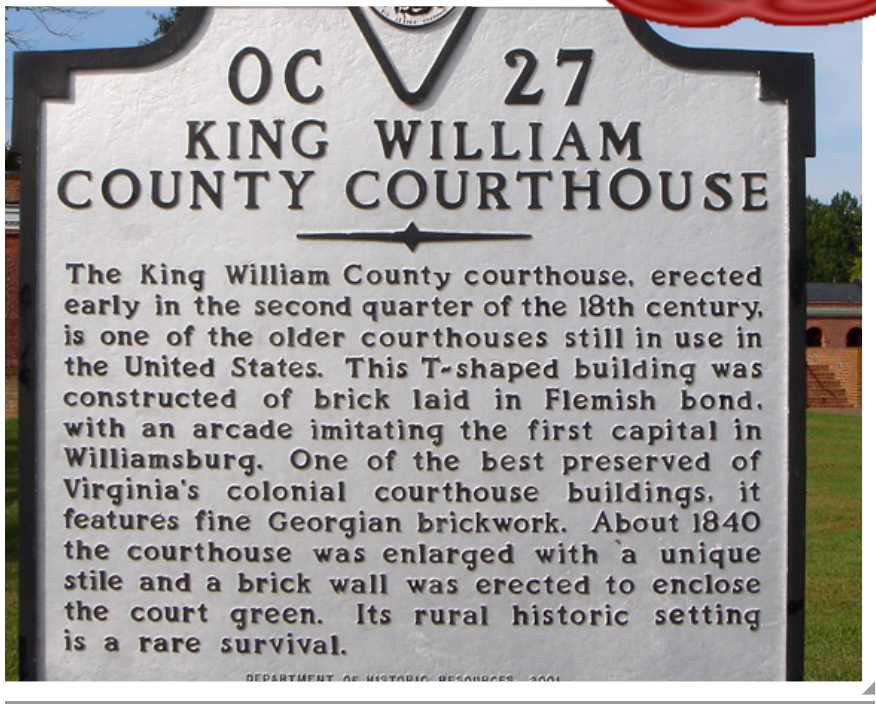


King William County, Virginia

Comprehensive Annual Financial Report



2018

*For the year ended
June 30, 2018*

**COUNTY OF KING WILLIAM, VIRGINIA
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2018 King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2018

www.kingwilliamcounty.us

INTRODUCTORY SECTION

Directory of Principal Officials

Organization of the County Government

Certificate of Achievement for Excellence in
Financial Reporting – 2017

Letter of Transmittal

COUNTY OF KING WILLIAM, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2018

BOARD OF SUPERVISORS

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

COUNTY ADMINISTRATOR

Bobbie H. Tassinari

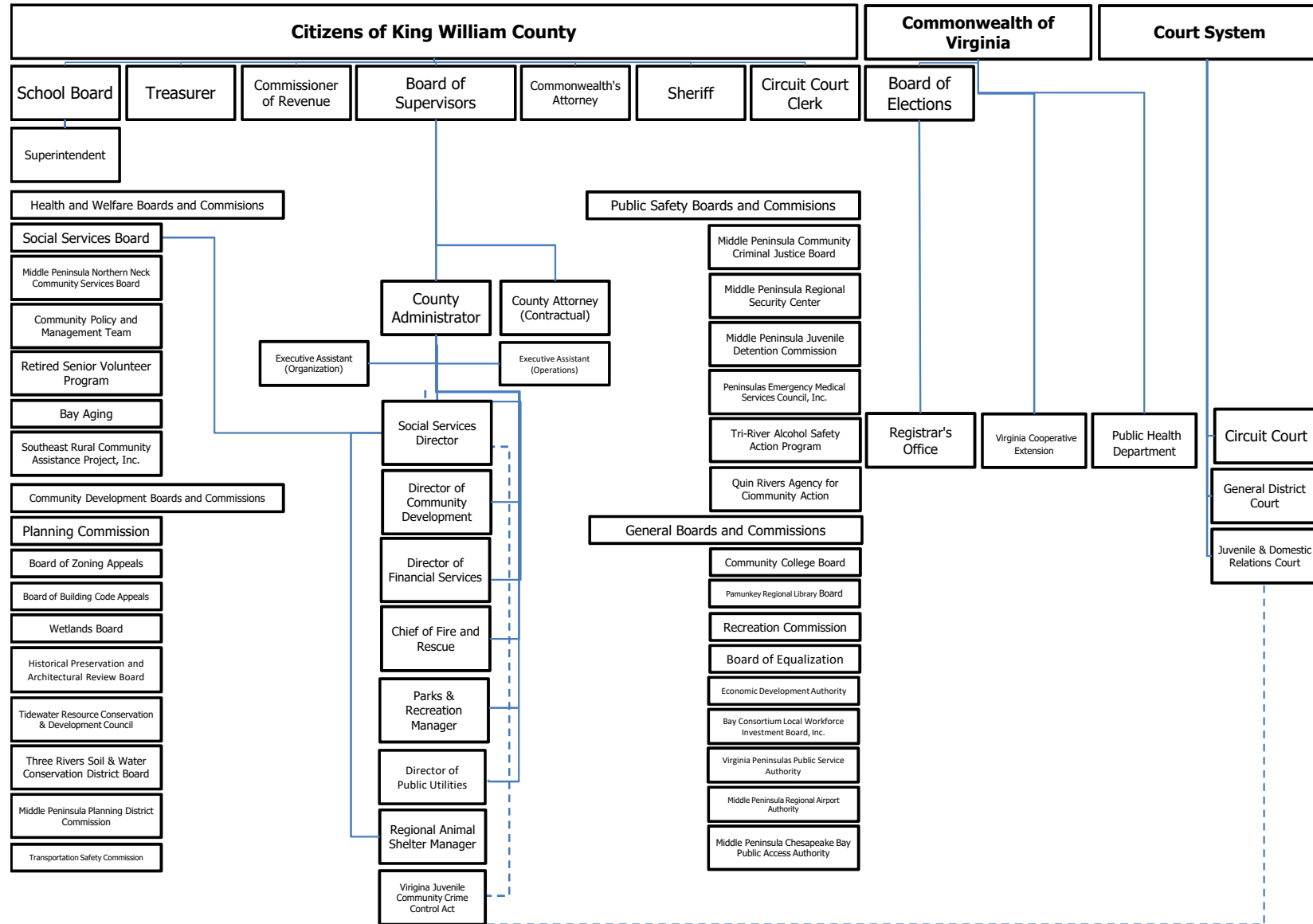
SCHOOL BOARD

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

OTHER OFFICIALS

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

County of King William Organization Chart





Government Finance Officers Association

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

Presented to

**County of King William
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

King William County Government and Public Schools



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

Telephone (804) 769-4929

Fax (804) 769-4964

November 30, 2018

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of King William County (the "County") for the fiscal year ended June 30, 2018. The *Code of Virginia* requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of audited financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) as established by the Governmental Accounting Standards Board.

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

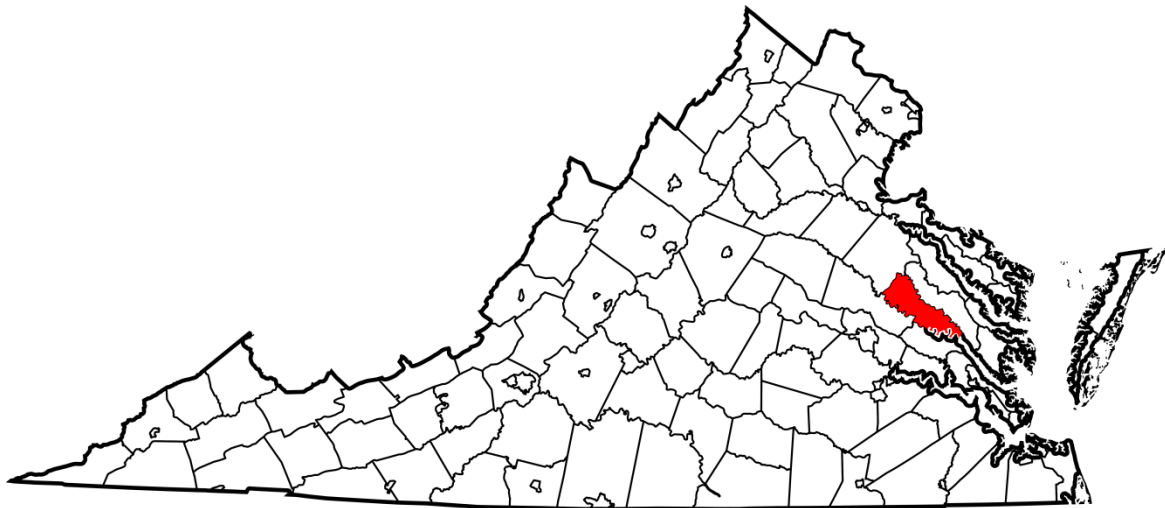
The County's financial statements have been audited by the firm of Brown, Edwards & Company, L.L.P. a firm of licensed certified public accountants, as required by the *Code of Virginia*. The audit was conducted in accordance with generally accepted auditing standards and the Independent Auditors' Report is included as the first component in the Financial Section of this report. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements are fairly presented in conformity with GAAP.

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

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

Profile of King William County, Virginia

King William County (the County), incorporated in 1702, is located in the Middle Peninsula region of Virginia, approximately 35 miles northeast of Richmond, Virginia, and encompasses approximately 286 square miles. Based on estimates calculated by the Weldon Cooper Center for Public Policy, King William County's population is estimated at 16,627 as of July 1, 2017 (published on January 25, 2018, <http://demographics.coopercenter.org/virginia-population-estimates/>). This is a 4.3% increase in population since the 2010 census was completed. Despite population growth, the County remains primarily rural in nature. US Highway 360 runs north-south through the eastern portion of the County. Additionally, State Route 30 traverses through the County from east to west, and State Route 33 traverses through the town of West Point.



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

Government

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

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

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

School Board

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

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

The division is on par or exceeds the state pass rates in standard of learning assessments (SOLs) for the 2017 – 2018 school year and is fully accredited. The school division's graduation rate is 92% with 99.31% of students continuing on to pursue further education (4-year, 2-year, or trade school), joining the military, or securing employment.

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

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

Budget

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

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

Factors Affecting Financial Condition

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

Local economy

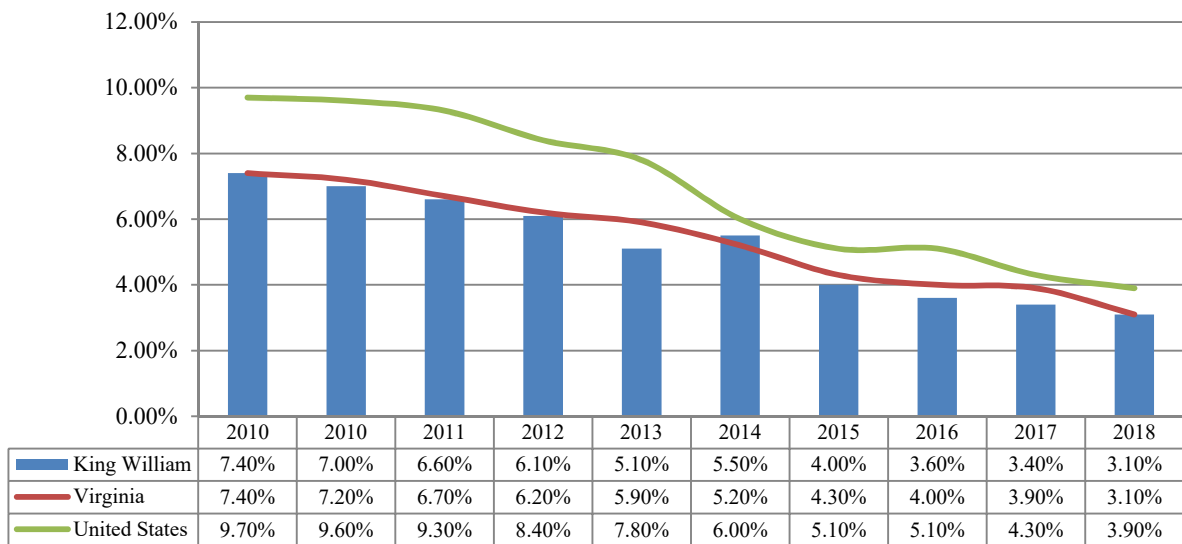
King William County's housing economy, as was the rest of the nation, was significantly impacted by the turmoil in the national housing market. The local real estate housing market continues to improve as the economic environment improves.

The County's real estate valuation is reassessed on a quadrennial basis. The *Code of Virginia*, Section 581.-3252 allows for localities with less than 50,000 citizens to extend the reassessment period up to six years upon approval by the governing authority. The most recent reassessment was conducted in 2014, effective January 1, 2015. In 2018 the general property taxes of the County were derived from real estate (including mobile homes and mines & minerals), personal property (including airplanes), machinery and tools, and public service. A reassessment is scheduled to be conducted in fiscal years 2019 and 2020 and will be effective January 1, 2021.

Several key economic indicators show that the County's economy continues to show signs of improvement. Local sales tax has increased 4.6% over the prior year which continues to be a positive sign for the King William economy. Local government revenues are prime economic indicators of the confidence of consumers. Increase spending in the County shows our citizens and visitors are feeling more confident as consumers of goods. Permits, privilege fee, and regulatory licenses in 2018 were up 12.7% from 2017. New residential and commercial construction permits continued to improve during 2018 reflecting an increase of 14%.

The County's unemployment rate trends mirror the state and national rate trends; however, the County's rates generally tend to be lower. During calendar year 2018, unemployment in King William County has consistently posted a lower ratio than the Commonwealth. Historical patterns show unemployment peaks in the month of January and falls throughout the year with a very low rate in April that goes back up to a normal range in May each year. The County's unemployment rate is 3.1% as of August 2018. Unemployment rates are down in the Commonwealth of Virginia (June 2018 3.1%) and nationwide. While the County has a slightly lower rate of unemployment compared to the larger workforce pools it is on par with that trend.

Unemployment Rates

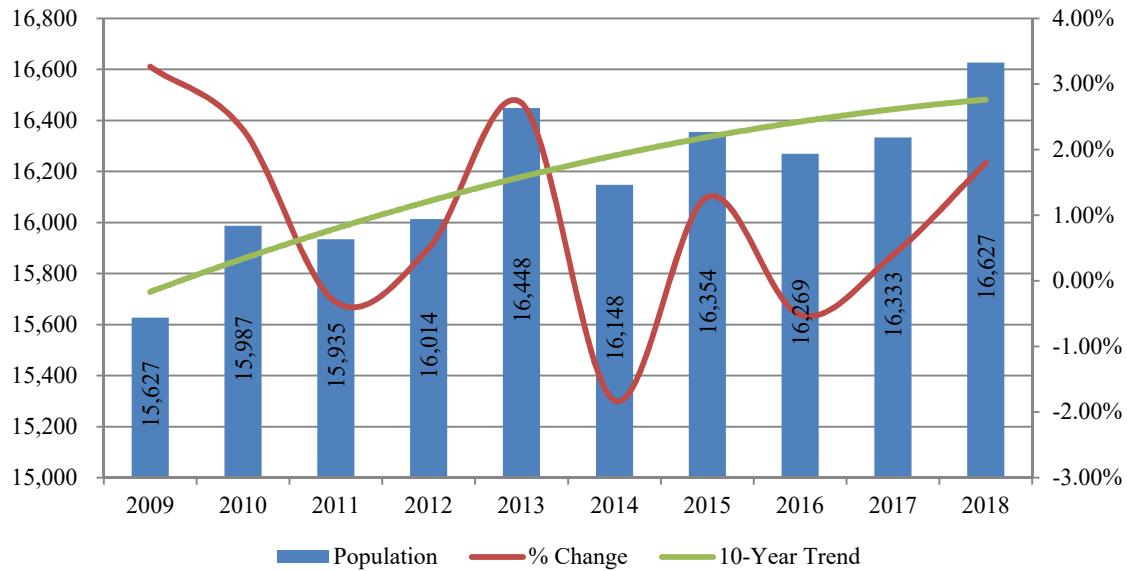


Source: Virginia Labor Market Information (not seasonally adjusted)

Economic Development and Industries

King William County's Board of Supervisors has placed an emphasis on the fact that King William County is a rural community. Preserving the rural nature of the County has resulted in slower population growth. Over the past ten years, King William County's population has increased by approximately 6.5%, with an average annual growth rate of about 0.64%. These population trends are reflective of the County's stabilizing focus on long-term planning through land use policies that have been in place since the 1970's. The County manages growth by directing residential, commercial, and industrial zoning in the County.

Population Growth



Source: Statistical Table 13

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

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

Long-term financial planning

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

The Capital Needs Plan is a planning document intended to provide an analysis of potential long-range funding needs for the acquisition, construction or total replacement of physical facilities. The fiscal year 2018-2022 capital budget for new County and School projects totals \$18.2 million. These projects include:

- \$16 million for total school system projects including the expansion and renovation of Hamilton Holmes Middle School
- \$2.2 million for the county government

The Capital Needs Plan defers expenditures where possible and recommends funding consistent with the Board of Supervisors’ financial policies. The FY 2018 Capital Needs budget included vehicle replacement, school bus replacement, school technology, infrastructure, and park and road improvements.

Relevant financial policies

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

During FY 2018, the County continued to improve financial practices by implementing best practice measures recommended by our audit firm. King William County has a formally adopted purchasing policy, has made improvements in documenting information that relates to employees, and has made improvements in segregation of duties where possible to create greater internal controls. County staff has worked to implement the best practices recommended by our auditors to the best of our abilities where feasible. The County has been working to develop policies and procedures that address processes and provide consistent guidance for County staff.

Implementation of New Accounting Requirements

In FY 2014, the County implemented GASB Statements No. 65 through No. 67, as applicable and in FY 2015, the County implemented GASB Statements No. 68, No. 69, No. 70, and No. 71, as applicable. In FY 2018, the County implemented GASB Statement No. 75. Additional information relative to the Statements is contained in Note 14 to the Financial Statements.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to King William County for its Comprehensive Annual Financial Report for the fiscal year ending June 30, 2017. This was the nineteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

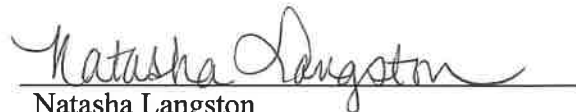
This report was prepared by the staff of the Finance Department. Their hard work, dedication, and continuing efforts to improve the quality of this report directly benefit all who read and use it. We also acknowledge the cooperation and assistance of the staff of the School Board, County Treasurer, the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

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

Respectfully submitted,



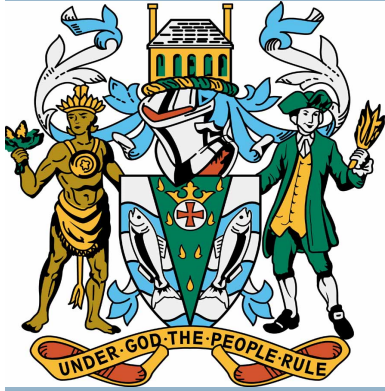
Bobbie H. Tassinari
County Administrator



Natasha Langston
Director of Financial Services

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2018 King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2018

www.kingwilliamcounty.us

FINANCIAL SECTION

Report of Independent Auditors

Management's Discussion And Analysis

Basic Financial Statements

Required Supplementary Information

Supplemental Information

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2018, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 14 to the financial statements, in 2018, the County adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

The fund financial statements of the agency funds and the School Board and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Other Matters (Continued)

Other Information (Continued)

In our opinion, the fund financial statements of the agency funds and School Board and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of King William, Virginia (County) presents the following discussion and analysis as an overview of King William County's financial activities for the fiscal year ended June 30, 2018. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter in the Introductory Section of this report and the County's financial statements, which follow this discussion and analysis.

FISCAL YEAR 2018 FINANCIAL HIGHLIGHTS

- The reporting entity, which includes the School Board component unit, has positive net position of \$18.8 million as of June 30, 2018.
- The total cost of the County's programs or governmental activities, was \$32.2 million, an increase of \$5.2 million, from the prior year's cost of \$27 million. Total revenues for governmental activities were \$29.6 million, a decrease of \$0.2 million from the prior year.
- At June 30, 2018, the County has 30.8 million of long-term obligations outstanding. This includes \$17.9 million of general obligation bonds, \$8.5 million of revenue bonds, \$1.9 million of capital leases related to assets on the books, \$0.3 million of state literary fund loans, and \$1.8 million of premium bonds. In addition, \$0.4 million in compensated absences.
- The School Board component unit has positive net position of \$2.8 million at June 30, 2018. Revenues, including the County contribution, totaled \$25.7 million, an increase from the prior year, and expenses totaled \$20.3 million, a decrease of \$4.7 million from the prior year.
- As of June 30, 2018, the County governmental funds reported combined fund balances of \$22.6 million, an increase of \$9.7 million from the prior year. The County's General fund had a total fund balance of \$13.3 million at June 30, 2018. Of the General Fund balance, \$1.9 million is committed fund balance, \$0.5 is restricted for fund balance, \$10.9 million is unassigned fund balance and a negligible amount is committed for assigned fund balance.
- General fund revenues were \$ 3.7 million over the amended budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The introductory section includes the letter of transmittal, a copy of the fiscal year 2017 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association, the County's organizational chart, and a list of principal officials.
- The financial section includes the Independent Auditor's Report, management's discussion and analysis (this section), the basic financial statements, required supplemental information, and combining and individual fund statements and schedules.
- The statistical section includes selected financial and demographic data related to the County, generally presented on a multi-year basis.
- The compliance section is required under the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments and Non-profit Organizations; and includes the auditor's reports on compliance and internal controls. Compliance findings for the current and previous audits along with management plans to rectify future findings are found in the compliance section.

Financial Section Overview

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

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

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

The required supplementary information includes this discussion and analysis.

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Table 1 King William County Summary of Net Position (\$ in millions)							
	Primary Government		Component Unit		Total Reporting Entity		
	Governmental Activities		School Board		Including School Board		
	2018	2017	2018	2017	2018	2017	
Assets:							
Current and Other Assets	\$ 32.1	\$ 21.4	\$ 5.1	\$ 4.8	\$ 37.2	\$ 26.2	
Capital Assets	23.9	25.8	23.4	18.5	47.3	44.3	
Total Assets	56.0	47.2	28.5	23.3	84.5	70.5	
Deferred Outflows of Resources	0.6	1.0	3.0	3.5	3.6	4.5	
Total Assets and Deferred Outflows of Resources	56.6	48.2	31.5	26.8	88.1	75.0	
Liabilities:							
Current Liabilities	2.4	1.3	2.9	2.8	5.3	4.1	
Long-term Liabilities	31.6	21.5	22.8	21.9	54.4	43.4	
Total Liabilities	34.0	22.8	25.7	24.7	59.7	47.5	
Deferred Inflows of Resources	6.6	6.5	3.0	0.7	9.6	7.2	
Total Liabilities and Deferred Inflows of Resources	40.6	29.3	28.7	25.4	69.3	54.7	
Net Position:							
Net Investment in Capital Assets	3.5	6.4	23.4	18.5	26.9	24.9	
Restricted	1.2	1.3	-	-	1.2	1.3	
Unrestricted	11.3	11.1	-20.6	-17.1	-9.3	-6.0	
Total Net Position	\$ 16.0	\$ 18.8	\$ 2.8	\$ 1.4	\$ 18.8	\$ 20.2	

Table 1 may differ from Exhibit 1 due to rounding.

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

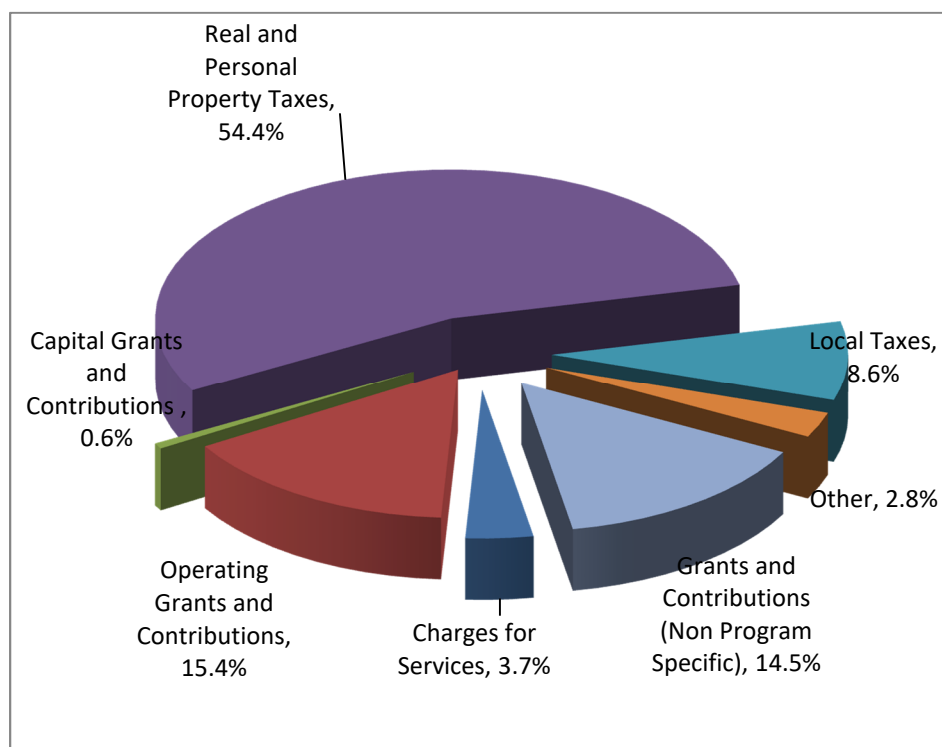
The total reporting entity, which includes the School Board component unit, had positive net position of \$18.8 million at June 30, 2018. Net position increased from the prior year, which reflects the impact of the implementation of the long term liability reporting associated with the retirement system.

The Primary Government: The primary government had net position of \$16.0 million at June 30, 2018, which reflects an decrease of \$2.8 million from the prior year. A portion of net position, \$3.5 million, represents the County's investment in capital assets (e.g., land, buildings, and equipment) less the depreciation and outstanding debt associated with asset acquisitions. Total restricted and unrestricted net position of the primary government combine for \$12.5 million, and is mainly the result of the primary government issuing debt in past years to finance assets rather than paying as they acquire assets. These debts include: moral obligation commitments the County provided to the issuance of two bonds in support of utility projects undertaken and capitalized by the County, and debt the primary government has issued on behalf of the School Board component unit. The County's liability for these debts at June 30, 2018 totaled \$30.8 million. Refer to Note 6 for further details regarding long-term obligations and commitments.

CHANGE IN NET POSITION

Governmental Activities: Total governmental net position decreased by \$2.5 million from the prior year.

Governmental Activities - Revenues

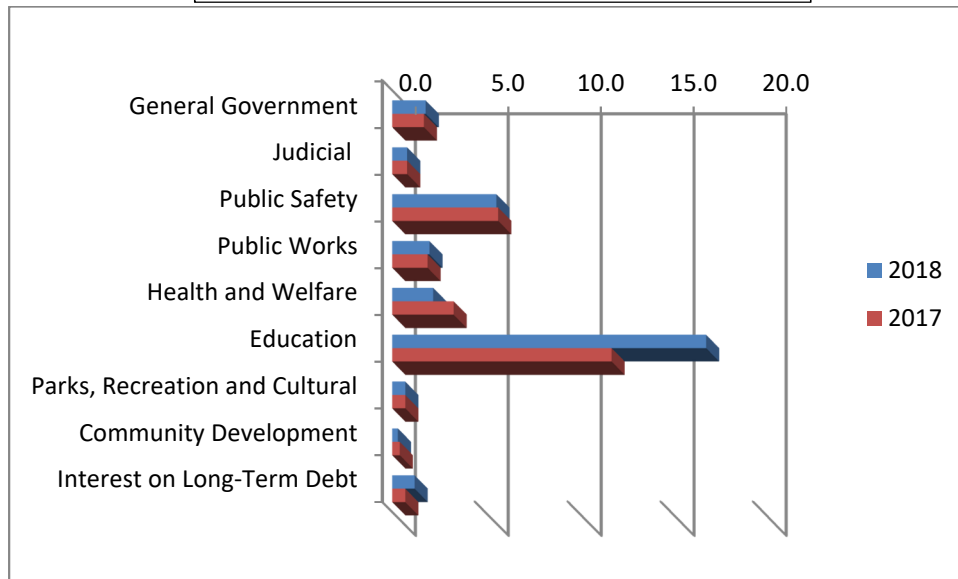


Revenues from governmental activities for fiscal year 2018 totaled \$29.6 million, a decrease of \$0.2 million from fiscal year 2017. Taxes comprise the largest source of revenues, totaling \$20.6 million, of which general property taxes account for \$17.8 million, or 60% of total revenues. Program revenues (charges for services, capital grants, and operating grants and contributions) generated a total of \$7.2 million, or 24% of total revenues. Revenues from grants and contributions not restricted to specific programs totaled \$1.6 million, or 5.5% of total revenues.

Table 2 summarizes the changes in net position from Exhibit 2 in the Financial Section for the primary government and its component unit at June 30, 2018 and 2017.

King William County Change in Net Position (\$ in millions)														
			Primary Government		Component Unit		Total Reporting Entity							
			Governmental Activities		School Board		Including School Board							
			2018	2017	2018	2017	2018	2017						
<u>Revenues</u>														
Program Revenues:														
	Charges for Services	\$	2.0	\$	2.4	\$	0.5	\$	0.6	\$	2.5	\$	3.0	
	Operating Grants and Contributions		5.0		5.1		14.7		14.3		19.7		19.4	
	Capital Grants and Contributions		0.2		0.2		-		-		0.2		0.2	
General Revenues:									-	-				
	Real and Personal Property Taxes		17.8		17.5		10.5		10.6		28.3		28.1	
	Other Taxes		2.8		2.2		-		-		2.8		2.2	
	Other		0.2		0.4		-		-		0.2		0.4	
	Grants and Contributions		1.6		1.8		-		-		1.6		1.8	
	(Non Program Specific)													
	Total Revenues		29.6	\$	29.6		25.7		25.5		55.3		55.1	
<u>Expenses</u>														
	General Government		1.9		1.7		-		-		1.9		1.7	
	Judicial		0.9		0.8		-		-		0.9		0.8	
	Public Safety		5.6		5.7		-		-		5.6		5.7	
	Public Works		2.0		1.9		-		-		2.0		1.9	
	Health and Welfare		2.2		3.3		-		-		2.2		3.3	
	Education		17.0		11.8		20.3		25.0		37.3		36.8	
	Parks, Recreation and Cultural		0.8		0.7		-		-		0.8		0.7	
	Community Development		0.3		0.4		-		-		0.3		0.4	
	Interest on Long-Term Debt		1.4		0.7		-		-		1.4		0.7	
	Total Expenses		32.1		27.0		20.3		25.0		52.4		52.0	
Change in Net Position									-2.5	2.8	5.4	0.5	2.9	3.3
Beginning Net Position, as Restated									18.5	16.0	-2.6	0.9	15.9	16.9
Ending Net Position									\$ 16.0	\$ 18.8	\$ 2.8	\$ 1.4	\$ 18.8	\$ 20.2
Table 2 may differ from Exhibit 2 due to rounding.														

Governmental Activities - Expenses



Total expenses for governmental activities for this fiscal year were \$32.1 million, an increase of 18.9% from \$27 million in fiscal year 2017. The primary increase of \$5.1 million is due to Hamilton Homes Middle School Renovation and Construction Project.

- Increase in Education expenses was due to Capital Project, Hamilton Homes Middle School Renovation project. The County issued Bond Series 2017 to assist with the expenditures connected to the project.
- The County expended approximately \$1.2 million for predesign and engineering work prior to construction beginning and the bond being sold.

Education continues to be the County's largest program and highest priority with the County's contribution totaling \$17.0 million, or 53% of total expenses. This is a significant increase from FY2017 due to the construction project and predesign costs associated with the project. Public safety expenses, which total \$5.6 million or 17%, represent the second largest expense category for governmental activities.

Governmental Activities- Functional Expenses For the Fiscal Year Ended June 30, 2018

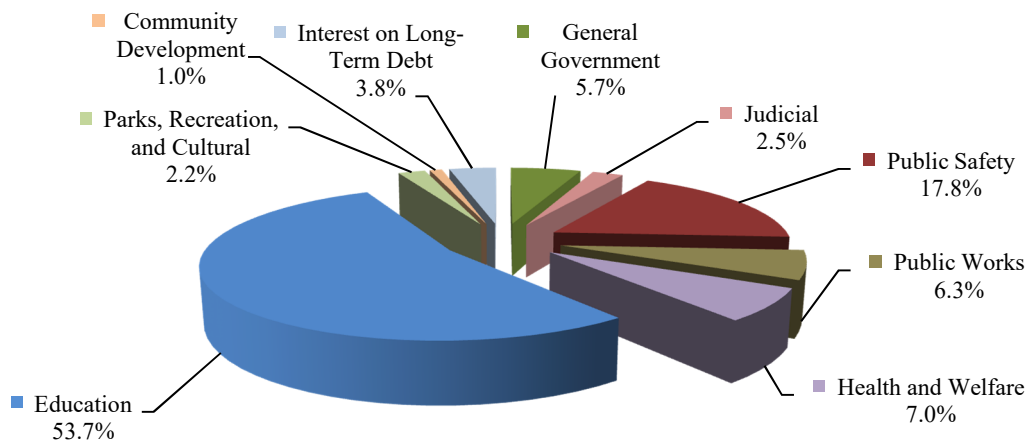


Table 3 illustrates the net cost (total expenses less fees generated by the activities and program-specific governmental aid) for the County's governmental activities. Fees, such as charges for services and program specific aid from other governmental or outside entities, help offset the cost of the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

Table 3 Net Cost of Governmental Activities For the Fiscal Years Ended June 30, 2018 and 2017 (\$ in millions)					
	Total Cost of Services		Net Cost of Services		
	2018	2017	2018	2017	
General government	\$ 1.9	\$ 1.7	\$ 1.4	\$ 0.5	
Judicial	0.9	0.8	0.4	0.3	
Public safety	5.6	5.7	4.2	4.2	
Public works	2.0	1.9	1.2	1.2	
Health and welfare	2.2	3.3	0.8	2.0	
Education	17	11.8	11.9	9.6	
Parks, recreation and cultural	0.8	0.7	0.5	0.6	
Community development	0.3	0.4	0.1	0.1	
Interest on long-term debt and other	1.4	0.7	1.4	0.7	
Total	\$ <u>32.1</u>	\$ <u>27.0</u>	\$ <u>21.9</u>	\$ <u>19.2</u>	
<i>Table 3 may differ from Exhibit 2 due to rounding</i>					

After recognizing the effect of revenue from these fees, grants, and contributions, the net cost of governmental activities was \$21.9 million, compared to a total cost of \$32.1 million.

In 2018, the County adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The overall effect of this new standard is to reflect the County's long-term other postretirement benefit ("OPEB") obligations directly in the financial statements. Under previous accounting guidance, these amounts were recorded incrementally over time, but were not recognized in their entirety. Instead, the total liability which has now been recorded, was only disclosed. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the County record a net OPEB liability directly on the statement of net position. Beginning net position has been restated as discussed in Note 14, and this has had a significant impact on the County's net position. However, because similar information has been disclosed in prior years, both in the notes to the financial statements and in required supplementary information, the effect of this new standard is not expected to negatively affect how most governmental entities are viewed by sophisticated readers of their financial statements. Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis has not been restated.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

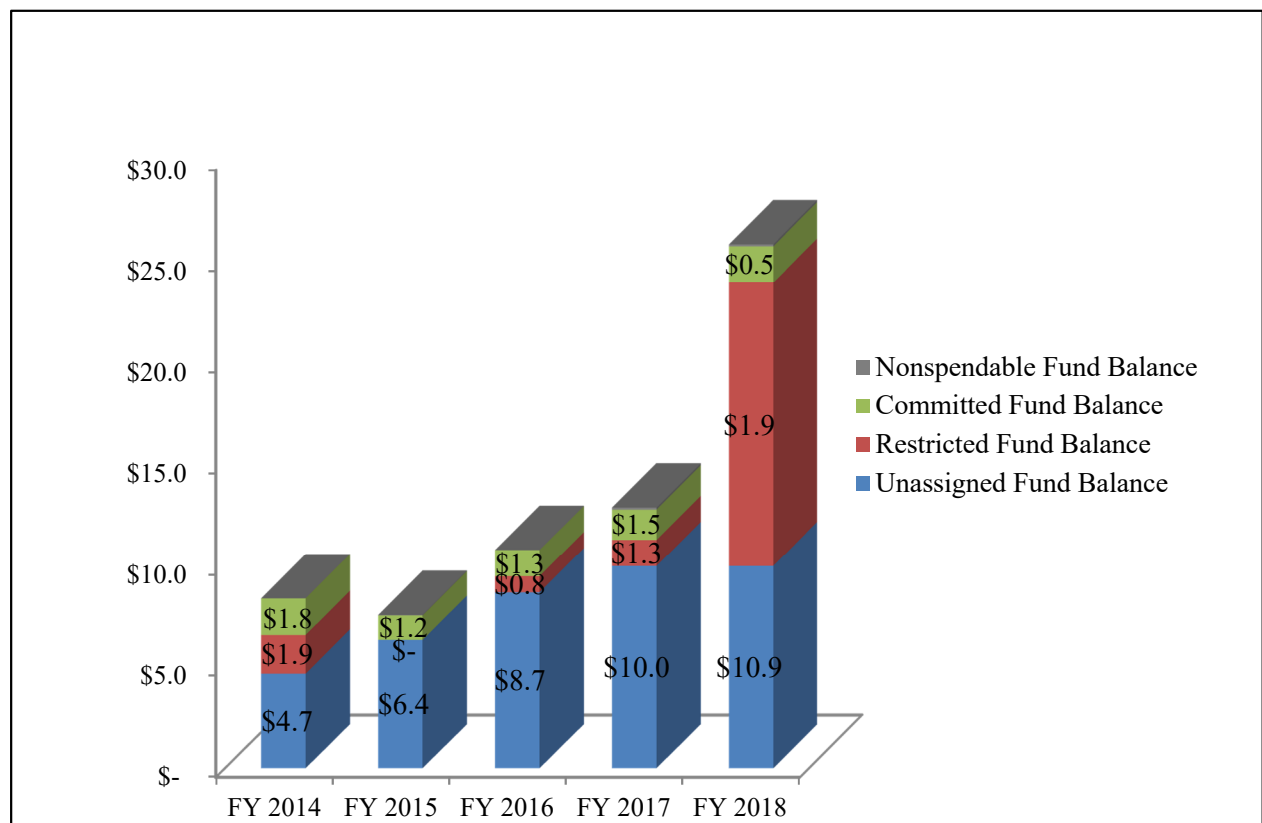
Governmental Funds: As of June 30, 2018, the County's governmental funds reported a combined ending fund balance of \$22.6 million (Exhibit 3), an increase of \$9.7 million from the prior year. The increase is primarily associated with the Hamilton Holmes Middle School Renovation and Construction project. In addition, the County had a strong year in revenue collection combined with strong management by departments which offset any planned uses of fund balance.

Other significant outlays in fiscal year 2018 included the following:

- The General Fund contributed \$10.5 million in operating funds to finance the Schools operations and debt service.

The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund revenues. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$10.9 million (Exhibit 3). This represents 37% of general operating revenues budgeted for the coming year in the General Fund. At this level, when combined with committed and nonspendable fund balances, the County has sufficient funds to operate approximately four months without interrupting service levels. The chart below depicts the composition of the County's General Fund balance for the last five fiscal years.

Composition of General Fund Balance



GENERAL FUND BUDGETARY HIGHLIGHTS

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

Table 4 Budgetary Comparison General Fund For the Fiscal Year Ended June 30, 2018 (\$ in millions)			
	Original Budget	Amended Budget	Actual
<u>Revenues</u>			
Taxes	\$ 19.5	\$ 19.5	\$ 20.5
Other	1.2	1.3	3.9
Intergovernmental	4.5	4.4	4.6
Total revenues	<u>25.2</u>	<u>25.2</u>	<u>29.0</u>
<u>Expenditures</u>			
Expenditures	<u>21.8</u>	<u>22.4</u>	<u>22.9</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3.4</u>	<u>2.8</u>	<u>6.1</u>
<u>Other financing sources (uses)</u>			
Transfers in	-	-	-
Transfers out	<u>(3.40)</u>	<u>(3.40)</u>	<u>(4.70)</u>
Change in fund balance	\$ <u>-</u>	\$ <u>-0.6</u>	\$ <u>1.4</u>
<i>Table 4 may differ from Exhibit 7 due to rounding.</i>			

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

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

Final amended budget revenues remained level. Actual expenditures for the General Fund totaled \$22.9 million or \$.5 million more than the amended budget.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

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

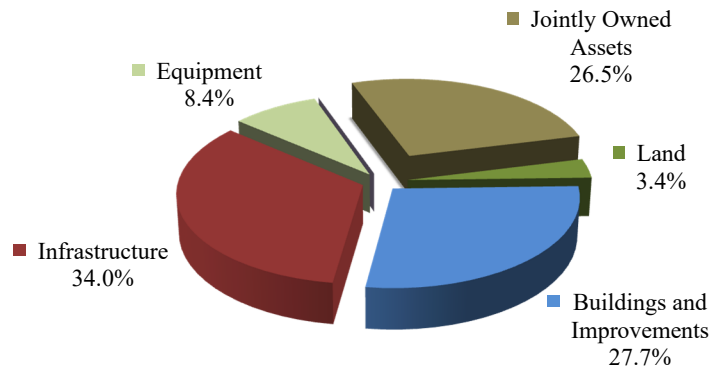
King William County						
Table 5 Capital Assets						
(\$ in millions)						
	Primary Government		Component Unit		Total Reporting Entity	
	Governmental Activities		School Board		Including School Board	
	2018	2017	2018	2017	2018	2017
Land	\$0.8	\$0.8	\$0.1	\$0.1	\$0.9	\$0.9
Buildings and improvements	10.9	10.9	5.3	5.4	16.2	16.3
Equipment	5.5	5.3	3.7	3.6	9.2	8.9
Jointly owned assets	8.9	10.4	29.8	28.2	38.7	38.6
Land improvements	-	-	0.4	0.4	0.4	0.4
Infrastructure	13.6	13.4	0.3	0.3	13.9	13.7
Construction In progress	-	-	5.3	0.6	5.3	0.6
Total Capital Assets	39.7	40.8	44.9	38.6	84.6	79.4
Less: Accumulated depreciation/ amortization	(15.9)	(15.0)	(21.5)	(20.1)	(37.4)	(35.1)
Net Capital Assets	\$23.8	\$25.8	\$23.4	\$18.4	\$47.2	\$44.3

Table 5 may differ from Note 5 due to rounding.

As of June 30, 2018, the total reporting entity had net capital assets of \$47.2 million in capital assets, a increase of \$2.9 million from the prior year. This increase is due to the construction in progress for the Hamilton Homes Middle School Renovation project.

Governmental Activities - Net Capital Assets at June 30, 2018

For governmental activities, the County's investment in non-depreciable assets totaled \$0.8 million, while depreciable assets totaled \$23.0 million (net of depreciation). Total net capital assets for governmental activities decreased by \$2.0 million when compared to the prior year. Construction in progress totaled \$5.3 million.



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

- Governmental activity additions include \$0.3 million in additions to equipment for elections, HVAC, public safety, and vehicles.
- Governmental activity included a decrease of \$1.5 million jointly owned assets. School Board capital assets are jointly owned by the County and the School Board. The County's share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system. For the year ended June 30, 2017, the County transferred assets with costs of \$1,512,269 and accumulated depreciation of \$513,627 to the School Board.

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

Long-term Obligations

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

Table 6 Summary of Changes in Long-Term Obligations (\$ in millions)			
	<u>July 1, 2017</u>	<u>Net Increase (Decrease)</u>	<u>June 30, 2018</u>
Governmental Activities:			
General obligation bonds	\$ 7.1	\$ 10.8	\$ 17.9
Revenue bonds	9.5	(1.0)	8.5
State literary fund loans	0.5	-(0.2)	0.3
Capital leases	2.3	(0.3)	2.0
County's premium on bonds	0.4	1.30	1.7
Subtotal	<u>19.8</u>	<u>10.6</u>	<u>30.4</u>
Compensated absences	<u>0.3</u>	<u>0.1</u>	<u>0.4</u>
Total long-term obligations	\$ <u>20.1</u>	\$ <u>10.7</u>	\$ <u>30.8</u>

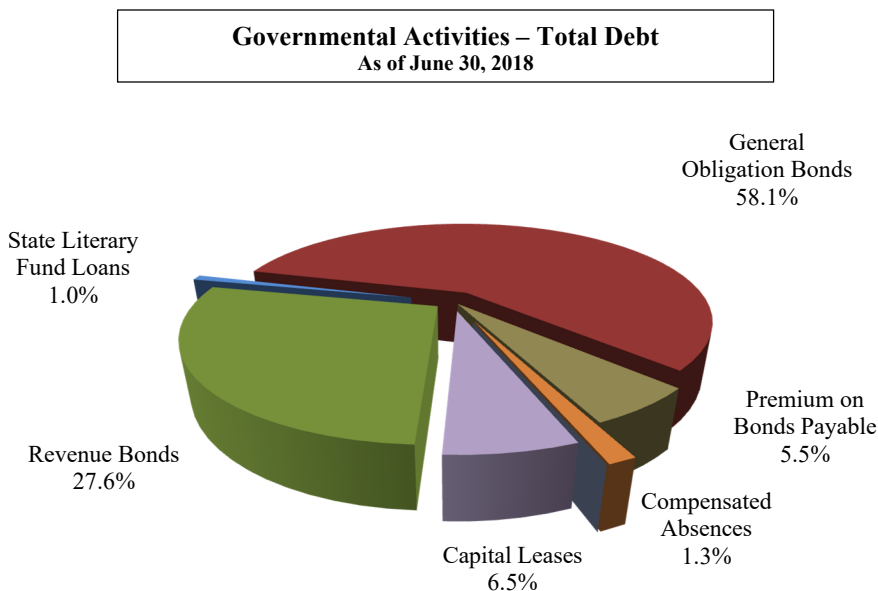
Table 6 may differ from Note 6 due to rounding.

In 2018, the County adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The overall effect of this new standard is to reflect the County's long-term other postretirement benefit ("OPEB") obligations directly in the financial statements. Under previous accounting guidance, these amounts were recorded incrementally over time, but were not recognized in their entirety. Instead, the total liability which has now been recorded, was only disclosed. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the County record a net OPEB liability directly on the statement of net position. Beginning net position has been restated as discussed in Note 13, and this has had a significant impact on the County's net position. However, because similar information has been disclosed in prior years, both in the notes to the financial statements and in required supplementary information, the effect of this new standard is not expected to negatively affect how most governmental entities are viewed by sophisticated readers of their financial statements. Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis has not been restated.

As of June 30, 2018, the County’s governmental activities had long-term obligations totaling \$30.8 million, of which \$30.4 million represents indebtedness related to capital leases, long-term commitments, and issuances of bonds on behalf of the County and the School Board component unit. This represents an increase of \$10.7 million, or 53% in long-term obligations from the prior year. The increase is due primarily to the following activities during the fiscal year:

- Successfully financed the Hamilton Holmes Middle School Expansion and Renovation Project.
- Compensated absences remained constant.

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



ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

Economic Factors

- The average six-month unemployment rate for King William County in August 2018 was 3.1%, down .30% from July 2017. This compares favorably to the National average rate of 3.9%.
- According to the Weldon Cooper Center for Public Service, King William County’s population was estimated to be 16,627, an increase of .018% over the prior year. Population estimates for the last ten years are provided in Table 13 of the Statistical Section of this report. <http://demographics.coopercenter.org/virginia-population-estimates/?q=demographics/virginia-population-estimates>.
- The enrollment in public schools increased in fiscal year 2017 to 2,180 from 2,181. School enrollment for the last ten years is provided in Table 13, Statistical Section of this report.
- The latest available per capita personal income for King William County was \$45,300 as of 2017, compared to \$54,597 for the Richmond Metropolitan Area, as reported by Bureau of Economic Analysis. Per capita personal income for the last ten years is provided in Table 13 of the Statistical Section of this report.

Fiscal Year 2019 Budget and Rates

- For fiscal year 2019, the adopted budget for the General Fund is \$27.4 million, an increase of 15% from fiscal year 2018. The FY2019 budget has been amended to include appropriation for increase funding for the following:
 - +Fire and emergency management services through hiring County paid permanent Fire Medics
 - +Regional Animal Shelter to address seasonal staff & crematory services
 - +Economic Development Authority budget by \$15,000 for professional services
 - +Transfer from general fund balance specific to one-time capital purchases in the amount of \$1.0 million
 - +Transfer from general fund balance specific to infrastructure improvements to attract commercial ventures in the amount of \$2 million

Revenues in FY2019 are comprised primarily of general property taxes at 65%, other local taxes at 9%, permits, privilege fees, regulatory licenses, and fines at 2%, State assistance at 12%, and other revenues at 12% of which includes \$1.2 million of general fund balance for capital items.

- In fiscal year 2019, funding for the King William County Public Schools operations represents 35% of the General Fund. The recommended operational transfer for the King William County Public Schools is \$9,241,390. Funding for School debt service including the anticipated Hamilton Homes Middle School debt service totals \$2,615,930. Total funds committed to School for FY2019 is \$ 11,857,320 or a 10.4% increase from the prior year. The King William County Public Schools debt service is managed and payments made by the County. The recommended budget includes funding of the health insurance increases and additional staff.
- Public safety accounts for 20% of appropriations in fiscal year 2019, the second largest component of budgeted expenditures.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2018

	Primary Government Governmental Activities	Component Unit School Board
ASSETS		
Cash and cash equivalents (Note 2)	\$ 12,857,735	\$ 3,459,438
Receivables, net: (Note 3)		
Property taxes, including penalties	7,757,190	-
Accounts receivable	17,044	18,742
Due from primary government	-	272,779
Due from other governments (Note 4)	1,002,701	1,131,582
Prepays	46,985	1,281
Cash and cash equivalents, restricted (Note 2)	10,433,209	-
Net pension asset (Notes 7 and 10)	-	257,827
Capital assets: (Note 5)		
Nondepreciable	825,098	5,356,840
Depreciable, net	23,066,733	18,025,002
Total assets	56,006,695	28,523,491
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	228,589	-
Deferred outflows related to pensions (Notes 7 and 10)	304,470	2,865,956
Deferred outflows related to other postemployment benefits (Notes 8, 9, and 10)	20,361	215,058
Total deferred outflows of resources	553,420	3,081,014
LIABILITIES		
Accounts payable and accrued liabilities	1,341,815	310,155
Accrued payroll and related liabilities	937	2,372,337
Due to other governments (Note 4)	59,441	-
Due to component unit	272,779	-
Deposits	100,563	-
Unearned revenue (Note 3)	33,738	-
Insurance and benefit claims	-	215,000
Accrued interest payable	582,406	-
Noncurrent liabilities:		
Net pension liability (Notes 7 and 10)	388,467	18,441,000
Net other postemployment benefit liability (Notes 8 and 9)	456,167	4,210,999
Due within one year (Note 6)	2,574,570	131,131
Due in more than one year (Note 6)	28,177,727	65,565
Total liabilities	33,988,610	25,746,187
DEFERRED INFLOWS OF RESOURCES		
Property taxes (Note 3)	5,997,748	-
Deferred inflows related to pensions (Notes 7 and 10)	531,995	2,845,219
Deferred inflows related to other postemployment benefits (Notes 8, 9, and 10)	34,430	213,683
Total deferred inflows of resources	6,564,173	3,058,902
NET POSITION		
Net investment in capital assets	3,471,545	23,381,842
Restricted:		
Debt service	13,164	-
Capital projects	9,822,021	-
Unrestricted (deficit)	11,327,540	(20,582,426)
Total net position	\$ 24,634,270	\$ 2,799,416

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

EXHIBIT 2

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Discretely Presented Component Unit
					Governmental Activities	School Board
Primary Government:						
Governmental activities:						
General government administration	\$ 1,860,624	\$ 267,695	\$ 211,690	\$ -	\$ (1,381,239)	\$ -
Judicial administration	883,699	33,511	449,974	-	(400,214)	-
Public safety	5,664,409	512,594	933,350	-	(4,218,465)	-
Public works	2,047,249	619,409	7,817	180,000	(1,240,023)	-
Health and welfare	2,257,419	4,113	1,459,358	-	(793,948)	-
Education	16,943,630	-	1,959,374	-	(14,984,256)	-
Parks, recreation, and cultural	765,324	182,245	-	-	(583,079)	-
Planning and community development	325,374	361,337	-	-	35,963	-
Interest	1,405,763	-	-	-	(1,405,763)	-
Total governmental activities	<u>\$ 32,153,491</u>	<u>\$ 1,980,904</u>	<u>\$ 5,021,563</u>	<u>\$ 180,000</u>	<u>(24,971,024)</u>	<u>-</u>
Component Unit:						
School Board	<u>\$ 20,284,149</u>	<u>\$ 537,009</u>	<u>\$ 14,657,268</u>	<u>\$ -</u>	<u>-</u>	<u>\$ (5,089,872)</u>
General revenues:						
Taxes:						
General property taxes					17,806,401	-
Other local taxes:						
Local sales and use					952,243	-
Business license taxes					500,403	-
Consumer's utility tax					220,617	-
Motor vehicle license taxes					421,829	-
Recordation and wills					219,987	-
Other					501,672	-
Appropriation from primary government					-	10,489,476
Intergovernmental, non-categorical aid					1,633,590	
Revenue from use of money and property					157,047	757
Miscellaneous					22,030	37,220
Total general revenues					<u>22,435,819</u>	<u>10,527,453</u>
Change in net position					<u>(2,535,205)</u>	<u>5,437,581</u>
NET POSITION, BEGINNING, AS RESTATED (NOTE 14)					<u>18,542,537</u>	<u>(2,638,165)</u>
NET POSITION, ENDING					<u>\$ 16,007,332</u>	<u>\$ 2,799,416</u>

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

COUNTY OF KING WILLIAM, VIRGINIA

**BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2018**

	General	Debt Service	General Capital Projects	School Capital Projects	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 12,857,735	\$ -	\$ -	\$ -	\$ 12,857,735
Receivables, net:					
Property taxes	7,757,190	-	-	-	7,757,190
Accounts receivable	17,044	-	-	-	17,044
Due from other governments	1,002,701	-	-	-	1,002,701
Prepaid items	46,985	-	-	-	46,985
Cash and cash equivalents, restricted	-	13,164	730,678	9,689,367	10,433,209
Total assets	<u>\$ 21,681,655</u>	<u>\$ 13,164</u>	<u>\$ 730,678</u>	<u>\$ 9,689,367</u>	<u>\$ 32,114,864</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 279,386	\$ -	\$ -	\$ 1,062,429	\$ 1,341,815
Accrued payroll and related liabilities	937	-	-	-	937
Due to other governments	59,441	-	-	-	59,441
Due to component unit - School Board	272,779	-	-	-	272,779
Deposits	100,563	-	-	-	100,563
Unearned revenue	197,547	-	-	-	197,547
Total liabilities	<u>910,653</u>	<u>-</u>	<u>-</u>	<u>1,062,429</u>	<u>1,973,082</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	7,492,058	-	-	-	7,492,058
Total deferred inflows of resources	<u>7,492,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,492,058</u>
FUND BALANCES					
Nonspendable	46,985	-	-	-	46,985
Restricted	464,405	13,164	730,678	8,626,938	9,835,185
Committed	1,864,345	-	-	-	1,864,345
Assigned	49,707	-	-	-	49,707
Unassigned	10,853,502	-	-	-	10,853,502
Total fund balances	<u>13,278,944</u>	<u>13,164</u>	<u>730,678</u>	<u>8,626,938</u>	<u>22,649,724</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,681,655</u>	<u>\$ 13,164</u>	<u>\$ 730,678</u>	<u>\$ 9,689,367</u>	<u>\$ 32,114,864</u>

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

COUNTY OF KING WILLIAM, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018**

Total Fund Balances - Governmental Funds \$ 22,649,724

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

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

Nondepreciable	\$ 825,098	
Depreciable, net	23,066,733	
		23,891,831

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

Property taxes		1,691,287
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Developer agreements from capital asset contributions are not recognized as revenue until future periods (long-term credits)		(33,168)
--	--	----------

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

Deferred outflows related to:

Pensions	304,470	
Other postemployment benefits	20,361	

Deferred inflows related to:

Pensions	(531,995)	
Other postemployment benefits	(34,430)	

Net pension liability	(388,467)	
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Net other post employment benefit liability	(456,167)	
		(1,086,228)

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

General obligation and revenue bonds, including unamortized premiums	(28,148,242)	
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Deferred charge on refunding	228,589	
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Literary loans	(250,000)	
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Capital leases	(1,940,000)	
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Compensated absences	(414,055)	
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Interest payable	(582,406)	
		(31,106,114)

Total Net Position - Governmental Activities		\$ 16,007,332
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COUNTY OF KING WILLIAM, VIRGINIA

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

	General	Debt Service	General Capital Projects	School Capital Projects	Total Governmental Funds
REVENUES					
General property taxes	\$ 17,735,870	\$ -	\$ -	\$ -	\$ 17,735,870
Other local taxes	2,816,751	-	-	-	2,816,751
Permits, privilege fees, proffers and regulatory licenses	368,244	-	267,695	-	635,939
Fines and forfeitures	91,020	-	-	-	91,020
Revenue from use of money and property	136,759	20,288	-	-	157,047
Charges for service	1,050,484	-	-	-	1,050,484
Miscellaneous	16,527	-	5,503	-	22,030
Reimbursements from component unit	1,959,374	-	-	-	1,959,374
Recovered costs	203,461	-	-	-	203,461
Intergovernmental	4,615,779	-	-	80,000	4,695,779
Total revenues	<u>28,994,269</u>	<u>20,288</u>	<u>273,198</u>	<u>80,000</u>	<u>29,367,755</u>
EXPENDITURES					
Current:					
General government	1,561,477	-	-	-	1,561,477
Judicial administration	744,623	-	-	-	744,623
Public safety	5,341,959	-	-	-	5,341,959
Public works	1,882,886	-	-	-	1,882,886
Health and welfare	2,244,689	-	-	-	2,244,689
Education	9,988,295	-	508,996	-	10,497,291
Parks, recreation, and cultural	741,104	-	-	-	741,104
Community development	341,670	-	-	-	341,670
Nondepartmental	34,456	-	-	-	34,456
Capital outlays	-	-	554,406	5,225,537	5,779,943
Debt service:					
Principal	-	2,147,414	-	-	2,147,414
Interest and fiscal charges	-	842,915	-	-	842,915
Bond issuance costs	-	175,217	-	255,698	430,915
Total expenditures	<u>22,881,159</u>	<u>3,165,546</u>	<u>1,063,402</u>	<u>5,481,235</u>	<u>32,591,342</u>
Excess (deficiency) of revenues over expenditures	<u>6,113,110</u>	<u>(3,145,258)</u>	<u>(790,204)</u>	<u>(5,401,235)</u>	<u>(3,223,587)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of refunding bonds	-	2,790,000	-	-	2,790,000
Premium on issuance of refunding bonds	-	453,814	-	-	453,814
Payment to refunded bond escrow agent	-	(3,319,596)	-	-	(3,319,596)
Issuance of debt	-	-	-	11,925,000	11,925,000
Premium on issuance of debt	-	-	-	1,106,190	1,106,190
Transfers in	-	3,117,562	515,200	1,055,282	4,688,044
Transfers out	(4,688,044)	-	-	-	(4,688,044)
Total other financing sources (uses)	<u>(4,688,044)</u>	<u>3,041,780</u>	<u>515,200</u>	<u>14,086,472</u>	<u>12,955,408</u>
Net change in fund balances	<u>1,425,066</u>	<u>(103,478)</u>	<u>(275,004)</u>	<u>8,685,237</u>	<u>9,731,821</u>
FUND BALANCES, BEGINNING	<u>11,853,878</u>	<u>116,642</u>	<u>1,005,682</u>	<u>(58,299)</u>	<u>12,917,903</u>
FUND BALANCES, ENDING	<u><u>\$ 13,278,944</u></u>	<u><u>\$ 13,164</u></u>	<u><u>\$ 730,678</u></u>	<u><u>\$ 8,626,938</u></u>	<u><u>\$ 22,649,724</u></u>

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

COUNTY OF KING WILLIAM, VIRGINIA

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

Net Change in Fund Balances - Governmental Funds	\$ 9,731,821
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlays	\$ 499,020
Depreciation expense	<u>(1,407,312)</u>
	(908,292)
Transfer of joint tenancy assets from Primary Government to the Component Unit.	(998,642)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	70,531
Developer agreements represent capital assets contributed in previous years for future service (long-term credits)	180,000
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of those differences.	(9,777,586)
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the statement of activities the cost of these benefits earned, net of employee contributions, is reported as other postemployment benefit expense.	
Employer other postemployment benefit contributions	20,361
Other post employment benefit expense	<u>(24,961)</u>
	(4,600)
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which employer pension contributions \$304,470 exceed pension expense \$(101,570) in the current period.	406,040
Some expenses reported in the Statement of Activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(72,136)
Governmental funds report the effect of bond premiums and discounts when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of those differences is as follows:	
Bond proceeds, net of payment to refunded bond escrow agent	529,596
Bond premium	(1,560,004)
Amortization of premiums	135,708
Amortization of deferred charge on refunding	(15,655)
Change in accrued interest payable	<u>(251,986)</u>
	(1,162,341)
Changes in Net Position - Governmental Activities	<u><u>\$ (2,535,205)</u></u>

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

COUNTY OF KING WILLIAM, VIRGINIA

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ 16,873,930	\$ 16,873,930	\$ 17,735,870	\$ 861,940
Other local taxes	2,626,200	2,626,200	2,816,751	190,551
Permits, privilege fees, and regulatory licenses	254,750	254,750	368,244	113,494
Fines and forfeitures	80,500	80,500	91,020	10,520
Revenue from the use of money and property	90,000	90,000	136,759	46,759
Charges for services	633,461	633,711	1,050,484	416,773
Miscellaneous	15,749	15,749	16,527	778
Reimbursements from component unit	-	-	1,959,374	1,959,374
Recovered costs	239,281	239,281	203,461	(35,820)
Intergovernmental	4,431,388	4,431,388	4,615,779	184,391
Total revenues	<u>25,245,259</u>	<u>25,245,509</u>	<u>28,994,269</u>	<u>3,748,760</u>
EXPENDITURES				
Current				
General government administration	1,825,374	1,825,374	1,561,477	263,897
Judicial administration	797,485	797,485	744,623	52,862
Public safety	5,601,811	5,601,811	5,341,959	259,852
Public works	1,786,040	1,786,040	1,882,886	(96,846)
Health and welfare	1,741,054	2,292,909	2,244,689	48,220
Education	8,791,559	8,791,559	9,988,295	(1,196,736)
Parks, recreation, and cultural	760,391	760,391	741,104	19,287
Community development	425,244	425,244	341,670	83,574
Nondepartmental	105,000	105,000	34,456	70,544
Total expenditures	<u>21,833,958</u>	<u>22,385,813</u>	<u>22,881,159</u>	<u>(495,346)</u>
Excess of revenues over expenditures	<u>3,411,301</u>	<u>2,859,696</u>	<u>6,113,110</u>	<u>3,253,414</u>
OTHER FINANCING USES				
Transfers out	<u>(3,359,396)</u>	<u>(3,359,396)</u>	<u>(4,688,044)</u>	<u>(1,328,648)</u>
Total other financing uses	<u>(3,359,396)</u>	<u>(3,359,396)</u>	<u>(4,688,044)</u>	<u>(1,328,648)</u>
Net change in fund balance	<u>\$ 51,905</u>	<u>\$ (499,700)</u>	<u>\$ 1,425,066</u>	<u>\$ 1,924,766</u>

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

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 203,479
Due from other governments	17,110
Due from fiscal agent	<u>20,968</u>
Total assets	<u><u>\$ 241,557</u></u>
LIABILITIES	
Amounts held for others	\$ 237,127
Amounts payable	<u>4,430</u>
Total liabilities	<u><u>\$ 241,557</u></u>

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

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

Discretely Presented Component Unit

The School Board members are elected at large and are responsible for the operations of the County's school system. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments, levies taxes, and must approve any debt issuances of the School Board. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County's financial statements for the fiscal year ended June 30, 2018. The School Board is presented as a governmental fund type and consists of the following funds:

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

School Cafeteria Fund accounts for the centralized School cafeteria operations.

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

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

Economic Development Authority

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

King William – King and Queen Regional Animal Shelter

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

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

Hampton Roads Sanitation District

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Math and Science Innovation Center

The Math and Science Innovation Center (Center) is comprised of eight school divisions: the Counties of Chesterfield, Hanover, Henrico, King William, and Powhatan, and the Cities of Colonial Heights, Petersburg, and Richmond. Through abbreviated memberships, other divisions also participate: the Counties of Charles City and Prince George, the City of Hopewell, and The Steward School. The Center is governed by a 19-member board consisting of the superintendent and school board member from each consortium division and several at-large members. The School Board makes annual contributions to the Center which is determined each year based on the size of the locality and membership. The School Board's contribution for fiscal year 2018 was approximately \$60,000.

Middle Peninsula Juvenile Detention Commission

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

Middle Peninsula Planning District Commission

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

Middle Peninsula Northern Neck Community Services Board

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Middle Peninsula Regional Airport Authority

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

Middle Peninsula Regional Security Center

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

Pamunkey Regional Library

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

Virginia Peninsulas Public Service Authority

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

Bridging Communities Regional Career and Technical Center

The Town of West Point school division, Charles City school division and the county school divisions of King and Queen, Middlesex, New Kent, and King William participate in supporting the Center. The County of New Kent serves as the fiscal agent of the Center. The Center provides vocational training to secondary and adult students. The Center is governed by a six member board of control, which is comprised of one school board member from each of the six school divisions. The School Board's contribution for fiscal year 2018 was approximately \$237,000.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

B. Financial Statement Presentation

Government-wide Financial Statements

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

Statement of Net Position

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

Statement of Activities

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

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

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

The County reports the following major governmental funds:

a. General Fund

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

b. Capital Projects Funds

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

c. Debt Service Fund

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

Fiduciary Funds (Agency Funds)

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

D. Budgets and Budgetary Accounting

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

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

E. Cash and Cash Equivalents

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

F. Receivables

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

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

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources. These items represent consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then.

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

See Note 10 for a summary of elements that make up the deferred inflows and outflows of resources.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

H. Pensions and Other Postemployment Benefits (OPEB)

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

I. Capital Assets

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

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

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

J. Compensated Absences

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

County employees earn vacation and sick leave at various rates. After five years of service with the County, employees are paid out for voluntary separation, non-disciplinary separation, and retirement. The rate paid out varies by years of service.

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

K. Long-Term Obligations

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

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

L. Fund Equity

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

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

M. Fund Equity (Continued)

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

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

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

N. Use of Estimates

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

O. Net Position

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Q. Interfund Transfers

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

Note 2. Deposits and Investments

Deposits

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

Restricted Cash

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 2. Deposits and Investments (Continued)

Custodial Credit Risk (Deposits)

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

Investments

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

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

The County has invested bond proceeds subject to rebate of arbitrage earnings in the Virginia State Non-Arbitrage Program (SNAP). SNAP is designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. These programs provide comprehensive investment management, accounting, and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia local governments. The SNAP has been assigned an "AAAm" rating by Standard & Poor's. The maturity of the SNAP is less than one year.

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 2. Deposits and Investments (Continued)

Investments (Continued)

As of June 30, 2018, the County's investment policy establishes the maximum percentages of the portfolio permitted in each of the following instruments:

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

Credit Risk

As of June 30, 2018, as required by state statute, the policy requires commercial paper have a debt rating of no less than "A-1" by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, and be approved by the Treasury Board. Bankers' Acceptances (with investments in the Bankers' Acceptances top 50 U.S. Banks), with a maturity of 270 days or less, must have a debt rating of no less than "A-1" by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The County's investment policy does not address credit risk for any other investment instruments.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 2. Deposits and Investments (Continued)

Investments (Continued)

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

Deposits:	
Demand deposits	\$ 13,574,490
Cash on hand	70
	<hr/> 13,574,560
Investments (Carrying Value):	
SNAP	9,689,367
LGIP	27,017
	<hr/>
Total deposits and investments	<u><u>\$ 23,290,944</u></u>

Exhibit 1 total deposits and investments is composed as follows:

Cash and cash equivalents	\$ 12,857,735
Cash and cash equivalents, restricted	10,433,209
	<hr/>
Total deposits and investments	<u><u>\$ 23,290,944</u></u>

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

Deposits:	
Demand deposits	\$ 3,459,438
	<hr/>
Total per Exhibit 1	<u><u>\$ 3,459,438</u></u>

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2018, the majority of investments were in SNAP.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 2. Deposits and Investments (Continued)

Interest Rate Risk (Continued)

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

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

Note 3. Receivables

Receivables are as follows:

	General	School Board	Total
Taxes	\$ 7,954,063	\$ -	\$ 7,954,063
Accounts	17,044	18,742	35,786
Gross receivables	7,971,107	18,742	7,989,849
Less allowance for uncollectible accounts	(196,873)	-	(196,873)
Net receivables	<u>\$ 7,774,234</u>	<u>\$ 18,742</u>	<u>\$ 7,792,976</u>

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

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

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 1,691,287	\$ -
Advance collection of 2018-2019 taxes	-	196,977
2018-2019 property tax receivable	5,800,771	5,800,771
Developer agreements – long-term	-	33,168
Equitable sharing program	-	570
	<u>\$ 7,492,058</u>	<u>\$ 6,031,486</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 4. Due to/from Other Governments

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

	Governmental Activities	Component Unit
Commonwealth of Virginia:		
School funds	\$ -	\$ 237,836
Public assistance	19,871	-
Comprehensive services	91,457	-
Shared Costs	103,738	-
Communications tax	26,216	-
Sales and use tax	586,048	-
Other	72,620	-
Federal Government:		
School funds	-	893,746
Public assistance	71,090	-
Other Governments:		
County of King and Queen	31,661	-
	<u>\$ 1,002,701</u>	<u>\$ 1,131,582</u>

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

Other governments:	
Town of West Point	<u>\$ 59,441</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 5. Capital Assets

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

Primary Government – Governmental Activities

Governmental Activities	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Capital assets, not depreciated or amortized:				
Land	\$ 825,098	\$ -	\$ -	\$ 825,098
Total capital assets, not depreciated	825,098	-	-	825,098
Capital assets, depreciated and amortized:				
Buildings and improvements	10,896,413	33,835	-	10,930,248
Equipment	5,257,954	275,685	(11,500)	5,522,139
Intangibles	9,800	-	-	9,800
Infrastructure	13,393,676	189,500	-	13,583,176
Jointly owned assets	10,398,679	-	(1,512,269)	8,886,410
Total capital assets depreciated	39,956,522	499,020	(1,523,769)	38,931,773
Less accumulated depreciation and amortization for:				
Buildings and improvements	(4,046,875)	(273,712)	-	(4,320,587)
Equipment	(3,113,077)	(404,894)	11,500	(3,506,471)
Intangibles	(9,800)	-	-	(9,800)
Infrastructure	(4,961,030)	(506,546)	-	(5,467,576)
Jointly owned assets	(2,852,073)	(222,160)	513,627	(2,560,606)
Total accumulated depreciation or amortization	(14,982,855)	(1,407,312)	525,127	(15,865,040)
Total capital assets depreciated, net	24,973,667	(908,292)	(998,642)	23,066,733
Governmental activities capital assets, net	<u>\$ 25,798,765</u>	<u>\$ (908,292)</u>	<u>\$ (998,642)</u>	<u>\$ 23,891,831</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 5. Capital Assets (Continued)

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

Governmental activities:	
General government administration	\$ 330,794
Judicial administration	166,309
Public safety	463,808
Public works	173,693
Health and welfare	9,978
Education	222,160
Parks, recreation, and cultural	40,412
Planning and community development	158
Total depreciation expense – governmental activities	\$ 1,407,312

Discretely Presented Component Unit – School Board

School Board	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Capital assets, not depreciated or amortized:				
Land	\$ 76,340	\$ -	\$ -	\$ 76,340
Construction in progress	636,884	4,643,616	-	5,280,500
Total capital assets, not depreciated	713,224	4,643,616	-	5,356,840
Capital assets, depreciated and amortized:				
Buildings and improvements	5,393,944	-	-	5,393,944
Equipment	3,576,599	273,032	(157,461)	3,692,170
Infrastructure	294,167	15,859	-	310,026
Land improvements	376,934	-	-	376,934
Jointly owned assets	28,258,145	-	1,512,269	29,770,414
Total capital assets, depreciated	37,899,789	288,891	1,354,808	39,543,488
Less accumulated depreciation and amortization for:				
Buildings and improvements	(4,260,360)	-	30,261	(4,230,099)
Equipment	(2,761,983)	(176,780)	157,461	(2,781,302)
Infrastructure	(710,372)	(99,648)	-	(810,020)
Land improvements	(95,788)	(28,445)	-	(124,233)
Jointly owned assets	(12,314,945)	(744,260)	(513,627)	(13,572,832)
Total accumulated depreciation or amortization	(20,143,448)	(1,049,133)	(325,905)	(21,518,486)
Total capital assets depreciated, net	17,756,341	(760,242)	1,028,903	18,025,002
Governmental activities capital assets, net	\$ 18,469,565	\$ 3,883,374	\$ 1,028,903	\$ 23,381,842

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 5. Capital Assets (Continued)

Discretely Presented Component Unit – School Board (Continued)

The County has a tenancy in common with the School Board due to the County incurring debt on behalf of the School Board for capital projects. As a result, School Board capital assets are jointly owned by the County and the Component Unit – School Board. The County's share of the School Board capital assets is in proportion to the debt owed on such assets by the County. The County reports depreciation on these assets as an element of its share of the costs of the public school system. For the year ended June 30, 2018, the County transferred assets with costs of \$1,512,269 and accumulated depreciation of \$513,627 to the Component Unit – School Board.

Component Unit – School Board:

Depreciation expense	\$ 1,049,133
Accumulated depreciation on joint-tenancy asset transfer	<u>513,627</u>
Total depreciation and amortization – School Board	<u><u>\$ 1,562,760</u></u>

Construction Commitments: The School Board has entered into various construction contracts with \$6,606,692 still outstanding to be completed at year-end.

Note 6. Long-Term Liabilities

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 7,070,679	\$ 11,925,000	\$ (1,105,269)	\$ 17,890,410	\$ 1,381,533
Revenue bonds	9,458,245	2,790,000	(3,757,145)	8,491,100	442,000
State Literary Fund loans	500,000	-	(250,000)	250,000	250,000
Capital leases	2,270,000	-	(330,000)	1,940,000	225,000
Premium on bonds payable	439,372	1,560,004	(232,644)	1,766,732	-
Compensated absences	<u>341,919</u>	<u>300,082</u>	<u>(227,946)</u>	<u>414,055</u>	<u>276,037</u>
	<u><u>\$ 20,080,215</u></u>	<u><u>\$ 16,575,086</u></u>	<u><u>\$ (5,903,004)</u></u>	<u><u>\$ 30,752,297</u></u>	<u><u>\$ 2,574,570</u></u>
Component Unit – School Board					
Compensated absences	<u><u>\$ 178,533</u></u>	<u><u>\$ 137,185</u></u>	<u><u>\$ (119,022)</u></u>	<u><u>\$ 196,696</u></u>	<u><u>\$ 131,131</u></u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 6. Long-Term Liabilities (Continued)

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

Fiscal Year Ending	Capital Leases		Revenue Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 225,000	\$ 37,869	\$ 442,000	\$ 293,019
2020	230,000	33,477	452,000	279,294
2021	235,000	28,987	472,000	263,985
2022	240,000	24,400	492,000	246,735
2023	245,000	19,715	507,000	228,398
2024-2028	765,000	30,061	4,337,400	759,862
2029-2033	-	-	1,788,700	108,815
	<u>\$ 1,940,000</u>	<u>\$ 174,509</u>	<u>\$ 8,491,100</u>	<u>\$ 2,180,108</u>

Fiscal Year Ending	General Obligation Bonds		State Literary Fund Loans	
	Principal	Interest	Principal	Interest
2019	\$ 1,381,533	\$ 856,418	\$ 250,000	\$ 7,500
2020	1,473,124	678,618	-	-
2021	1,499,139	606,551	-	-
2022	1,530,001	533,176	-	-
2023	1,556,613	457,419	-	-
2024-2028	3,145,000	1,667,754	-	-
2029-2033	3,355,000	899,723	-	-
2034-2038	3,950,000	308,809	-	-
	<u>\$ 17,890,410</u>	<u>\$ 6,008,468</u>	<u>\$ 250,000</u>	<u>\$ 7,500</u>

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

Current Year Debt Issuance and Defeasance of Debt

On August 2, 2017, the County issued \$2,790,000 in series 2017B revenue bonds with an interest rate of 2.82-5.12%. All of this issuance was used to advance refund \$3,295,000 of outstanding 2005, 2006C, and 2007 series revenue bonds with interest rates of 4.00% - 5.125%. The net proceeds of \$3,319,596 were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 2005, 2006C, and 2007 series revenue bonds. As a result, \$685,000 of the 2005, \$1,070,000 of the 2006C, and \$1,540,000 of the 2007 series revenue bonds are considered to be deceased and the liability for those bonds has been removed from the government-wide statement of net position.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 6. Long-Term Liabilities (Continued)

Current Year Debt Issuance and Defeasance of Debt (Continued)

The County completed the advance refunding to reduce its total debt service payments by \$775,380 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$436,818.

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

	<u>Original Issuance</u>	<u>Year Issued</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Revenue bonds:				
Series 2011	\$ 5,220,100	2011	3.00%	\$ 4,635,100
Series 2013	1,375,000	2013	3.175	1,131,000
Series 2017	2,790,000	2017	2.82-5.13	<u>2,725,000</u>
Total Revenue Bonds:				<u>\$ 8,491,100</u>
General Obligation Bonds:				
Series 1998	\$ 715,000	1998	5.10%	\$ 35,000
Series 2002	6,513,732	2002	4.60-5.10	1,795,410
Series 2002	6,750,000	2002	4.60-5.10	1,675,000
Series 2003	7,055,000	2003	4.60-5.35	2,100,000
Series 2004	605,000	2004	4.10-5.10	210,000
Series 2010	270,000	2010	-	150,000
Series 2017	11,925,000	2017	2.05-5.05	<u>11,925,000</u>
Total General Obligation Bonds:				<u>\$ 17,890,410</u>
State Literary Fund Loans:				
Series 1998	\$ 5,000,000	1998	3.00%	<u>\$ 250,000</u>
Capital Leases:				
911 Communications Facilities	3,000,000	2013	1.952	<u>1,940,000</u>
Total Capital Leases:				<u>\$ 1,940,000</u>

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan

Primary Government

Plan Description

All full-time, salaried permanent employees of the County of King William, Virginia, (the “Political Subdivision”) are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent 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 and have not taken a refund.

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. 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. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (Continued)

Plan Description (Continued)

Plan 1 (Continued)

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (Continued)

Plan Description (Continued)

Plan 1 (Continued)

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (Continued)

Plan Description (Continued)

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (Continued)

Plan Description (Continued)

Plan 2 (Continued)

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

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Creditable Service –**
 - **Defined Benefit Component** – Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
 - **Defined Contributions Component** – Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- **Vesting –**
 - **Defined Benefit Component** – Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
 - **Defined Contributions Component** – Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit –**
 - **Defined Benefit Component** – See definition under Plan 1.
 - **Defined Contribution Component** – The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation** – Same as Plan 2 for the defined benefit component of the plan.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** –
 - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
 - Hybrid Retirement Plan members are ineligible for ported service.
 - **Defined Contribution Component** – Not Applicable.

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>45</u>
Inactive members:	
Vested inactive members	20
Non-vested inactive members	14
Inactive members active elsewhere in VRS	<u>62</u>
Total inactive members	96
Active members	<u>81</u>
Total covered employees	<u><u>222</u></u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (Continued)

Contributions

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

The political subdivision's contractually required contribution rate for the year ended June 30, 2018 as 7.85% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$304,470 and \$294,479 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (Continued)

Actuarial Assumptions

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

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

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

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

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

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (Continued)

Long-Term Expected Rate of Return

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

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (Continued)

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2016	\$ 15,120,419	\$ 13,820,689	\$ 1,299,730
Changes for the year:			
Service cost	413,783	-	413,783
Interest	1,036,388	-	1,036,388
Benefit changes	-	-	-
Differences between expected and actual experience	(178,886)	-	(178,886)
Assumption changes	(16,844)	-	(16,844)
Contributions – employer	-	294,179	(294,179)
Contributions – employee	-	199,433	(199,433)
Net investment income	-	1,683,245	(1,683,245)
Benefit payments, including refunds of employee contributions	(629,749)	(629,749)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(9,652)	9,652
Other changes	-	(1,501)	1,501
Net changes	624,692	1,535,955	(911,263)
Balances at June 30, 2017	\$ 15,745,111	\$ 15,356,644	\$ 388,467

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (Continued)

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

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

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
Political subdivision's net pension liability	\$ 2,520,980	\$ 388,467	\$ (1,377,738)

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

For the year ended June 30, 2018, the political subdivision recognized pension expense (income) of (\$109,221). At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 297,465
Change in assumptions	-	10,763
Net difference between projected and actual earnings on pension plan investments	-	223,767
Employer contributions subsequent to the measurement date	<u>304,470</u>	<u>-</u>
Total	<u>\$ 304,470</u>	<u>\$ 531,995</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Primary Government (Continued)

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

The \$304,470 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2019	\$ (367,941)
2020	(17,121)
2021	(2,741)
2022	(144,192)
2023	-
Thereafter	-

Pension Plan Data

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

School Nonprofessionals

Plan Description

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

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>19</u>
Inactive members:	
Vested inactive members	4
Non-vested inactive members	11
Inactive members active elsewhere in VRS	<u>4</u>
Total inactive members	19
Active members	<u>59</u>
Total covered employees	<u><u>97</u></u>

Contributions

The school division's contractually required contribution rate for the year ended June 30, 2018 was 4.86% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

Contributions to the pension plan from the school division were \$59,024 and \$61,425 for the years ended June 30, 2018 and June 30, 2017, respectively.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2016	\$ 2,905,076	\$ 2,962,818	\$ (57,542)
Changes for the year:			
Service cost	135,196	-	135,196
Interest	199,924	-	199,924
Benefit changes	-	-	-
Differences between expected and actual experience	19,693	-	19,693
Assumption changes	(67,991)	-	(67,991)
Contributions – employer	-	61,425	(61,425)
Contributions – employee	-	63,992	(63,992)
Net investment income	-	363,846	(363,846)
Benefit payments, including refunds of employee contributions	(98,040)	(98,040)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(2,028)	2,028
Other changes	-	(328)	328
Net changes	188,782	388,867	(200,085)
Balances at June 30, 2017	\$ 3,093,858	\$ 3,351,685	\$ (257,827)

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

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:

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
School division's net pension liability (asset)	\$ 147,150	\$ (257,827)	\$ (596,646)

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

For the year ended June 30, 2018, the school division recognized pension expense of \$35,806. At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 49,567	\$ 28,209
Change in assumptions	-	52,142
Net difference between projected and actual earnings on pension plan investments	-	48,868
Employer contributions subsequent to the measurement date	<u>59,024</u>	<u>-</u>
Total	<u>\$ 108,591</u>	<u>\$ 129,219</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

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

The \$108,591 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2019	\$ (29,405)
2020	6,127
2021	(21,999)
2022	(34,375)
2023	-
Thereafter	-

Pension Plan Data

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

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 County of King William, Virginia, (the "School Division"), are automatically covered by the VRS Teacher Retirement Plan upon employment. This multiple employer, cost sharing plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employers pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously funded service.

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,895,365 and \$ 1,706,234 for the years ended June 30, 2018 and June 30, 2017, respectively.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

At June 30, 2018, the school division reported a liability of \$18,441,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.14995% as compared to 0.15270% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$1,493,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,306,000
Change in assumptions	269,000	-
Change in proportionate share	593,000	740,000
Net difference between projected and actual earnings on pension plan investments	-	670,000
Employer contributions subsequent to the measurement date	<u>1,895,365</u>	<u>-</u>
Total	<u><u>\$ 2,757,365</u></u>	<u><u>\$ 2,716,000</u></u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

The \$1,895,365 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2019	\$ (592,000)
2020	(27,000)
2021	(384,000)
2022	(743,000)
2023	(108,000)
Thereafter	-

Net Pension Liability

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

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:

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	<u>\$ 27,538,000</u>	<u>\$ 18,441,000</u>	<u>\$ 10,915,000</u>

Pension Plan Fiduciary Net Position

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 8. Other Postemployment Benefits Liability – Local Plan

County

Plan Description and Benefits Provided

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

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

- Have attained age 50 and 10 years of service with the Virginia Retirement System.
- Be between age 55 and 65.

The plans do not issue stand-alone financial reports.

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Employees	87
Retirees	-
	<u>87</u>

Total OPEB Liability

The County's total OPEB liability of \$152,167 was measured as of June 30, 2018 and was determined based on an actuarial valuation performed as of June 30, 2018.

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 8. Other Postemployment Benefits Liability – Local Plan (Continued)

County (Continued)

Actuarial Assumptions and other inputs

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

Inflation	2.50%
Salary increases, including inflation	3.00%
Healthcare cost trend rates	4.00%

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2017 through June 30, 2018.

Changes in the Total OPEB Liability

Balance at June 30, 2017	\$ 132,010
Changes for the year:	
Service cost	15,947
Interest	4,726
Benefit changes	(516)
Net changes	20,157
Balance at June 30, 2018	\$ 152,167

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

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

	<u>1.00% Decrease (2.62%)</u>	<u>Current Discount Rate (3.62%)</u>	<u>1.00% Increase (4.62%)</u>
Total OPEB liability	\$ 165,583	\$ 152,167	\$ 139,835

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 8. Other Postemployment Benefits Liability – Local Plan (Continued)

County (Continued)

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

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current healthcare cost trend rates:

	1.00% Decrease (3.00%)	Current Healthcare Cost Trend Rates (4.00%)	1.00% Increase (5.00%)
Total OPEB liability	\$ 134,206	\$ 152,167	\$ 173,052

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

For the year ended June 30, 2018, the County recognized OPEB expense of \$20,587. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	430
Employer contributions subsequent to the measurement date	-	-
Total	\$ -	\$ 430

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 8. Other Postemployment Benefits Liability – Local Plan (Continued)

County (Continued)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	\$ (86)
2020	(86)
2021	(86)
2022	(86)
2023	(86)
Thereafter	-

School Board

Plan Description and Benefits Provided

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

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

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

The plans do not issue stand-alone financial reports.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 8. Other Postemployment Benefits Liability – Local Plan (Continued)

School Board (Continued)

Plan Description and Benefits Provided (Continued)

Funding Policy

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

Employees Covered by Benefit Terms

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

	<u>Number</u>
Employees	277
Retirees	<u>18</u>
	<u><u>295</u></u>

Total OPEB Liability

The Schools' total OPEB liability of \$1,240,999 was measured as of June 30, 2018 and was determined based on an actuarial valuation performed as of June 30, 2016.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 8. Other Postemployment Benefits Liability – Local Plan (Continued)

School Board (Continued)

Actuarial Assumptions and other inputs

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

Inflation	2.50%
Salary increases, including inflation	3.50%-5.35%
Healthcare cost trend rates	4.00 – 7.40%
Retirees' share of benefit-related costs	\$668.32 - \$2,064.73 per month

Mortality rates were the same rates from the VRS valuation. (See Note 7)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2015 through June 30, 2016.

Changes in the Total OPEB Liability

Balance at June 30, 2017	<u>\$ 1,349,783</u>
Changes for the year:	
Service cost	65,813
Interest	46,173
Effect of assumptions changes or inputs	(26,341)
Benefit payments	<u>(194,429)</u>
Net changes	<u>(108,784)</u>
Balance at June 30, 2018	<u><u>\$ 1,240,999</u></u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 8. Other Postemployment Benefits Liability – Local Plan (Continued)

School Board (Continued)

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

The following presents the total OPEB liability of the Schools, as well as what the Schools' total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.87%) or one percentage point higher (4.87%) than the current discount rate:

	1.00% Decrease (2.82%)	Current Discount Rate (3.82%)	1.00% Increase (4.87%)
Total OPEB liability	\$ 1,313,524	\$ 1,240,999	\$ 1,172,377

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

The following presents the total OPEB liability of the Schools, as well as what the Schools' total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3%) or one percentage point higher (5%) than the current healthcare cost trend rates:

	1.00% Decrease (3.00%)	Current Healthcare Cost Trend Rates (4.00%)	1.00% Increase (5.00%)
Total OPEB liability	\$ 1,117,778	\$ 1,240,999	\$ 1,386,064

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 8. Other Postemployment Benefits Liability – Local Plan (Continued)

School Board (Continued)

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

For the year ended June 30, 2018, the Schools recognized OPEB expense of \$108,328. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ 22,683
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 22,683</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	\$ (3,658)
2020	(3,658)
2021	(3,658)
2022	(3,658)
2023	(3,658)
Thereafter	(4,393)

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans

County

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

Plan Descriptions

Group Life Insurance Program

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

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

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

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple employer, cost sharing plan.

Contributions

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

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2018 Contribution	\$20,361
June 30, 2017 Contribution	\$19,374

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

County (Continued)

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

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

Group Life Insurance Program

June 30, 2018 proportionate share of liability	\$304,000
June 30, 2017 proportion	0.02020%
June 30, 2016 proportion	0.02018%
June 30, 2018 expense	\$3,000

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

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

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,000
Change in assumptions	-	16,000
Net difference between projected and actual earnings on OPEB plan investments	-	11,000
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	20,361	-
Total	<u>\$ 20,361</u>	<u>\$ 34,000</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

County (Continued)

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

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

Group Life Insurance Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	\$ (7,000)
2020	(7,000)
2021	(7,000)
2022	(7,000)
2023	(4,000)
Thereafter	(2,000)

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

County (Continued)

Actuarial Assumptions and Other Inputs

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

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

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

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 7.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

County (Continued)

Net OPEB Liabilities

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

	Group Life Insurance Program
Total OPEB Liability	\$ 2,942,426
Plan fiduciary net position	1,437,586
Employers' net OPEB liability (asset)	\$ 1,504,840
Plan fiduciary net position as a percentage of total OPEB liability	48.86%

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

County (Continued)

Long-Term Expected Rate of Return

Group Life Insurance Program

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

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

County (Continued)

Discount Rate

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

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLI Net OPEB liability	\$ 394,000	\$ 304,000	\$ 232,000

OPEB Plan Fiduciary Net Position

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Schools

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

Plan Descriptions

Group Life Insurance Program

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

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

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

Teacher Employee Health Insurance Credit Program

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

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Schools (Continued)

Contributions

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

Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2018 Contribution	\$69,161
June 30, 2017 Contribution	\$68,297

Teacher Health Insurance Credit Program

Governed by:	<i>Code of Virginia</i> 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.23% of covered employee compensation.
June 30, 2018 Contribution	\$145,897
June 30, 2017 Contribution	\$131,167

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Schools (Continued)

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

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

Group Life Insurance Program

June 30, 2018 proportionate share of liability	\$1,071,000
June 30, 2017 proportion	0.06406% Teachers / 0.00714% nonprofessionals
June 30, 2016 proportion	0.06479% Teachers / 0.00750% nonprofessionals
June 30, 2018 expense	\$9,000

Teacher Health Insurance Credit Program

June 30, 2018 proportionate share of liability	\$1,899,000
June 30, 2017 proportion	0.14973%
June 30, 2016 proportion	0.15269%
June 30, 2018 expense	\$150,000

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

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

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 23,000
Change in assumptions	-	56,000
Net difference between projected and actual earnings on OPEB plan investments	-	40,000
Changes in proportion	-	16,000
Employer contributions subsequent to the measurement date	69,161	-
Total	<u>\$ 69,161</u>	<u>\$ 135,000</u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Schools (Continued)

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

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	20,000
Net difference between projected and actual earnings on		
OPEB plan investments	-	3,000
Changes in proportion	-	33,000
Employer contributions subsequent to the		
measurement date	145,897	-
Total	<u>\$ 145,897</u>	<u>\$ 56,000</u>

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

Group Life Insurance Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
	<u> </u>
2019	\$ (27,000)
2020	(27,000)
2021	(27,000)
2022	(27,000)
2023	(17,000)
Thereafter	(10,000)

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Schools (Continued)

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

Teacher Health Insurance Credit Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	\$ (9,300)
2020	(9,300)
2021	(9,300)
2022	(9,300)
2023	(7,200)
Thereafter	(11,600)

Actuarial Assumptions and Other Inputs

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

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

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

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 7.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Schools (Continued)

Net OPEB Liabilities

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

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Schools (Continued)

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

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

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

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Schools (Continued)

Discount Rate

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

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLI Net OPEB liability	\$ 1,386,000	\$ 1,071,000	\$ 735,000
Teacher HIC Net OPEB liability	\$ 2,013,000	\$ 1,899,000	\$ 1,792,000

OPEB Plan Fiduciary Net Position

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 10. Summary of Pension and Other Postemployment Benefit Elements

	<u>Governmental Activities</u>	<u>Schools</u>
Deferred outflows of resources – pensions		
Differences between expected and actual experience – VRS	\$ -	\$ 49,567
Change of assumptions – VRS	-	269,000
Change in proportion – VRS	-	593,000
Employer contributions subsequent to the measurement date – VRS	<u>304,470</u>	<u>1,954,389</u>
Total deferred outflows of resources – pensions	<u><u>\$ 304,470</u></u>	<u><u>\$ 2,865,956</u></u>
Deferred outflows of resources – OPEB		
Employer contributions subsequent to the measurement date		
VRS HIC	\$ -	\$ 145,897
VRS GLI	<u>20,361</u>	<u>69,161</u>
Total deferred outflows of resources – OPEB	<u><u>\$ 20,361</u></u>	<u><u>\$ 215,058</u></u>
Net pension asset – VRS	<u><u>\$ -</u></u>	<u><u>\$ (257,827)</u></u>
Net pension liability – VRS	<u><u>\$ 388,467</u></u>	<u><u>\$ 18,441,000</u></u>
Net OPEB liability		
Local plan	\$ 152,167	\$ 1,240,999
VRS HIC	-	1,899,000
VRS GLI	<u>304,000</u>	<u>1,071,000</u>
Total net OPEB liability	<u><u>\$ 456,167</u></u>	<u><u>\$ 4,210,999</u></u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 10. Summary of Pension and Other Postemployment Benefit Elements (Continued)

	<u>Governmental Activities</u>	<u>Schools</u>
Deferred inflows of resources – pensions		
Difference between expected and actual experience – VRS	\$ 297,465	\$ 1,334,209
Changes of assumptions – VRS	10,763	52,142
Changes in proportion – VRS	-	740,000
Net difference between projected and actual investment earnings on pension plan investments VRS	<u>223,767</u>	<u>718,868</u>
Total deferred inflows of resources – pensions	<u><u>\$ 531,995</u></u>	<u><u>\$ 2,845,219</u></u>
Deferred inflows of resources – OPEB		
Difference between expected and actual experience VRS GLI	\$ 7,000	\$ 23,000
Net difference between projected and actual investment earnings on OPEB plan investments		
VRS GLI	11,000	40,000
VRS HIC	-	3,000
Change in proportion		
VRS HIC	-	33,000
VRS GLI	-	16,000
Change in assumptions		
Local plan	430	22,683
VRS HIC	-	20,000
VRS GLI	<u>16,000</u>	<u>56,000</u>
Total deferred inflow of resources – OPEB	<u><u>\$ 34,430</u></u>	<u><u>\$ 213,683</u></u>

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 11. Fund Balances

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

	General Fund	Debt Service Fund	General Capital Projects Fund	School Capital Projects Fund
Nonspendable	\$ 46,985	\$ -	\$ -	\$ -
Restricted:				
General government	464,405	-	-	-
Other capital projects	-	13,164	730,678	8,626,938
Total restricted	<u>464,405</u>	<u>13,164</u>	<u>730,678</u>	<u>8,626,938</u>
Committed:				
School operations and capital projects	1,129,294	-	-	-
Regional animal shelter	41,935	-	-	-
Asset forfeiture – comm att	629			
Asset forfeiture – sheriff	11,914	-	-	-
Four-for-life programs	21,036	-	-	-
Fire programs	32,823	-	-	-
Water utility	322,931	-	-	-
Recreation programs	144,034	-	-	-
EMS billings	159,749	-	-	-
Total committed	<u>1,864,345</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned:				
Public safety	49,707	-	-	-
Unassigned	<u>10,853,502</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u><u>\$ 13,278,944</u></u>	<u><u>\$ 13,164</u></u>	<u><u>\$ 730,678</u></u>	<u><u>\$ 8,626,938</u></u>

Note 12. Risk Management

County

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 12. Risk Management (Continued)

County (Continued)

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

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

Health Insurance – School Board

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

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

The School Board records an estimated liability for healthcare claims. The following represents the change in the fund's claims liability for 2018, 2017, and 2016:

Fiscal Year Ended	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
June 30, 2018	\$ 215,000	\$ 2,933,764	\$ (2,933,764)	\$ 215,000
June 30, 2017	215,000	2,723,255	(2,723,255)	215,000
June 30, 2016	300,000	2,727,508	(2,812,508)	215,000

Note 13. Commitments and Contingencies

Operating Leases

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

Developer Agreements

Between fiscal years 2003 and 2007, the County entered into multiple development agreements with local developers. According to the agreements, the County was deeded water and wastewater infrastructure in exchange for future connection fee credits. As of June 30, 2018, \$33,168 in connection credits are still available and are recorded as unearned revenue on the Statement of Net Position.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 13. Commitments and Contingencies (Continued)

Federal and State Assisted Programs

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

Note 14. Prior Period Restatement

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

The following is a summary of the restatements to net position, as applicable, resulting from the adoption of GASB Statement No. 75:

	Governmental Activities	Schools
Net position June 30, 2017, as previously stated	\$ 18,839,455	\$ 1,414,157
Recognition of other postemployment benefit related liabilities and related deferred outflows/inflows in accordance with GASB No. 75	<u>(296,918)</u>	<u>(4,052,322)</u>
Net position June 30, 2017, as restated	<u><u>\$ 18,542,537</u></u>	<u><u>\$ (2,638,165)</u></u>

Note 15. Subsequent Events

On August 27, 2018, the Board of Supervisors approved the transfer of the King William County waste water system to Hampton Roads Sanitation District.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 16. New Accounting Standards

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

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

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

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

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

The GASB issued **Statement No. 89**, *Accounting for Interest Cost Incurred before the End of a Construction Period* in June 2018. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2019. The requirements of this Statement should be applied prospectively.

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 16. New Accounting Standards (Continued)

Statement No. 90 (Continued)

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF KING WILLIAM, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS – LOCAL PLANS

June 30, 2018

	Plan Year 2017	
	Primary Government	Schools
	Local Plan	Schools Local Plan
Total OPEB Liability		
Service cost	\$ 15,947	\$ 65,813
Interest on total OPEB liability	4,726	46,173
Changes in assumptions	(516)	(26,341)
Benefit payments	-	(194,429)
Net change in total OPEB liability	20,157	(108,784)
Total OPEB liability - beginning	132,010	1,349,783
Total OPEB liability - ending	<u>\$ 152,167</u>	<u>\$ 1,240,999</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>0%</u>	<u>0%</u>
Covered payroll	<u>N/A</u>	<u>\$ 11,906,700</u>
Net OPEB liability as a percentage of covered payroll	<u>N/A</u>	<u>10.42%</u>

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

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

COUNTY OF KING WILLIAM, VIRGINIA

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

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Health Insurance Credit - Teachers					
2018	0.14937%	\$ 1,899,000	\$ 11,764,523	16.14%	7.04%
Virginia Retirement System - Group Life Insurance - General Employees					
2018	0.02020%	304,000	3,721,702	8.17%	48.86%
Virginia Retirement System - Group Life Insurance - Schools - Teachers					
2018	0.06406%	964,000	11,764,523	8.19%	48.86%
Virginia Retirement System - Group Life Insurance - Schools - General Employees					
	0.00714%	107,000	1,340,453	7.98%	48.86%

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

COUNTY OF KING WILLIAM, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS – VRS
June 30, 2018

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Health Insurance Credit - Teachers					
2018	\$ 145,897	\$ 145,897	\$ -	\$ 12,183,787	1.20%
Virginia Retirement System - Group Life Insurance - General Employees					
2018	20,361	20,361	-	3,915,577	0.52%
Virginia Retirement System - Group Life Insurance - Schools - Teachers					
2018	62,439	62,439	-	12,007,500	0.52%
Virginia Retirement System - Group Life Insurance - Schools - General Employees					
2018	6,722	6,722	-	1,292,692	0.52%

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

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

COUNTY OF KING WILLIAM, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE COUNTY NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2018

	Primary Government			
	Plan Year			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 413,783	\$ 399,804	\$ 427,980	\$ 425,539
Interest on total pension liability	1,036,388	1,005,764	960,437	900,618
Changes of assumptions	(16,844)	-	-	-
Difference between expected and actual experience	(178,886)	(409,236)	(251,096)	-
Benefit payments, including refunds of employee contributions	(629,749)	(487,936)	(491,661)	(451,521)
Net change in total pension liability	624,692	508,396	645,660	874,636
Total pension liability - beginning	15,120,419	14,612,023	13,966,363	13,091,727
Total pension liability - ending	15,745,111	15,120,419	14,612,023	13,966,363
Plan Fiduciary Net Position				
Contributions - employer	294,179	372,193	365,362	393,290
Contributions - employee	199,433	180,702	172,177	172,426
Net investment income	1,683,245	241,338	593,824	1,752,531
Benefit payments, including refunds of employee contributions	(629,749)	(487,936)	(491,661)	(451,521)
Administrative expenses	(9,652)	(8,272)	(7,965)	(9,260)
Other	(1,501)	(101)	(128)	92
Net change in plan fiduciary net position	1,535,955	297,924	631,609	1,857,558
Plan fiduciary net position - beginning	13,820,689	13,522,765	12,891,156	11,033,598
Plan fiduciary net position - ending	15,356,644	13,820,689	13,522,765	12,891,156
Net pension liability - ending	\$ 388,467	\$ 1,299,730	\$ 1,089,258	\$ 1,075,207
Plan fiduciary net position as a percentage of total pension liability	97.53%	91.40%	92.55%	92.30%
Covered payroll	\$ 3,721,702	\$ 3,577,844	\$ 3,598,101	\$ 3,734,948
Net pension liability as a percentage of covered payroll	10.44%	36.33%	30.27%	28.79%

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

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

COUNTY OF KING WILLIAM, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE SCHOOL BOARD NON-PROFESSIONAL
NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2018

	Schools -- Nonprofessional Employees Plan Year			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 135,196	\$ 147,006	\$ 149,564	\$ 148,866
Interest on total pension liability	199,924	185,682	162,279	146,068
Changes of assumptions	(67,991)	-	-	-
Difference between expected and actual experience	19,693	(47,205)	90,966	-
Benefit payments, including refunds of employee contributions	(98,040)	(66,013)	(70,936)	(55,770)
Net change in total pension liability	188,782	219,470	331,873	239,164
Total pension liability - beginning	<u>2,905,076</u>	<u>2,685,606</u>	<u>2,353,733</u>	<u>2,114,569</u>
Total pension liability - ending	<u>3,093,858</u>	<u>2,905,076</u>	<u>2,685,606</u>	<u>2,353,733</u>
Plan Fiduciary Net Position				
Contributions - employer	61,425	86,210	87,689	112,627
Contributions - employee	63,992	66,926	68,007	67,436
Net investment income	363,846	52,781	122,327	348,354
Benefit payments, including refunds of employee contributions	(98,040)	(66,013)	(70,936)	(55,770)
Administrative expenses	(2,028)	(1,679)	(1,565)	(1,757)
Other	(328)	(22)	(29)	19
Net change in plan fiduciary net position	388,867	138,203	205,493	470,909
Plan fiduciary net position - beginning	<u>2,962,818</u>	<u>2,824,615</u>	<u>2,619,122</u>	<u>2,148,213</u>
Plan fiduciary net position - ending	<u>3,351,685</u>	<u>2,962,818</u>	<u>2,824,615</u>	<u>2,619,122</u>
Net pension (asset) liability - ending	<u>\$ (257,827)</u>	<u>\$ (57,742)</u>	<u>\$ (139,009)</u>	<u>\$ (265,389)</u>
Plan fiduciary net position as a percentage of total pension liability	<u>108.33%</u>	<u>101.99%</u>	<u>105.18%</u>	<u>111.28%</u>
Covered payroll	<u>\$ 1,340,453</u>	<u>\$ 1,366,858</u>	<u>\$ 1,391,726</u>	<u>\$ 1,751,586</u>
Net pension (asset) liability as a percentage of covered payroll	<u>-19.23%</u>	<u>-4.22%</u>	<u>-9.99%</u>	<u>-15.15%</u>

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

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

COUNTY OF KING WILLIAM, VIRGINIA

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

Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.14995%	\$ 18,441,000	\$ 11,764,523	156.75%	72.92%
2016	0.15270%	21,399,000	11,677,255	183.25%	68.28%
2015	0.15775%	19,855,000	11,655,579	170.35%	70.68%
2014	0.15381%	18,588,000	9,045,366	205.50%	70.88%

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

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

COUNTY OF KING WILLIAM, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2018	\$ 304,470	\$ 304,470	\$ -	\$ 3,754,254	8.11%
2017	294,179	294,179	-	3,721,702	7.90%
2016	376,747	376,747	-	3,577,844	10.53%
2015	378,880	378,880	-	3,598,101	10.53%
Schools - Nonprofessional Employees					
2018	\$ 59,024	\$ 59,024	\$ -	\$ 1,214,486	4.86%
2017	61,425	61,425	-	1,340,453	4.58%
2016	87,889	87,889	-	1,366,858	6.43%
2015	89,488	89,488	-	1,391,726	6.43%

This schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only four years of data is available. Additional years will be included as they become available.

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

COUNTY OF KING WILLIAM, VIRGINIA

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

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 1,895,365	\$ 1,895,365	\$ -	\$ 11,613,756	16.32%
2017	1,706,234	1,706,234	-	11,764,523	14.50%
2016	1,641,822	1,641,822	-	11,677,255	14.06%
2015	1,690,059	1,690,059	-	11,655,579	14.50%

This schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only four years of data is available. Additional years will be included as they become available.

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

Note 1. Changes of Benefit Terms

Pension

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

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

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

Largest 10 – Non-Hazardous Duty:

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

Largest 10 – Hazardous Duty/Public Safety Employees:

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

Note 2. Changes of Assumptions (Continued)

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

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

Teacher cost-sharing pool:

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

SUPPLEMENTAL INFORMATION

COUNTY OF KING WILLIAM, VIRGINIA

COMBINING STATEMENT OF NET POSITION - AGENCY FUNDS

June 30, 2018

	Agency Funds						
	Special Welfare	VJCCCA	Project Lifesaver	D. A. R. E.	Donation to Sherriff's Office	Horse Rescue	Totals
ASSETS							
Cash and cash equivalents	\$ 1,138	\$ 194,649	\$ 6,847	\$ 56	\$ 789	\$ -	\$ 203,479
Due from other governments	-	17,110	-	-	-	-	17,110
Due from fiscal agent	-	-	-	-	-	20,968	20,968
Total assets	<u>\$ 1,138</u>	<u>\$ 211,759</u>	<u>\$ 6,847</u>	<u>\$ 56</u>	<u>\$ 789</u>	<u>\$ 20,968</u>	<u>\$ 241,557</u>
LIABILITIES							
Amounts held for others	\$ 957	\$ 207,510	\$ 6,847	\$ 56	\$ 789	\$ 20,968	\$ 237,127
Accounts payable	181	4,249	-	-	-	-	4,430
Total liabilities	<u>\$ 1,138</u>	<u>\$ 211,759</u>	<u>\$ 6,847</u>	<u>\$ 56</u>	<u>\$ 789</u>	<u>\$ 20,968</u>	<u>\$ 241,557</u>

COUNTY OF KING WILLIAM, VIRGINIA
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES –
AGENCY FUNDS
Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
SPECIAL WELFARE FUND				
ASSETS				
Cash and cash equivalents	\$ 181	\$ 5,084	\$ 4,127	\$ 1,138
Amounts due from social services clients	-	-	-	-
Total assets	\$ 181	\$ 5,084	\$ 4,127	\$ 1,138
LIABILITIES				
Amounts held for others	\$ -	\$ 5,497	\$ 4,540	\$ 957
Accounts payable	181	3,787	3,787	181
Total liabilities	\$ 181	\$ 9,284	\$ 8,327	\$ 1,138
VJCCCA FUND				
ASSETS				
Cash and cash equivalents	\$ 183,837	\$ 158,133	\$ 147,321	\$ 194,649
Due from other governments	2,934	17,110	2,934	17,110
Total assets	\$ 186,771	\$ 175,243	\$ 150,255	\$ 211,759
LIABILITIES				
Amounts held for others	\$ 186,456	\$ 172,310	\$ 151,256	\$ 207,510
Accounts payable	315	69,288	65,354	4,249
Total liabilities	\$ 186,771	\$ 241,598	\$ 216,610	\$ 211,759
PROJECT LIFESAVER				
ASSETS				
Cash and cash equivalents	\$ 5,552	\$ 2,200	\$ 905	\$ 6,847
LIABILITIES				
Amounts held for others	\$ 5,552	\$ 2,200	\$ 905	\$ 6,847
D. A. R. E.				
ASSETS				
Cash and cash equivalents	\$ 242	\$ 1,151	\$ 1,337	\$ 56
LIABILITIES				
Amounts held for D. A. R. E.	\$ 242	\$ 1,151	\$ 1,337	\$ 56

COUNTY OF KING WILLIAM, VIRGINIA

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
DONATIONS TO SHERIFF'S OFFICE				
ASSETS				
Cash and cash equivalents	\$ 953	\$ -	\$ 164	\$ 789
LIABILITIES				
Amounts held for others	\$ 953	\$ -	\$ 164	\$ 789
HORSE RESCUE				
ASSETS				
Due from fiscal agent	\$ 20,968	\$ -	\$ -	\$ 20,968
LIABILITIES				
Amounts held for others	\$ 20,968	\$ -	\$ -	\$ 20,968
Totals – All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 190,765	\$ 166,568	\$ 153,854	\$ 203,479
Due from other governments	2,934	17,110	2,934	17,110
Due from fiscal agent	20,968	-	-	20,968
Total assets	\$ 214,667	\$ 183,678	\$ 156,788	\$ 241,557
LIABILITIES				
Amounts held for others	\$ 214,171	\$ 181,158	\$ 158,202	\$ 237,127
Accounts payable	496	73,075	69,141	4,430
Total liabilities	\$ 214,667	\$ 254,233	\$ 227,343	\$ 241,557

COUNTY OF KING WILLIAM, VIRGINIA

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

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	Total Component Unit
ASSETS				
Cash and cash equivalents	\$ 1,010,316	\$ 124,455	\$ 656,198	\$ 1,790,969
Accounts receivable	18,742	-	-	18,742
Prepays	1,281	-	-	1,281
Due from primary government	272,779	-	-	272,779
Due from other funds	248,547	1,486	-	250,033
Due from other governments	1,131,582	-	-	1,131,582
Total assets	<u>\$ 2,683,247</u>	<u>\$ 125,941</u>	<u>\$ 656,198</u>	<u>\$ 3,465,386</u>
LIABILITIES				
Accounts payable	\$ 310,155	\$ -	\$ -	\$ 310,155
Accrued liabilities	2,371,606	-	-	2,371,606
Due to other funds	1,486	-	-	1,486
Total liabilities	<u>2,683,247</u>	<u>-</u>	<u>-</u>	<u>2,683,247</u>
FUND BALANCES				
Nonspendable	1,281	-	-	1,281
Assigned				
Cafeteria	-	125,941	-	125,941
Textbook	-	-	656,198	656,198
Unassigned	(1,281)	-	-	(1,281)
Total fund balances	<u>-</u>	<u>125,941</u>	<u>656,198</u>	<u>782,139</u>
Total liabilities and fund balances	<u>\$ 2,683,247</u>	<u>\$ 125,941</u>	<u>\$ 656,198</u>	<u>\$ 3,465,386</u>
Adjustments for the Statement of Net Position (Exhibit 1):				
Total fund balances – School Board				\$ 782,139
Amounts reported for the School Board's governmental activities in the Statement of Net Position are different because:				
Long-term assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.				
Net pension asset				257,827
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.				
Nondepreciable			5,356,840	
Depreciable, net			18,025,002	
Net capital assets				23,381,842
Financial statement elements related to other postemployment benefits and pension are applicable to future periods and, therefore, are not reported in the funds.				
Deferred outflows related to:				
Pensions			2,865,956	
Other postemployment benefits			215,058	
Deferred inflows related to:				
Pensions			(2,845,219)	
Other postemployment benefits			(213,683)	
Net pension liability			(18,441,000)	
Net other postemployment benefits liability			(4,210,999)	
				(22,629,887)
Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.				
				1,204,191
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.				
Compensated absences				(196,696)
Net position of governmental activities				<u>\$ 2,799,416</u>

COUNTY OF KING WILLIAM, VIRGINIA

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

	School Operating Fund	School Cafeteria Fund	School Textbook Fund	Total Component Unit
REVENUES				
Revenue from the use of money and property	\$ 691	\$ 66	\$ -	\$ 757
Charges for services	74,350	422,187	-	496,537
Miscellaneous revenues	30,852	6,368	-	37,220
Recovered costs	40,472	-	-	40,472
Intergovernmental:				
Appropriation from primary government	10,489,476	-	-	10,489,476
Commonwealth	13,169,382	10,229	164,088	13,343,699
Federal	875,785	437,784	-	1,313,569
Total revenues	<u>24,681,008</u>	<u>876,634</u>	<u>164,088</u>	<u>25,721,730</u>
EXPENDITURES				
Current:				
Education	24,959,887	903,384	38,092	25,901,363
Excess (deficiency) of revenues over expenditures	<u>(278,879)</u>	<u>(26,750)</u>	<u>125,996</u>	<u>(179,633)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	285,000	6,121	-	291,121
Transfers out	(6,121)	-	(285,000)	(291,121)
Total other financing sources (uses), net	<u>278,879</u>	<u>6,121</u>	<u>(285,000)</u>	<u>-</u>
Changes in fund balance	<u>-</u>	<u>(20,629)</u>	<u>(159,004)</u>	<u>(179,633)</u>
FUND BALANCES, BEGINNING	<u>-</u>	<u>146,570</u>	<u>815,202</u>	<u>961,772</u>
FUND BALANCES, ENDING	<u><u>\$ -</u></u>	<u><u>\$ 125,941</u></u>	<u><u>\$ 656,198</u></u>	<u><u>\$ 782,139</u></u>
Reconciliation to the Statement of Activities (Exhibit 2):				
Net change in Fund Balance - School Board				\$ (179,633)
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			4,932,507	
Depreciation expense			<u>(1,018,872)</u>	
				3,913,635
Net transfer of joint tenancy capital assets from Primary Government to the Component Unit				998,642
Governmental funds report employer other postemployment benefits contributions as expenditures. However, in the statement of activities the cost of these benefits earned, net of employee contributions, is reported as other postemployment benefit expense.				
Employer other postemployment benefit contributions			\$ 215,058	
Other postemployment benefits expense			<u>(72,363)</u>	
				142,695
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. These activities consist of an increase in compensated absences.				(18,163)
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which employer pension contributions of \$1,954,389 is less than pension expense of \$1,551,206 in the current period.				403,183
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds are reported with governmental activities.				
Total revenues			3,597,645	
Total expenses			<u>(3,420,423)</u>	
				177,222
Change in net position of governmental activities				<u><u>\$ 5,437,581</u></u>

COUNTY OF KING WILLIAM, VIRGINIA

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

	School Operating Fund				School Cafeteria Fund				School Textbook Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final			Original	Final		
REVENUES												
Revenue from the use of money and property	\$ 400	\$ 400	\$ 691	\$ 291	\$ 70	\$ 70	\$ 66	\$ (4)	\$ -	\$ 572,610	\$ -	\$ (572,610)
Charges for services	72,700	72,700	74,350	1,650	458,000	458,000	422,187	(35,813)	-	-	-	-
Miscellaneous revenues	-	-	30,852	30,852	6,350	6,350	6,368	18	-	-	-	-
Recovered costs	45,000	45,000	40,472	(4,528)	-	-	-	-	-	-	-	-
Intergovernmental:												
Appropriation from primary government	8,783,744	8,783,744	10,489,476	1,705,732	-	-	-	-	-	-	-	-
Commonwealth	13,143,340	13,143,340	13,169,382	26,042	9,500	9,500	10,229	729	162,390	162,390	164,088	1,698
Federal	894,760	894,760	875,785	(18,975)	509,000	509,000	437,784	(71,216)	-	-	-	-
Total revenues	22,939,944	22,939,944	24,681,008	1,741,064	982,920	982,920	876,634	(106,286)	162,390	735,000	164,088	(570,912)
EXPENDITURES												
Current:												
Education:												
Instruction	17,052,344	17,052,344	17,028,444	23,900	-	-	-	-	450,000	450,000	38,092	166,920
Administration, attendance, and health	1,429,700	1,429,700	1,396,817	32,883	-	-	-	-	-	-	-	-
Pupil transportation	1,710,810	1,710,810	1,675,149	35,661	-	-	-	-	-	-	-	-
Operation and maintenance	1,843,200	1,843,200	1,670,085	173,115	-	-	-	-	-	-	-	-
School food service costs	-	-	-	-	982,920	982,920	903,384	90,873	-	-	-	-
Technology	1,188,890	1,188,890	1,230,018	(41,128)	-	-	-	-	-	-	-	-
Reimbursement to primary government for debt service	-	-	1,959,374	(1,959,374)	-	-	-	-	-	-	-	-
Total expenditures	23,224,944	23,224,944	24,959,887	(1,734,943)	982,920	982,920	903,384	90,873	450,000	450,000	38,092	166,920
Excess (deficiency) of revenues over (under) expenditures	(285,000)	(285,000)	(278,879)	(6,121)	-	-	(26,750)	(197,159)	(287,610)	285,000	125,996	(737,832)
OTHER FINANCING SOURCES (USES)												
Transfers in	285,000	285,000	285,000	-	-	-	6,121	6,121	-	-	-	-
Transfers out	-	-	(6,121)	(6,121)	-	-	-	-	(285,000)	(285,000)	(285,000)	-
Total other financing sources (uses)	285,000	285,000	278,879	(6,121)	-	-	6,121	6,121	(285,000)	(285,000)	(285,000)	-
Net change in fund balances	\$ -	\$ -	\$ -	\$ (12,242)	\$ -	\$ -	\$ (20,629)	\$ (191,038)	\$ (572,610)	\$ -	\$ (159,004)	\$ (737,832)

COUNTY OF KING WILLIAM, VIRGINIA

COMBINING STATEMENT OF NET POSITION – SCHOOL BOARD
FIDUCIARY FUNDS

June 30, 2018

	Agency Funds			
	School Activity Funds	Regional Adult Education Program	Regional Alternative Education Program	Totals
ASSETS				
Cash and cash equivalents	\$ 365,356	\$ 38,486	\$ 305,088	\$ 708,930
Accounts receivable	-	13,860	-	13,860
Total assets	<u>\$ 365,356</u>	<u>\$ 52,346</u>	<u>\$ 305,088</u>	<u>\$ 722,790</u>
LIABILITIES				
Accounts payable	\$ -	\$ 355	\$ 73,251	\$ 73,606
Accrued liabilities	-	3,794	17,346	21,140
Amounts held for others	365,356	48,197	214,491	628,044
Total liabilities	<u>\$ 365,356</u>	<u>\$ 52,346</u>	<u>\$ 305,088</u>	<u>\$ 722,790</u>

COUNTY OF KING WILLIAM, VIRGINIA

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

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
SCHOOL ACTIVITY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 345,199	\$ 594,198	\$ 574,041	\$ 365,356
LIABILITIES				
Amounts held for others	\$ 345,199	\$ 594,198	\$ 574,041	\$ 365,356
REGIONAL ADULT EDUCATION PROGRAM				
ASSETS				
Cash and cash equivalents	\$ -	\$ 189,963	\$ 151,477	\$ 38,486
Accounts receivable	20,529	34,388	41,057	13,860
Total assets	<u>\$ 20,529</u>	<u>\$ 224,351</u>	<u>\$ 192,534</u>	<u>\$ 52,346</u>
LIABILITIES				
Accounts payable	\$ 2,716	\$ 45,562	\$ 47,923	\$ 355
Accrued liabilities	3,816	84,006	84,028	3,794
Amounts held for others	13,997	286,932	252,732	48,197
Total liabilities	<u>\$ 20,529</u>	<u>\$ 416,500</u>	<u>\$ 384,683</u>	<u>\$ 52,346</u>
REGIONAL ALTERNATIVE EDUCATION PROGRAM				
ASSETS				
Cash and cash equivalents	\$ 170,580	\$ 451,842	\$ 317,334	\$ 305,088
LIABILITIES				
Accounts payable	\$ 68,825	\$ 107,536	\$ 103,110	\$ 73,251
Accrued liabilities	15,274	92,262	90,190	17,346
Amounts held for others	86,481	505,817	377,807	214,491
Total liabilities	<u>\$ 170,580</u>	<u>\$ 705,615</u>	<u>\$ 571,107</u>	<u>\$ 305,088</u>
TOTALS – ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 515,779	\$ 1,236,003	\$ 1,042,852	\$ 708,930
Due from other funds	-	-	-	-
Accounts receivable	20,529	34,388	41,057	13,860
Total assets	<u>\$ 536,308</u>	<u>\$ 1,270,391</u>	<u>\$ 1,083,909</u>	<u>\$ 722,790</u>
LIABILITIES				
Accounts payable	\$ 71,541	\$ 153,098	\$ 151,033	\$ 73,606
Accrued Liabilities	19,090	176,268	174,218	21,140
Amounts held for others	445,677	1,386,947	1,204,580	628,044
Total liabilities	<u>\$ 536,308</u>	<u>\$ 1,716,313</u>	<u>\$ 1,529,831</u>	<u>\$ 722,790</u>

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND – SELF-INSURANCE FUND – SCHOOL BOARD
June 30, 2018

	<u>Self-Insurance</u>
ASSETS	
Cash and cash equivalents	\$ 1,668,469
Total assets	<u>1,668,469</u>
LIABILITIES	
Accrued liabilities	731
Due to other funds	248,547
Insurance and benefit claims	<u>215,000</u>
Total liabilities	<u>464,278</u>
NET POSITION	
Unrestricted	<u>1,204,191</u>
Total net position	<u><u>\$ 1,204,191</u></u>

COUNTY OF KING WILLIAM, VIRGINIA

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

June 30, 2018

	<u>Self-Insurance</u>
Operating revenues:	
Charges for service	\$ 3,586,756
Total operating revenues	<u>3,586,756</u>
Operating expenses:	
Administrative charges	62,865
Risk financing and benefit payments	2,994,627
Reinsurance premium	<u>362,931</u>
Total operating expenses	<u>3,420,423</u>
Operating income	<u>166,333</u>
Nonoperating revenue:	
Interest revenue	<u>10,889</u>
Total nonoperating revenue	<u>10,889</u>
Changes in net position	177,222
Net position, beginning	<u>1,026,969</u>
Net position, ending	<u>\$ 1,204,191</u>

COUNTY OF KING WILLIAM, VIRGINIA

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND – SELF-INSURANCE FUND – SCHOOL BOARD
Year Ended June 30, 2018

	<u>Self - Insurance</u>
Cash flows from Operating Activities	
Receipts from interfund services provided	\$ 3,586,756
Claims and benefits paid	(2,994,627)
Payments to suppliers for goods and services	<u>(425,065)</u>
Net cash provided by operating activities	<u>167,064</u>
Noncapital and Related Financing Activities	
Payments from other funds	<u>248,547</u>
Cash flows from Investing Activities	
Interest received on investment securities	<u>10,889</u>
Net increase in cash and cash equivalents	426,500
Cash and cash equivalents	
Beginning	<u>1,241,969</u>
Ending	<u><u>\$ 1,668,469</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	<u>\$ 166,333</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in liabilities:	
Increase in accrued liabilities	<u>731</u>
Net cash provided by operating activities	<u><u>\$ 167,064</u></u>

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2018 King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2018
www.kingwilliamcounty.us

STATISTICAL SECTION

(Unaudited)

STATISTICAL SECTION

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

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

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

Notes

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

The County implemented GASB Statement 75 and restated beginning net position for 2018. The restatement is not included in the prior year data.

COUNTY OF KING WILLIAM, VIRGINIA

TABLE 1

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Net investment in capital assets	\$ 3,471,545	\$ 6,377,053	\$ 6,102,702	\$ 5,966,632	\$ 4,817,073	\$ 4,298,661	\$ 1,461,113	\$ 1,669,963	\$ (513,010)	\$ (312,223)
Restricted	1,208,247	1,329,008	848,217	989,614	1,861,710	4,024,633	62,572	64,245	-	-
Unrestricted	11,327,540	11,133,394	8,946,754	6,514,370	6,209,949	4,247,618	5,016,956	3,502,991	3,806,931	2,373,837
Total governmental activities net position	\$ 16,007,332	\$ 18,839,455	\$ 15,897,673	\$ 13,470,616	\$ 12,888,732	\$ 12,570,912	\$ 6,540,641	\$ 5,237,199	\$ 3,293,921	\$ 2,061,614

TABLE 2

COUNTY OF KING WILLIAM, VIRGINIA

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities										
General government administration	\$ 1,860,624	\$ 1,659,886	\$ 1,710,633	\$ 1,891,619	\$ 1,991,266	\$ 1,720,020	\$ 1,390,914	\$ 1,379,801	\$ 1,764,919	\$ 1,577,182
Judicial administration	883,699	791,733	760,857	825,326	828,978	758,278	731,145	719,715	704,861	723,263
Public safety	5,664,409	5,747,012	4,870,998	5,814,590	4,869,354	4,363,690	4,069,441	4,206,900	3,861,928	4,049,433
Public works	2,047,249	1,905,315	1,896,034	934,531	2,511,346	1,591,495	1,636,299	1,693,960	1,546,058	1,702,038
Health and welfare	2,257,419	3,272,265	1,984,796	1,853,888	1,925,297	1,769,339	1,726,465	1,837,002	2,001,233	1,950,087
Education	16,943,630	11,791,832	12,074,082	12,327,218	9,976,507	10,430,356	9,555,915	8,679,113	8,109,049	8,541,759
Parks, recreation, and cultural	765,324	712,945	702,854	693,945	659,605	848,196	852,555	836,773	805,377	856,020
Planning and community development	325,374	351,232	401,302	401,274	383,302	325,122	415,658	537,673	728,707	602,788
Interest	1,405,763	750,283	842,101	926,078	1,020,009	1,037,029	1,024,553	1,031,300	1,505,477	1,470,892
Total expenses	32,153,491	26,982,503	25,243,657	25,668,469	24,165,664	22,843,525	21,402,945	20,922,237	21,027,609	21,473,462
Program revenues										
Governmental activities										
Charges for services										
General government administration	267,695	982,484	-	-	-	20,000	19,500	-	-	-
Judicial administration	33,511	30,577	35,530	24,449	26,098	26,855	16,767	15,765	90,863	94,142
Public safety	512,594	446,129	439,066	473,347	561,506	697,301	389,101	394,742	94,812	129,696
Public works	619,409	485,781	495,386	439,764	449,819	141,297	161,269	168,958	130,839	118,984
Health and welfare	4,113	18,604	18,346	41,720	-	-	-	-	-	-
Education	-	-	-	32,579	266	642,225	-	-	-	-
Parks, recreation, and cultural	182,245	142,611	112,524	111,301	97,908	109,886	119,114	131,642	86,706	103,290
Planning and community development	361,337	319,556	286,331	226,438	216,907	167,649	150,911	177,126	174,608	193,292
Operating grants and contributions										
General government administration	211,690	207,187	223,701	198,003	200,716	196,912	203,673	190,203	229,637	250,522
Judicial administration	449,974	431,854	396,613	373,388	383,598	374,720	363,618	372,117	341,892	387,240
Public safety	933,350	1,072,746	872,307	1,013,237	1,128,150	852,544	801,490	784,085	835,995	1,007,777
Public works	7,817	8,016	8,321	8,229	8,240	9,342	6,473	7,644	6,629	8,169
Health and welfare	1,459,358	1,236,981	1,156,323	1,050,752	1,082,488	1,028,244	1,119,045	1,321,454	1,386,233	1,301,243
Education	1,959,374	2,181,480	2,272,601	2,309,062	-	-	-	-	-	-
Parks, recreation, and cultural	-	4,500	5,000	13,913	44,303	21,668	9,550	5,000	5,319	5,000
Planning and community development	-	-	-	20,650	-	-	-	49,205	-	-
Capital grants and contributions										
Judicial administration	-	-	-	-	25,903	-	-	-	-	-
Public safety	-	-	-	-	-	26,842	-	-	25,550	-
Public works	180,000	210,000	90,000	624,212	256,687	335,875	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	130,926
Parks, recreation, and cultural	-	-	-	-	102,000	5,800	-	-	-	-
Planning and community development	-	-	-	-	-	-	-	-	212,500	24,779
Total governmental activities program revenues	7,182,467	7,778,506	6,412,049	6,961,044	4,584,589	4,657,160	3,360,511	3,617,941	3,621,583	3,755,060
Total primary government net expense	(24,971,024)	(19,203,997)	(18,831,608)	(18,707,425)	(19,581,075)	(18,186,365)	(18,042,434)	(17,304,296)	(17,406,026)	(17,718,402)

TABLE 2
(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Revenues and Other Changes in Net Position										
Governmental activities										
General property taxes	\$ 17,806,401	\$ 17,540,299	\$ 16,887,147	\$ 16,779,917	\$ 15,901,842	\$ 16,393,302	\$ 15,464,547	\$ 15,744,965	\$ 15,559,634	\$ 15,855,934
Grants and contributions not restricted to specific programs	1,633,590	1,605,118	1,632,439	1,581,199	1,639,303	1,571,449	1,567,627	1,598,315	1,262,902	1,242,316
Local sales and use	952,243	932,215	950,003	918,000	803,574	776,602	747,327	722,243	-	-
Consumer utility	220,617	231,786	218,970	235,700	232,777	230,314	227,669	226,901	224,395	216,877
Business licenses	500,403	437,265	416,827	423,697	353,097	342,712	275,242	299,881	278,531	376,767
Motor vehicle license taxes	421,829	395,593	371,470	377,113	366,296	369,895	370,133	357,659	299,404	290,584
Taxes on recordation and wills	219,987	218,718	198,605	148,828	154,912	171,486	151,615	138,994	156,970	-
Communication sales tax	-	-	-	-	-	-	-	-	375,273	373,713
Other local taxes	501,672	435,663	415,039	371,725	344,955	318,584	313,264	278,516	389,986	332,040
Revenues from uses of money and property	157,047	116,286	105,986	93,295	91,637	98,719	89,375	67,703	76,982	117,071
Miscellaneous	22,030	68,859	62,179	24,674	145,429	56,674	139,077	21,906	14,256	114,945
Total general revenues and other changes	<u>22,435,819</u>	<u>21,981,802</u>	<u>21,258,665</u>	<u>20,954,148</u>	<u>20,033,822</u>	<u>20,329,737</u>	<u>19,345,876</u>	<u>19,457,083</u>	<u>18,638,333</u>	<u>18,920,247</u>
Changes in Net Position	<u>\$ (2,535,205)</u>	<u>\$ 2,777,805</u>	<u>\$ 2,427,057</u>	<u>\$ 2,246,723</u>	<u>\$ 452,747</u>	<u>\$ 2,143,372</u>	<u>\$ 1,303,442</u>	<u>\$ 2,152,787</u>	<u>\$ 1,232,307</u>	<u>\$ 1,201,845</u>

COUNTY OF KING WILLIAM, VIRGINIA

TABLE 3

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Pre-GASB 54 implementation:										
General Fund										
Reserved										
Textbooks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 448,725
Unreserved, undesignated	-	-	-	-	-	-	-	-	-	1,761,923
Post-GASB 54 implementation:										
Nonspendable	46,985	-	-	-	19,159	9,313	177,025	7,943	31,352	-
Restricted	464,405	206,684	206,684	-	363	549,936	1,905,275	62,054	63,728	-
Committed	1,864,345	1,478,408	1,478,408	1,344,344	1,265,335	1,838,390	2,091,395	2,448,301	2,633,223	-
Assigned	49,707	45,000	45,000	1,023	-	-	-	-	-	-
Unassigned	10,853,502	10,123,786	10,123,786	8,645,161	6,365,262	4,742,615	2,614,804	3,169,372	1,542,611	-
Total general fund	<u>13,278,944</u>	<u>11,853,878</u>	<u>11,853,878</u>	<u>9,990,528</u>	<u>7,650,119</u>	<u>7,140,254</u>	<u>6,788,499</u>	<u>5,687,670</u>	<u>4,270,914</u>	<u>2,210,648</u>
Pre-GASB 54 implementation:										
All Other Governmental Funds										
Reserved:										
General capital projects	-	-	-	-	-	-	-	-	1,109,887	1,033,113
School capital projects	-	-	-	-	-	-	-	-	516	21,470
Post-GASB 54 implementation:										
Restricted:										
Debt service	13,164	116,642	124,343	122,528	-	-	-	-	-	-
General capital projects	730,678	1,005,682	432,942	506,420	1,219,107	2,118,839	-	-	-	-
School capital projects	8,626,938	-	290,932	360,303	92,667	519	518	517	-	-
Unassigned:	-	(58,299)	-	-	-	-	(114,072)	(115,199)	-	-
Total all other governmental funds	<u>9,370,780</u>	<u>1,064,025</u>	<u>848,217</u>	<u>989,251</u>	<u>1,311,774</u>	<u>2,119,358</u>	<u>(113,554)</u>	<u>(114,682)</u>	<u>1,110,403</u>	<u>1,054,583</u>
Total fund balances	<u>\$22,649,724</u>	<u>\$12,917,903</u>	<u>\$12,702,095</u>	<u>\$10,979,779</u>	<u>\$8,961,893</u>	<u>\$9,259,612</u>	<u>\$6,674,945</u>	<u>\$5,572,988</u>	<u>\$5,381,317</u>	<u>\$3,265,231</u>

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

TABLE 4

COUNTY OF KING WILLIAM, VIRGINIA

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
REVENUES										
General property taxes	\$ 17,735,870	\$ 17,429,956	\$ 17,063,632	\$ 16,738,071	\$ 15,659,767	\$ 16,344,544	\$ 15,481,278	\$ 15,750,252	\$ 15,393,779	\$ 15,598,733
Other local taxes	2,816,751	2,651,240	2,570,914	2,475,063	2,255,611	2,209,593	2,085,250	2,024,194	1,724,559	1,589,981
Permits, privilege fees, and regulatory licenses	635,939	1,309,151	292,138	265,096	222,561	174,247	160,620	186,198	261,567	322,076
Fines and forfeitures	91,020	88,376	85,568	78,708	96,349	72,930	66,657	79,454	79,556	82,334
Revenue from use of money and property	157,047	116,286	105,986	93,295	91,637	98,719	89,375	67,703	76,982	117,071
Charges for services	1,050,484	779,078	761,335	724,506	708,788	366,409	421,357	455,554	236,705	2,349,994
Miscellaneous	22,030	68,859	66,013	24,674	145,429	874,596	139,077	21,906	14,256	114,945
Reimbursement from component unit	1,959,374	2,181,480	2,272,601	2,309,062	-	-	-	-	-	-
Recovered costs	203,461	249,137	248,142	281,288	324,806	373,705	208,028	167,027	152,078	241,834
Intergovernmental:										
Commonwealth	4,035,752	3,792,887	3,700,880	3,708,525	3,637,075	3,495,484	3,421,903	3,637,470	3,532,727	3,719,698
Federal	660,027	773,515	593,824	550,846	849,723	559,395	649,573	690,553	773,930	638,274
Total revenues	29,367,755	29,439,965	27,761,033	27,249,134	23,991,746	24,569,622	22,723,118	23,080,311	22,246,139	24,774,940
EXPENDITURES										
Current:										
General government administration	1,561,477	1,464,231	1,423,122	1,581,231	1,614,235	1,390,170	1,346,130	1,372,400	1,732,673	1,547,498
Judicial administration	744,623	626,460	587,496	673,888	653,387	597,145	556,528	570,469	538,227	595,412
Public safety	5,341,959	5,468,473	4,586,918	4,709,621	4,647,683	4,226,609	4,171,459	4,100,800	4,026,891	4,194,591
Public works	1,882,886	1,745,109	1,731,929	1,576,985	1,566,425	1,498,140	1,517,016	1,574,143	1,564,364	1,530,499
Health and welfare	2,244,689	2,133,666	1,977,818	1,899,605	1,901,885	1,774,541	1,708,920	1,915,180	2,005,090	1,933,241
Education	10,497,291	10,598,065	10,451,449	10,541,174	8,126,913	8,807,812	7,856,937	6,897,886	6,198,939	6,181,401
Parks, recreation, and cultural	741,104	676,304	657,695	649,921	622,812	810,258	809,495	801,103	748,180	858,490
Community development	341,670	377,799	387,168	393,600	387,357	322,642	420,350	545,236	729,608	606,026
Nondepartmental	34,456	-	-	-	-	-	-	-	-	-
Capital outlays	5,779,943	1,146,202	486,170	1,875,450	1,778,531	1,755,312	1,131	288,710	43,034	1,060,899
Debt service:										
Principal	2,147,414	2,295,205	2,351,613	2,147,921	2,082,507	1,865,545	1,926,423	2,088,978	2,052,456	2,073,919
Interest and other fiscal charges	842,915	829,293	920,280	1,012,396	1,094,711	1,187,707	1,159,869	1,139,851	1,513,975	1,637,624
	430,915	-	-	-	-	-	-	-	-	-
Total expenditures	32,591,342	27,360,807	25,561,658	27,061,792	24,476,446	24,235,881	21,474,258	21,294,756	21,153,437	22,219,600
Excess (deficiency) of revenues over (under) expenditures	(3,223,587)	2,079,158	2,199,375	187,342	(484,700)	333,741	1,248,860	1,785,555	1,092,702	2,555,340
OTHER FINANCING SOURCES (USES)										
Transfers in	4,688,044	1,937,694	1,318,807	2,299,649	875,252	965,674	-	-	-	-
Transfers out	(4,688,044)	(1,937,694)	(1,318,807)	(2,299,649)	(875,252)	(965,674)	-	-	-	-
Issuance of refunding bonds	2,790,000	-	-	-	-	-	-	-	-	-
Premium on issuance of refunding bonds	453,814	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	(3,319,596)	-	-	-	(1,346,029)	-	(5,141,719)	-	-	-
Premium on issuance of debt	1,106,190	-	-	-	-	-	-	-	-	-
Issuance of debt	11,925,000	-	-	-	1,375,000	3,000,000	5,310,743	270,000	-	-
Total other financing sources (uses), net	12,955,408	-	-	-	28,971	3,000,000	169,024	270,000	-	-
Net change in fund balance	\$ 9,731,821	\$ 2,079,158	\$ 2,199,375	\$ 187,342	\$ (455,729)	\$ 3,333,741	\$ 1,417,884	\$ 2,055,555	\$ 1,092,702	\$ 2,555,340
Debt service as a percentage of noncapital expenditures	9.44%	11.58%	13.64%	13.70%	13.57%	14.53%	15.50%	16.89%	16.89%	17.54%

TABLE 5

COUNTY OF KING WILLIAM, VIRGINIA

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

Fiscal Year	General Property	Direct Local Sales and Use (1)	Consumer Utility	Business Licenses	Motor Vehicle License Taxes	Taxes on Recordation and Wills	Communications (2)	Other Local	Total
2018	\$ 17,735,870	\$ 952,243	\$ 220,617	\$ 500,403	\$ 421,829	\$ 219,987	\$ -	\$ 501,672	\$ 20,552,621
2017	17,429,956	932,215	231,786	437,265	395,593	218,718	-	435,663	20,081,196
2016	17,063,632	950,003	218,970	416,827	371,470	198,605	-	415,039	19,634,546
2015	16,738,071	918,000	235,700	423,697	377,113	148,828	-	371,725	19,213,134
2014	15,659,767	803,574	232,777	353,097	366,296	154,912	-	344,955	17,915,378
2013	16,344,544	776,602	230,314	342,712	369,895	171,486	-	318,584	18,554,137
2012	15,481,278	747,327	227,669	275,242	370,133	151,615	-	313,264	17,566,528
2011	15,750,252	722,243	226,901	299,881	357,659	138,994	-	278,516	17,774,446
2010	15,393,779	-	224,395	278,531	299,404	156,970	375,273	389,986	17,118,338
2009	15,598,733	-	216,877	376,767	290,584	202,938	373,713	129,102	17,188,714

Notes:

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

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

COUNTY OF KING WILLIAM, VIRGINIA

TABLE 6

**ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY
Last Ten Calendar Years
(unaudited)**

Calendar Year	Real Estate (1)	Direct Tax Rate	Personal Property	Direct Tax Rate	Machinery and Tools	Direct Tax Rate	Public Service (2)	Direct Tax Rate	Total
2017	\$ 1,697,651,830	\$ 0.90	\$ 147,601,610	\$ 3.65	\$ 147,460,995	\$ 2.25	\$ 56,144,681	\$ 6.80	\$ 2,048,859,116
2016	1,644,073,297	0.92	132,063,242	3.65	134,139,236	2.25	57,267,883	6.82	1,967,543,658
2015	1,640,296,131	0.94	121,293,448	3.65	120,601,181	2.25	54,136,191	6.84	1,936,326,951
2014	1,703,941,330	0.82	114,769,874	3.65	118,147,729	2.25	46,295,443	6.72	1,983,154,376
2013	1,665,940,794	0.79	120,782,359	3.65	114,575,046	2.25	46,295,443	6.69	1,947,593,642
2012	1,678,028,967	0.81	118,472,171	3.65	110,507,861	2.45	44,230,704	6.91	1,951,239,703
2011	1,672,491,648	0.81	114,936,284	3.65	109,455,936	2.45	44,005,450	6.91	1,940,889,318
2010	1,666,920,502	0.81	118,110,966	3.65	131,150,904	2.45	42,974,549	6.91	1,959,156,921
2009	1,661,866,111	0.81	114,463,801	3.65	135,180,870	2.45	40,248,359	6.91	1,951,759,141
2008	1,634,944,389	0.81	129,017,680	3.65	139,409,279	2.45	44,709,244	6.91	1,948,080,592

Notes:

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

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

TABLE 7

COUNTY OF KING WILLIAM, VIRGINIA

DIRECT PROPERTY TAX RATES
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Real Estate (1)	Personal Property (1)	Machinery and Tools (1)	Public Service		Total County Direct Tax Rate
				Real Estate (1)	Personal Property (1)	
2017-18	\$ 0.90/0.40/0.90/0.40	\$ 3.65/1.65	\$ 2.25/1.00	\$ 0.90/0.40/0.90/0.40	\$ 3.65/1.65	\$ 6.80
2016-17	0.92/0.41/0.90/0.40	3.65/1.65	2.25/1.00	0.92/0.41/0.90/0.40	3.65/1.65	6.82
2015-16	0.94/0.43/0.92/0.41	3.65/1.65	2.25/1.00	0.94/0.43/0.92/0.41	3.65/1.65	6.84
2014-15 (5)	0.82/0.38/0.94/0.43	3.65/1.65	2.25/1.00	0.82/0.38/0.94/0.43	3.65/1.65	6.72
2013-14 (4)	0.79/0.27/0.79/0.79	3.65/3.65	2.25/2.25	0.79/0.79/0.82/0.38	3.65/3.65	6.69
2012-13 (3)	0.81/0.27/0.79/0.79	3.65/0.50	2.45/0.95	0.81/0.27/0.79/0.79	3.65/0.50	6.91
2011-12	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2010-11	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2009-10	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91
2008-09	0.81/0.27	3.65/0.50	2.45/0.95	0.81/0.27	3.65/0.50	6.91

Notes:

(1) Per \$100 of assessed value.

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

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

TABLE 8

PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago
(unaudited)

		Fiscal Year 2018			Fiscal Year 2009		
		Taxable Assessed Valuation	Rank	Percentage of Total County Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total County Assessed Value
Taxpayer	Type of Business						
RockTenn Container Plant LLC	Paper Mill	\$ 163,451,402	1	2.65%	\$ 41,901,700	1	2.55%
Nestle Purina Pet Care	Cat Litter	36,778,672	2	1.18%	8,160,800	2	0.50%
Bailey Trust	Developer	7,853,500	3	0.46%			
Siegel Family LP	Farm	7,490,700	4	0.44%	3,405,300	5	0.21%
Old Town LLC	Farm	7,016,200	5	0.20%	3,369,400	6	0.20%
West Point Square LLC	Developer	6,086,790	6	0.36%			
Central Garage II LLC	Developer	5,173,114	7	0.41%	2,497,696	8	0.15%
Queenfield Farm	Dairy Farm, Golf Course	4,522,770	8	0.27%			
John N. Mills, et al	Grain Farm	4,343,100	9	0.26%			
Kennington Place	Developer	4,247,800	10	0.25%			
Central Garage Partnership	Developer	2,541,000		0.30%	4,389,172	3	0.27%
Charles S. Hunter III	Farm	3,455,500		0.20%	3,535,800	4	0.21%
The Lafferty Foundation	Grain Farm	1,806,700		0.11%	2,906,900	7	0.18%
Romancoke LLC	Farm	4,100,300		0.24%	2,485,300	9	0.15%
Widespread Properties LLC	Developer	2,750,115		0.16%	2,279,690	10	0.14%
		\$ 261,617,663		7.49%	\$ 74,931,758		4.56%

Source: Commissioner of Revenue

TABLE 9

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

Fiscal Year	Taxes Levied for the Tax Year	Adjustments including PPTRA	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years Amount ⁽¹⁾⁽²⁾	Total Collections to Date	
				Amount ⁽¹⁾	Percentage of Adjusted Tax Levy		Amount ⁽¹⁾	Percentage of Adjusted Tax Levy
2018	\$ 19,086,229	\$ (1,441,885)	\$ 17,644,344	\$ 16,507,440	93.56%	\$ 1,136,904	\$ 17,644,344	100.00%
2017	19,138,245	(1,403,672)	17,734,573	16,655,769	93.92%	1,076,647	17,732,416	99.99%
2016	18,335,019	(1,354,538)	16,980,481	16,117,985	94.92%	818,952	16,936,937	99.74%
2015	18,252,522	(1,458,111)	16,794,411	15,835,342	94.29%	708,713	16,544,055	98.51%
2014	20,354,582	(1,411,635)	18,942,947	17,781,558	93.87% ⁽³⁾	464,325	18,245,883	96.32%
2013	17,640,153	(1,421,423)	16,218,730	14,573,056	89.85%	697,384	15,270,440	94.15%
2012	16,840,093	(1,461,805)	15,378,288	14,489,910	94.22%	498,263	14,988,173	97.46%
2011	16,992,846	(1,540,186)	15,452,660	14,570,986	94.29%	515,696	15,086,682	97.63%
2010	17,712,478	(2,361,037)	15,351,441	14,406,966	93.85%	549,087	14,956,053	97.42%
2009	17,087,723	-	17,087,723	16,254,815	95.13%	317,677	16,572,492	96.98%

Source: Commissioner of Revenue and Treasurer

Notes:

(1) Exclusive of penalties and interest.

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

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

COUNTY OF KING WILLIAM, VIRGINIA

TABLE 10

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

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	State Literary Fund Loans	Capital Leases	Revenue Bonds			
2018	\$ 19,657,142	\$ 250,000	\$ 1,940,000	\$ 8,491,100	\$ 30,338,242	*	\$ 1,825
2017	7,510,051	500,000	2,270,000	9,458,245	19,738,296	*	1,208
2016	8,668,297	934,032	2,590,000	10,064,077	22,256,406	3.54%	1,368
2015	9,820,887	1,368,232	2,905,000	10,572,828	24,666,947	4.08%	1,508
2014	10,973,102	1,802,432	3,214,023	10,884,239	26,873,796	4.32%	1,664
2013	11,445,125	2,236,632	3,528,935	10,949,455	28,160,147	4.20%	1,758
2012	12,534,601	2,670,832	638,643	11,181,616	27,025,692	4.58%	1,672
2011	13,622,081	3,105,032	668,380	11,110,879	28,506,372	5.15%	1,781
2010	14,438,031	3,539,232	790,736	11,442,351	30,210,350	5.73%	1,896
2009	15,507,512	4,073,432	785,000	11,821,167	32,187,111	6.55%	2,060

Notes:

(1) See demographic statistics on Table 13.

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

* Unavailable

TABLE 11

COUNTY OF KING WILLIAM, VIRGINIA

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

Fiscal Year Ended June 30	Population (1)	General Bonded Debt Outstanding Governmental Activities				Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
		Assessed Value (2)	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt		
2018	16,627	\$ 2,048,859,116	\$ 19,657,142	\$ -	\$ 19,657,142	0.96%	\$ 1,182
2017	16,333	1,967,543,658	7,510,051	116,642	7,393,409	0.38%	453
2016	16,269	1,936,326,951	8,668,297	124,343	8,543,954	0.49%	525
2015	16,354	1,983,154,376	9,820,887	122,891	9,697,996	0.54%	593
2014	16,148	1,947,593,642	10,973,102	549,936	10,423,166	0.49%	645
2013	16,014	1,951,239,703	11,445,125	1,905,275	9,539,850	0.65%	596
2012	16,159	1,940,889,318	12,534,601	-	12,534,601	0.70%	776
2011	16,008	1,959,156,921	13,622,081	-	13,622,081	0.74%	851
2010	15,935	1,951,759,141	14,438,031	-	14,438,031	0.80%	906
2009	15,627	1,948,080,592	15,507,512	-	15,507,512	0.99%	992

Notes:

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

(2) Amounts taken from Table 6.

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

COUNTY OF KING WILLIAM, VIRGINIA

TABLE 12

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
June 30, 2018
(unaudited)

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Town of West Point, Virginia	\$ 6,248,000	24.01%	\$ 1,500,145
County Direct Debt			<u>30,338,242</u>
Total direct overlapping debt			<u><u>\$ 31,838,387</u></u>

Note:

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

COUNTY OF KING WILLIAM, VIRGINIA

TABLE 13

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(unaudited)**

Fiscal Year	Population ⁽¹⁾	Per Capita Personal Income ⁽¹⁾	Total Personal Income	School Enrollment ⁽⁴⁾	Unemployment Rate % ⁽⁵⁾
2018	16,627	*	*	2,181	3.10%
2017	16,333	45,300	739,884,900	2,180	3.40%
2016	16,269	43,898	714,176,562	2,167	3.60%
2015	16,354 ⁽²⁾	41,169	673,277,826	2,195	4.00%
2014	16,148 ⁽²⁾	40,831	659,338,988	2,193	5.50%
2013	16,014 ⁽²⁾	39,824 ⁽³⁾	637,741,536	2,179	5.10%
2012	16,159 ⁽²⁾	39,847 ⁽³⁾	643,887,673	2,187	6.10%
2011	16,008 ⁽²⁾	38,882 ⁽³⁾	622,423,056	2,200	6.60%
2010	15,935	36,802	588,353,574	2,191	7.00%
2009	15,627	35,925	561,399,975	2,157	7.40%

Sources:

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

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

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

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

(5) Virginia Employment Commission.

* Unavailable

COUNTY OF KING WILLIAM, VIRGINIA

TABLE 14

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(unaudited)

Employer	Fiscal Year June 30,					
	2018			2009		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Alliance Group Rock Tenn	500 to 999	1	8.63%	-	-	-
King William County Schools	250 to 499	2	4.31%	250 to 499	2	3.13%
Nestle Purina Petcare Company	250 to 499	3	4.31%	100 to 249	3	1.25%
Town of West Point School Board	100 to 249	4	2.01%	100 to 249	4	1.25%
Food Lion	100 to 249	5	2.01%	100 to 249	6	1.25%
County of King William	50 to 99	6	0.86%	100 to 249	5	1.25%
Riverside Regional Medical Center	50 to 99	7	0.86%	50 to 99	8	0.63%
H&R Block	50 to 99	8	0.86%	50 to 99	10	0.63%
Augusta Lumber LLC	20 to 49	9	0.40%	-	-	-
Essex Concrete Corporation	20 to 49	10	0.40%	-	-	-
Stone Container Corporation	-	-	-	500 to 999	1	6.26%
Virginia Log Company	-	-	-	50 to 99	7	0.63%
Rivers Healthcare	-	-	-	50 to 99	9	0.63%

Source: Virginia Employment Commission

COUNTY OF KING WILLIAM, VIRGINIA

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

Function/Program	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General government administration	21.0	18.5	18.5	18.5	23.8	23.8	12.0	17.1	17.5	17.5
Judicial administration	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Public safety:										
Sheriff's department	20.0	21.5	21.0	21.5	20.2	20.2	29.0	32.0	32.0	32.0
E911/Dispatch	13.0	12.0	12.0	12.0	11.0	11.0	-	-	-	-
Emergency services	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Community connection program	3.0	2.8	2.8	2.8	2.8	2.8	3.0	3.0	3.0	3.0
Building inspections	2.0	2.0	2.0	2.0	2.0	2.0	2.0	4.0	4.0	4.0
Animal control	2.5	2.5	2.5	2.2	2.2	2.2	2.0	2.0	2.0	2.0
Animal shelter	5.0	5.0	5.0	4.0	3.0	-	-	-	-	-
Public works:										
General maintenance	4.0	4.0	4.0	4.0	4.0	4.0	4.0	8.5	8.5	8.5
Water utility	2.0	1.0	1.0	1.0	1.0	1.0	-	-	-	-
Litter control	-	-	-	-	-	-	0.6	0.6	0.6	0.6
Health and welfare										
Department of social services	14.0	14.6	14.6	13.6	13.6	13.6	13.7	13.3	13.3	13.3
Culture and recreation										
Parks and recreation	3.0	5.5	5.5	5.4	5.4	13.0	3.0	3.0	3.0	3.0
Community development										
Planning	3.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0	5.0
Totals	98.5	98.4	97.9	96.0	98.0	102.6	78.3	93.5	93.9	93.9

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

TABLE 16

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

Function/Activity		Fiscal Year									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Sheriff	Physical arrests	1,298	675	780	676	583	576	825	873	855	779
	Traffic violations	690	668	626	740	726	617	539	618	715	884
Fire/EMS Protection	Responding agencies	5	5	5	5	3	3	3	3	3	3
	EMS calls answered	1,597	1,831	1,661	1,565	1,561	1,659	1,575	2,359	1,819	1,863
	Fire calls answered	386	327	552	472	279	394	-	-	-	-
Community Development	Residential building permits	1,042	859	742	492	530	431	492	507	546	808
	Commercial building permits	59	55	68	23	59	-	-	-	-	-
	Signage/Demolition/Leasehold Usage	9	16	4	8	12	-	-	-	-	-
Planning	Zoning Permits	290	265	223	159	186	-	-	-	-	-
	Land Disturbing Permits	149	151	123	76	82	-	-	-	-	-
Parks and recreation	Tournaments - Baseball	1,869	1,430	1,500	1,450	1,575	3,964	5,807	10,256	8,938	14,377
Water/Sewer	Materials circulated	453	449	302	263	241	223	413	340	328	312
	Library patrons - registered borrowers	68,009	77,663	67,830	67,430	54,434	59,129	56,744	103,948	82,419	96,712

Source: Finance Department

Notes:

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

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government:										
General government administration:										
Administration building	3	3	3	2	2	2	2	2	1	1
Public Safety:										
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Patrol units	28	26	28	26	23	23	29	29	26	26
Building inspections:										
Vehicles	1	1	3	1	1	1	2	2	4	4
Animal control:										
Vehicles	3	3	3	3	3	3	3	2	2	2
Emergency services:										
Vehicles	6	4	3	1	1	1	2	2	2	3
Public Works:										
General maintenance:										
Trucks/vehicles	7	5	5	4	4	4	10	6	10	8
Landfill:										
Vehicles	-	-	-	-	-	-	-	-	1	1
Sites	4	4	4	4	4	4	4	4	4	4
Health and Welfare:										
Department of Social Services:										
Vehicles	4	3	3	3	3	3	3	3	3	3
Culture and recreation:										
Community Centers	1	1	1	1	1	1	1	1	1	1
Parks	2	2	2	2	2	1	1	1	1	1
Park acreage	82	82	82	82	82	51	51	51	51	51
Baseball/softball fields	3	3	3	3	3	3	3	3	3	3
T-ball fields	3	3	3	3	3	3	3	3	3	3
Soccer fields	-	-	-	-	-	1	1	1	1	1
Basketball courts	2	2	2	2	2	2	2	2	2	2
Water System:										
Miles of water mains	15	15	14	14	14	16	11	11	11	11
Number of fire hydrants	73	73	73	73	73	73	67	67	67	63
Sewer system:										
Miles of sewer mains	16	16	16	16	16	18	13	13	13	13
Component Unit - School Board										
Education:										
Number of Elementary Schools	2	2	2	2	2	2	2	2	2	2
Number of Middle Schools	1	1	1	1	1	1	1	1	1	1
Number of Secondary Schools	1	1	1	1	1	1	1	1	1	1
Number of school buses	45	45	45	48	46	46	44	44	44	47

Source: Finance Department

2018 King William County, Virginia



Comprehensive Annual Financial Report

For the year ended June 30, 2018

www.kingwilliamcounty.us

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of
Federal Awards

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

Report of Independent Auditors on Uniform Guidance Compliance

Summary of Compliance Matters

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Audit Finding

SUPPORTING SCHEDULE

COUNTY OF KING WILLIAM, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF AGRICULTURE:			
Pass-through payments:			
Virginia Department of Social Services: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Not Provided	10.561	\$ <u>70,996</u>
Virginia Department of Agriculture and Consumer Services: Child Nutrition Cluster: Commodity Distributions	Not Provided	10.555	<u>60,249</u>
Virginia Department of Education: Child Nutrition Cluster: School Breakfast Program/National School Lunch Program	406230000/405910000	10.553/10.555	<u>377,535</u>
Child Nutrition Cluster Total			<u>437,784</u>
Total Department of Agriculture			<u>508,780</u>
DEPARTMENT OF DEFENSE:			
Direct payments:			
ROTC Instruction		12.000	<u>68,082</u>
Total Department of Defense			<u>68,082</u>
DEPARTMENT OF TRANSPORTATION:			
Pass-through payments:			
Virginia Department of Motor Vehicles: State and Community Highway Safety	SC-2016-56290-6490	20.600	<u>9,660</u>
Total Department of Transportation			<u>9,660</u>
DEPARTMENT OF CRIMINAL JUSTICE			
Pass-through payments:			
Virginia Department of Criminal Justice Services Crime Victim Assistance		16.607	<u>96,594</u>
Total Department of Criminal Justice			<u>96,594</u>

SCHEDULE 1
(Continued)

COUNTY OF KING WILLIAM, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor/State Pass-Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF EDUCATION:			
Direct payments:			
Indian Education Grants to Local Educational Agencies		84.060	\$ 10,420
Pass-through payments:			
Department of Education:			
Adult Education – Basic Grants to States	428010000	84.002	142,434
Title I Grants to Local Educational Agencies	429010000	84.010	202,557
Career and Technical Education – Basic Grants to States	610950000	84.048	17,824
Supporting Effective Instruction State Grants	614800000	84.367	53,010
Federal Other			<u>2,098</u>
			<u>417,923</u>
Special Education Cluster:			
Special Education Preschool Grants	625210000	84.173	13,069
Special Education Grants to States	430710000	84.027	<u>508,725</u>
Special Education Cluster Total			<u>521,794</u>
Total Department of Education			<u>950,137</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-through payments:			
Department of Social Services:			
Promoting Safe and Stable Families	Not Provided	93.556	3,881
Temporary Assistance for Needy Families	Not Provided	93.558	55,893
Refugee and Entrant Assistance State/Replacement			
Designee Administered Programs	Not Provided	93.566	75
Low-Income Home Energy Assistance	Not Provided	93.568	7,583
Child Care Mandatory and Matching Funds of the Child			
Care and Development Fund	Not Provided	93.596	9,009
Stephanie Tubbs Jones Child Welfare Services Program	Not Provided	93.645	187
Foster Care – Title IV-E	Not Provided	93.658	58,188
Adoption Assistance	Not Provided	93.659	29,178
Social Services Block Grant	Not Provided	93.667	34,780
Chafee Foster Care Independence Program	Not Provided	93.674	335
Children's Health Insurance Program	Not Provided	93.767	3,547
Medical Assistance Program	Not Provided	93.778	<u>72,404</u>
Total Department of Health and Human Services			<u>275,060</u>
Total Expenditures of Federal Awards			<u>\$ 1,908,313</u>

See Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF KING WILLIAM, VIRGINIA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018**

Note 1. Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting consistent with the basis of accounting used by the County and Component Unit. The schedule includes all known federal funds expended by the County and Component Unit for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

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

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

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

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

COUNTY OF KING WILLIAM, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Note 2. Non-Cash Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County of King William, Virginia consumed non-cash assistance in the form of food commodities. Commodities with a fair value of \$60,249 at the time received were consumed during the year ended June 30, 2018. These commodities were included in the determination of federal awards expended during the year ended June 30, 2018.

Note 3. De Minimis Indirect Cost Rate

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

Note 4. Outstanding Loan Balances

At June 30, 2018, the County had no outstanding loan balances requiring continuing disclosure.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of King William, Virginia (the "County"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 30, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. **However as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies, described as items 2018-001 and 2018-002 in internal control that we consider to be a material weaknesses.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-003 and 2018-004.**

County of King William, Virginia's Responses to Findings

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

Purpose of This Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 30, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the County of King William, Virginia's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2018. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 30, 2018

COUNTY OF KING WILLIAM, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2018

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the County's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Inmate Canteen Funds

Comprehensive Services Act

Sheriff Internal Controls

State Agency Requirements

Education

Social Services

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

COUNTY OF KING WILLIAM, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

A. SUMMARY OF AUDITOR'S RESULTS

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

<u>Name of Program:</u>	<u>CFDA #</u>
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Education Cluster:	
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The County was **not** determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2018-001: Segregation of Duties – County and School Board (Material Weakness)

Condition:

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

Recommendation:

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

Management's Response:

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

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2018-002: Auditor Adjustments – County (Material Weakness)

Condition:

A significant number of audit adjustments were necessary for the financial statements to be in compliance with generally accepted accounting principles. The adjustments related to improper accrual or recording of issuance and refunding of long-term debt, cash, accounts receivable, accounts payable/accrued expenses, bond issuance costs, deferred amount on refunding, bond premiums, construction in process, and deferred revenue.

Recommendation:

Accounting procedures should be formulated to ensure all asset and liability accounts are recorded in the general ledger or clearly compiled in subsidiary ledgers for entity wide balances that are not recorded on the fund level general ledger. All balances should be periodically reconciled between the subsidiary ledgers and the general ledger, especially at year end, to ensure accurate financial reporting. All activities should be evaluated beyond transactional processing and also focus on the financial reporting implications of those activities.

Management's Response:

The auditee concurs with the recommendation.

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

None.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

2018-003: Budget Appropriations

Condition:

Expenditures exceeded budgeted appropriations in the public works and education category.

Recommendation:

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

Management's Response:

The auditee concurs with the recommendation.

(Continued)

COUNTY OF KING WILLIAM, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

D. FINDINGS – COMMONWEALTH OF VIRGINIA (Continued)

2018-004: Terminated Employee Access

Condition:

Two out of three terminated Department Social Services employees tested did not have their access privileges to all VDSS systems removed within three working days.

Recommendation:

Procedures should be implemented to ensure that employee access is removed within three working days.

Management's Response:

The auditee concurs with the recommendation.

COUNTY OF KING WILLIAM, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2018

A. FINDINGS – FINANCIAL STATEMENT AUDIT

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

Condition:

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

Current Status:

Condition still present.

