

COUNTY OF KING & QUEEN, VIRGINIA



ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

COUNTY OF KING & QUEEN, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

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COUNTY OF KING & QUEEN, VIRGINIA

BOARD OF SUPERVISORS

Doris H. Morris, Vice Chairperson James "Jim" Burns	Sherrin Alsop, Chairperson	R. F. Bailey, Jr. J. Lawrence Simpkins
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COUNTY SCHOOL BOARD

Brenda Lee Harwood Hall	Celestine Gaines, Chairperson	Shannon L. Amos Howard Hill, Vice Chairperson
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SOCIAL SERVICES BOARD

Florence Cooke Celestine Gaines	Kelly Bailey, Chairperson	Cheryl Shine Doris Morris
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OTHER OFFICIALS

Judge of the Circuit Court Clerk of the Circuit Court Commonwealth's Attorney Commissioner of the Revenue Treasurer Sheriff Superintendent of Schools Director of Social Services County Administrator Clerk of the School Board County Attorney	B. Elliott Bondurant Vanessa Porter Charles Adkins Kelly N. Lumpkin Irene Longest John R. Charboneau Dr. Carol B. Carter Betty Dougherty Thomas J. Swartzwelder Anne T. Kennedy Thomas J. Swartzwelder
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COUNTY OF KING & QUEEN, VIRGINIA

FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

		<u>Page</u>
Independent Auditors' Report		1-3
Managements' Discussion and Analysis		4-9
	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	1	10
Statement of Activities	2	11-12
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	16
Statement of Net Position - Proprietary Fund	7	17
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	8	18
Statement of Cash Flows - Proprietary Fund	9	19
Statement of Fiduciary Net Position - Fiduciary Funds	10	20
Notes to Financial Statements		21-78
Required Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:		
General Fund	11	79
Schedule of OPEB Funding Progress	12	80
Schedule of Components of and Changes in Net Pension Liability and Related Ratios - Primary Government	13	81
Schedule of Components of and Changes in Net Pension Liability (Asset) and Related Ratios - Component Unit School Board (nonprofessional)	14	82
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan	15	83
Schedule of Employer Contributions	16	84
Notes to Required Supplementary Information	17	85

COUNTY OF KING & QUEEN, VIRGINIA

FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Other Supplementary Information:		
Combining and Individual Fund Statements and Schedules:		
Schedule of Revenues, Expenditures and Change in Fund Balances - Budget and Actual:		
Capital Projects Fund - Major Fund	18	86
Nonmajor Special Revenue Fund	19	87
Combining Statement of Fiduciary Net Position -Fiduciary Funds	20	88
Combining Statement of Changes in Assets and Liabilities - Agency Funds	21	89
Discretely Presented Component Unit - School Board:		
Combining Balance Sheet - Governmental Funds	22	90
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	23	91
Schedule of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds - Budget and Actual:		
School Operating and Capital Projects Funds - Major Funds	24	92-93
School Cafeteria Fund - Nonmajor Fund	25	94
Discretely Presented Component Unit - Industrial Development Authority:		
Statement of Net Position	26	95
Statement of Revenues, Expenses and Changes in Net Position	27	96
Statement of Cash Flows	28	97
	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Funds	1	98-103
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	104-107
	<u>Table</u>	<u>Page</u>
Statistical Information:		
Government-wide information:		
Government-Wide Expenses by Function	1	108-109
Government-Wide Revenues	2	110-111
Fund information:		
General Governmental Expenditures by Function	3	112-113
General Governmental Revenues by Source	4	114-115
Property Tax Levies and Collections	5	116
Assessed Value of Taxable Property	6	117
Property Tax Rates	7	118
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	8	119

COUNTY OF KING & QUEEN, VIRGINIA

FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
Compliance:	
Independent Auditors' Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	120-121
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	122-124
Schedule of Expenditures of Federal Awards	125-126
Notes to Schedule of Expenditures of Federal Awards	127
Schedule of Findings and Questioned Costs	128-129

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To The Honorable Members of the Board of Supervisors
County of King and Queen
King and Queen, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of King and Queen, Virginia, as of and for the year ended June 30, 2016, 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of King and Queen, Virginia, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 72 *Fair Value Measurement and Application*, 79 *Certain External Investment Pools and Pool Participants*, and 82 *Pension Issues - and amendment of GASB Statements No. 67, No. 68, and No. 73*. 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, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-9, 79, and 80-85 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of King and Queen, Virginia's basic financial statements. The other supplementary information and statistical information 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*, and is also not a required part of the basic financial statements.

Other Information (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of County of King and Queen, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of King and Queen, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 30, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

**To the Honorable Members of the Board of Supervisors
To the Citizens of King and Queen County
County of King and Queen, Virginia**

As management of the County of King and Queen, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2016. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- < The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$25,380,606 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses of \$1,058,247 (Exhibit 5) after making contributions totaling \$3,786,739 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$21,425,972, an increase of \$1,058,247 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,686,631, or 101% of total general fund expenditures and other uses.
- < The combined long-term obligations increased \$122,343 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

Overview of the Financial Statements (Continued)

The statement of net position presents information on all of the County's assets/deferred outflows of resources and liabilities/deferred inflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, courts, police protection, sanitation, social services, education, cultural events, and recreation.

The Government-wide financial statements include not only the County of King and Queen, Virginia itself (known as the primary government), but also a legally separate school district for which the County of King and Queen, Virginia is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of King and Queen, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The County has two major governmental funds – the General Fund and the County Capital Projects Fund.

Proprietary funds – Proprietary funds consist of enterprise funds. Enterprise funds are established to account for the delivery of goods and services to the general public and use the accrual basis of accounting, similar to private sector business.

The Wireless Service Authority Fund provides a centralized source for wireless services to County residents.

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position.

Overview of the Financial Statements (Continued)

Fiduciary funds (Continued) - The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and schedules of pension and OPEB funding progress. Other supplementary information includes the presentation of combining financial statements for the discretely presented component unit - School Board and Industrial Development Authority and budgetary schedules. The School Board and Industrial Development Authority do not issue separate financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,380,606 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of King and Queen, Virginia's Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 23,301,857	\$ 22,044,253	\$ 254,887	\$ 242,666	\$ 23,556,744	\$ 22,286,919
Capital assets	<u>5,891,903</u>	<u>6,084,458</u>	<u>326,893</u>	<u>285,360</u>	<u>6,218,796</u>	<u>6,369,818</u>
Total assets	<u>\$ 29,193,760</u>	<u>\$ 28,128,711</u>	<u>\$ 581,780</u>	<u>\$ 528,026</u>	<u>\$ 29,775,540</u>	<u>\$ 28,656,737</u>
Deferred outflows of resources	<u>\$ 222,330</u>	<u>\$ 227,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,330</u>	<u>\$ 227,068</u>
Current liabilities	\$ 1,387,110	\$ 1,298,367	\$ 73,036	\$ 15,152	\$ 1,460,146	\$ 1,313,519
Long-term liabilities outstanding	<u>2,852,536</u>	<u>2,730,193</u>	<u>-</u>	<u>-</u>	<u>2,852,536</u>	<u>2,730,193</u>
Total liabilities	<u>\$ 4,239,646</u>	<u>\$ 4,028,560</u>	<u>\$ 73,036</u>	<u>\$ 15,152</u>	<u>\$ 4,312,682</u>	<u>\$ 4,043,712</u>
Deferred inflows of resources	<u>\$ 304,582</u>	<u>\$ 579,158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,582</u>	<u>\$ 579,158</u>
Net position:						
Investment in capital assets	\$ 5,891,903	\$ 6,084,458	\$ 326,893	\$ 285,360	\$ 6,218,796	\$ 6,369,818
Restricted	785,233	256,981	-	-	785,233	256,981
Unrestricted	<u>18,194,726</u>	<u>17,406,622</u>	<u>181,851</u>	<u>227,514</u>	<u>18,376,577</u>	<u>17,634,136</u>
Total net position	<u>\$ 24,871,862</u>	<u>\$ 23,748,061</u>	<u>\$ 508,744</u>	<u>\$ 512,874</u>	<u>\$ 25,380,606</u>	<u>\$ 24,260,935</u>

Government-wide Financial Analysis (Continued)

The County's net position increased \$1,119,671 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of King and Queen, Virginia's Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 1,659,857	\$ 1,360,542	\$ 187,726	\$ 135,941	\$ 1,847,583	\$ 1,496,483
Operating grants and contributions	2,551,365	2,622,086	-	-	2,551,365	2,622,086
Capital grants and contributions	107,362	-	-	-	107,362	-
General revenues:						
General property taxes	6,870,777	6,792,526	-	-	6,870,777	6,792,526
Other local taxes	555,889	645,179	-	-	555,889	645,179
Grants and other contributions not restricted	1,000,757	945,964	-	-	1,000,757	945,964
Other general revenues	283,679	258,833	88	43	283,767	258,876
Transfers	-	(240,079)	-	240,079	-	-
Total revenues	\$ 13,029,686	\$ 12,385,051	\$ 187,814	\$ 376,063	\$ 13,217,500	\$ 12,761,114
Expenses:						
General government administration	\$ 1,246,630	\$ 1,221,463	\$ -	\$ -	\$ 1,246,630	\$ 1,221,463
Judicial administration	612,550	624,839	-	-	612,550	624,839
Public safety	2,986,517	2,701,437	-	-	2,986,517	2,701,437
Public works	629,972	567,403	-	-	629,972	567,403
Health and welfare	1,851,649	1,872,983	-	-	1,851,649	1,872,983
Education	3,920,447	3,710,080	-	-	3,920,447	3,710,080
Parks, recreation, and cultural	318,082	165,790	-	-	318,082	165,790
Community development	316,566	744,192	-	-	316,566	744,192
Interest and other fiscal charges	23,472	14,080	-	-	23,472	14,080
Wireless service authority	-	-	191,944	213,425	191,944	213,425
Total expenses	\$ 11,905,885	\$ 11,622,267	\$ 191,944	\$ 213,425	\$ 12,097,829	\$ 11,835,692
Change in net position	\$ 1,123,801	\$ 762,784	\$ (4,130)	\$ 162,638	\$ 1,119,671	\$ 925,422
Beginning of year	23,748,061	22,985,277	512,874	350,236	24,260,935	23,335,513
End of year	\$ 24,871,862	\$ 23,748,061	\$ 508,744	\$ 512,874	\$ 25,380,606	\$ 24,260,935

Financial Analysis of the County's Funds

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

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$21,425,972, an increase of \$1,058,247 in comparison with the prior year. Approximately 55% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

Proprietary Funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to \$181,851. The total decrease in net position was \$4,130. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

During the year, revenues and other sources were greater than budgetary estimates by \$1,077,747. Expenditures and other uses were less than budgetary estimates by \$1,016,911, resulting in a positive variance of \$2,094,658.

Capital Asset and Debt Administration

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2016 amounts to \$5,891,903 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

Additional information on the County's capital assets can be found in the notes of this report.

Long-term debt - At the end of the current fiscal year, the County had no debt outstanding.

Additional information on the County of King and Queen, Virginia's long-term obligations can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

< Inflationary trends in the region compare to national indices.

All of these factors were considered in preparing the County's budget for the 2017 fiscal year.

The fiscal year 2017 budget increased approximately 8%. All tax rates remained the same as in 2016.

Requests for Information

This financial report is designed to provide a general overview of the County of King and Queen, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, Allen's Circle and Courthouse Landing Road, King and Queen Courthouse, Virginia 23085.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of King and Queen, Virginia
Statement of Net Position
June 30, 2016

	Primary Government			Component Units	
	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>	School <u>Board</u>	Industrial Development <u>Authority</u>
ASSETS					
Cash and cash equivalents	\$ 4,733,643	\$ 384,516	\$ 5,118,159	\$ 38,132	\$ 130,555
Cash in custody of others	-	-	-	1,170,645	-
Investments	17,209,739	-	17,209,739	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	539,196	-	539,196	-	-
Accounts receivable	56,509	30,797	87,306	23,205	-
Internal balances	160,426	(160,426)	-	-	-
Due from other governmental units	602,344	-	602,344	1,222,119	-
Net pension asset	-	-	-	425,984	-
Capital assets (net of accumulated depreciation):					
Land and land improvements	151,653	-	151,653	39,639	289,322
Buildings and improvements	2,982,621	-	2,982,621	3,338,812	258,595
Machinery and equipment	2,563,802	-	2,563,802	450,343	-
Infrastructure	189,827	265,988	455,815	-	-
Construction in progress	4,000	60,905	64,905	865,938	-
Total assets	\$ 29,193,760	\$ 581,780	\$ 29,775,540	\$ 7,574,817	\$ 678,472
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions subsequent to measurement date	\$ 222,330	\$ -	\$ 222,330	\$ 677,464	\$ -
Total deferred outflows of resources	\$ 222,330	\$ -	\$ 222,330	\$ 677,464	\$ -
LIABILITIES					
Accounts payable	\$ 294,332	\$ 73,036	\$ 367,368	\$ 1,009,646	\$ 3,000
Accrued liabilities	12,844	-	12,844	864,851	-
Accrued interest payable	23,472	-	23,472	-	-
Due to other governmental units	845,517	-	845,517	-	-
Unearned revenue	210,945	-	210,945	-	-
Long-term liabilities:					
Due within one year	18,124	-	18,124	61,927	-
Due in more than one year	2,834,412	-	2,834,412	9,127,457	-
Total liabilities	\$ 4,239,646	\$ 73,036	\$ 4,312,682	\$ 11,063,881	\$ 3,000
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 34,900	\$ -	\$ 34,900	\$ -	\$ -
Items related to measurement of net pension liability/asset	269,682	-	269,682	1,349,309	-
Total deferred inflows of resources	\$ 304,582	\$ -	\$ 304,582	\$ 1,349,309	\$ -
NET POSITION					
Investment in capital assets	\$ 5,891,903	\$ 326,893	\$ 6,218,796	\$ 4,694,732	\$ 547,917
Restricted for:					
Asset forfeiture	3,046	-	3,046	-	-
Court security	139,655	-	139,655	-	-
Sheriff	3,606	-	3,606	-	-
CDBG	84,036	-	84,036	-	-
School HVAC energy upgrades	554,890	-	554,890	-	-
Unrestricted (deficit)	18,194,726	181,851	18,376,577	(8,855,641)	127,555
Total net position	\$ 24,871,862	\$ 508,744	\$ 25,380,606	\$ (4,160,909)	\$ 675,472

The notes to the financial statements are an integral part of this statement.

County of King and Queen, Virginia
Statement of Activities
For the Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,246,630	\$ -	\$ 192,870	\$ 107,362
Judicial administration	612,550	128,259	290,534	-
Public safety	2,986,517	111,900	737,296	-
Public works	629,972	-	-	-
Health and welfare	1,851,649	-	1,310,065	-
Education	3,920,447	-	-	-
Parks, recreation, and cultural	318,082	-	500	-
Community development	316,566	1,419,698	20,100	-
Interest on long-term debt	23,472	-	-	-
Total governmental activities	\$ 11,905,885	\$ 1,659,857	\$ 2,551,365	\$ 107,362
Business-type activities:				
Wireless Service Authority	\$ 191,944	\$ 187,726	\$ -	\$ -
Total business-type activities	\$ 191,944	\$ 187,726	\$ -	\$ -
Total primary government	\$ 12,097,829	\$ 1,847,583	\$ 2,551,365	\$ 107,362
COMPONENT UNITS:				
School Board	\$ 9,674,129	\$ 86,405	\$ 6,023,330	\$ -
Industrial Development Authority	22,977	29,656	-	-
Total component units	\$ 9,697,106	\$ 116,061	\$ 6,023,330	\$ -
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use taxes				
Consumers' utility taxes				
Motor vehicle licenses				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Payments from King and Queen County				
Grants and contributions not restricted to specific programs				
Total general revenues				
Change in net position				
Net position - beginning				
Net position - ending				

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	IDA	
\$ (946,398)	\$ -	\$ (946,398)	\$ -	\$ -	
(193,757)	-	(193,757)	-	-	
(2,137,321)	-	(2,137,321)	-	-	
(629,972)	-	(629,972)	-	-	
(541,584)	-	(541,584)	-	-	
(3,920,447)	-	(3,920,447)	-	-	
(317,582)	-	(317,582)	-	-	
1,123,232	-	1,123,232	-	-	
(23,472)	-	(23,472)	-	-	
\$ (7,587,301)	\$ -	\$ (7,587,301)	\$ -	\$ -	
\$ -	\$ (4,218)	\$ (4,218)	\$ -	\$ -	
\$ -	\$ (4,218)	\$ (4,218)	\$ -	\$ -	
\$ (7,587,301)	\$ (4,218)	\$ (7,591,519)	\$ -	\$ -	
			\$ (3,564,394)	\$ -	
			-	6,679	
			\$ (3,564,394)	\$ 6,679	
\$ 6,870,777	\$ -	\$ 6,870,777	\$ -	\$ -	
159,883	-	159,883	-	-	
173,800	-	173,800	-	-	
154,628	-	154,628	-	-	
67,578	-	67,578	-	-	
149,528	88	149,616	47	227	
134,151	-	134,151	147,904	-	
-	-	-	3,786,739	-	
1,000,757	-	1,000,757	-	-	
\$ 8,711,102	\$ 88	\$ 8,711,190	\$ 3,934,690	\$ 227	
1,123,801	(4,130)	1,119,671	370,296	6,906	
23,748,061	512,874	24,260,935	(4,531,205)	668,566	
\$ 24,871,862	\$ 508,744	\$ 25,380,606	\$ (4,160,909)	\$ 675,472	

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FUND FINANCIAL STATEMENTS

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County of King and Queen, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 4,524,084	\$ 64,040	\$ 145,519	\$ 4,733,643
Cash in custody of others	-	-	-	-
Investments	14,889,614	863,766	1,456,359	17,209,739
Receivables (net of allowance for uncollectibles):				
Taxes receivable	539,196	-	-	539,196
Accounts receivable	52,978	-	3,531	56,509
Due from other funds	249,503	-	-	249,503
Due from other governmental units	467,130	-	135,214	602,344
Total assets	<u>\$ 20,722,505</u>	<u>\$ 927,806</u>	<u>\$ 1,740,623</u>	<u>\$ 23,390,934</u>
LIABILITIES				
Accounts payable	\$ 247,951	\$ -	\$ 46,381	\$ 294,332
Accrued liabilities	10,344	-	2,500	12,844
Due to other funds			89,077	89,077
Due to other governmental units	845,517	-	-	845,517
Unearned revenue	210,945	-	-	210,945
Total liabilities	<u>\$ 1,314,757</u>	<u>\$ -</u>	<u>\$ 137,958</u>	<u>\$ 1,452,715</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 512,247	\$ -	\$ -	\$ 512,247
Total deferred inflows of resources	<u>\$ 512,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 512,247</u>
FUND BALANCES				
Restricted	\$ 84,036	\$ -	146,307	\$ 230,343
Committed	4,865,540	927,806	1,456,358	7,249,704
Assigned	2,259,294	-	-	2,259,294
Unassigned	11,686,631	-	-	11,686,631
Total fund balances	<u>\$ 18,895,501</u>	<u>\$ 927,806</u>	<u>\$ 1,602,665</u>	<u>\$ 21,425,972</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,722,505</u>	<u>\$ 927,806</u>	<u>\$ 1,740,623</u>	<u>\$ 23,390,934</u>

The notes to the financial statements are an integral part of this statement.

County of King and Queen, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 21,425,972
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,891,903
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.

Unavailable revenue - property taxes	\$ 477,347	
Items related to measurement of net pension liability	(269,682)	207,665

Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	222,330
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Net OPEB obligation	\$ (160,200)	
Landfill postclosure liability	(2,000,000)	
Accrued interest payable	(23,472)	
Net pension liability	(511,096)	
Compensated absences	(181,240)	(2,876,008)

Net Position of governmental activities	\$ 24,871,862
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The notes to the financial statements are an integral part of this statement.

County of King and Queen, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Fund</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 6,738,931	\$ -	\$ -	\$ 6,738,931
Other local taxes	555,889	-	-	555,889
Permits, privilege fees, and regulatory licenses	46,465	-	-	46,465
Fines and forfeitures	115,251	-	-	115,251
Revenue from the use of money and property	139,491	3,303	6,734	149,528
Charges for services	1,466,618	-	31,523	1,498,141
Miscellaneous	127,913	-	6,238	134,151
Recovered costs	14,684	-	-	14,684
Intergovernmental:				
Commonwealth	2,595,093	-	424,000	3,019,093
Federal	618,308	-	22,083	640,391
Total revenues	<u>\$ 12,418,643</u>	<u>\$ 3,303</u>	<u>\$ 490,578</u>	<u>\$ 12,912,524</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,263,888	\$ -	\$ -	\$ 1,263,888
Judicial administration	517,169	-	-	517,169
Public safety	2,582,351	-	63,751	2,646,102
Public works	627,584	-	-	627,584
Health and welfare	1,188,439	-	689,787	1,878,226
Education	3,792,470	-	-	3,792,470
Parks, recreation, and cultural	318,082	-	-	318,082
Community development	319,760	-	-	319,760
Nondepartmental	30,166	-	-	30,166
Capital projects	328,223	132,607	-	460,830
Total expenditures	<u>\$ 10,968,132</u>	<u>\$ 132,607</u>	<u>\$ 753,538</u>	<u>\$ 11,854,277</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,450,511</u>	<u>\$ (129,304)</u>	<u>\$ (262,960)</u>	<u>\$ 1,058,247</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 284,122	\$ 340,818	\$ 624,940
Transfers out	(624,940)	-	-	(624,940)
Total other financing sources (uses)	<u>\$ (624,940)</u>	<u>\$ 284,122</u>	<u>\$ 340,818</u>	<u>\$ -</u>
Net change in fund balances	\$ 825,571	\$ 154,818	\$ 77,858	\$ 1,058,247
Fund balances - beginning	18,069,930	772,988	1,524,807	20,367,725
Fund balances - ending	<u>\$ 18,895,501</u>	<u>\$ 927,806</u>	<u>\$ 1,602,665</u>	<u>\$ 21,425,972</u>

The notes to the financial statements are an integral part of this statement.

County of King and Queen, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds	\$	1,058,247
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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. This is the amount by which the depreciation expense exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$ 368,071	
Depreciation expense	<u>(560,626)</u>	(192,555)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ 131,846	
Change in deferred inflows related to the measurement of the net pension liability/asset	<u>276,816</u>	408,662

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:

Decrease (increase) in accrued interest payable	\$ (23,472)	
Decrease (increase) in net OPEB obligation	(28,942)	
Decrease (increase) in net pension liability	(117,631)	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	(4,738)	
Decrease (increase) in compensated absences	<u>24,230</u>	(150,553)

Change in net position of governmental activities	\$	<u><u>1,123,801</u></u>
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The notes to the financial statements are an integral part of this statement.

County of King and Queen, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2016

	Enterprise Fund Wireless Service Authority
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 384,516
Accounts receivable (net of allowance for uncollectibles)	30,797
Total current assets	<u>\$ 415,313</u>
Noncurrent assets:	
Capital assets:	
Construction in progress	\$ 60,905
Machinery and equipment	70,481
Infrastructure	283,390
Accumulated depreciation	(87,883)
Total net capital assets	<u>\$ 326,893</u>
Total noncurrent assets	<u>\$ 326,893</u>
Total assets	<u><u>\$ 742,206</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 73,036
Due to other funds	160,426
Total current liabilities	<u>\$ 233,462</u>
Total liabilities	<u><u>\$ 233,462</u></u>
NET POSITION	
Investment in capital assets	\$ 326,893
Unrestricted	181,851
Total net position	<u><u>\$ 508,744</u></u>

The notes to the financial statements are an integral part of this statement.

County of King and Queen, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2016

	Enterprise Fund Wireless Service Authority
OPERATING REVENUES	
Charges for services:	
Internet subscriber revenues	\$ 187,726
Total operating revenues	<u>\$ 187,726</u>
OPERATING EXPENSES	
Management services	\$ 102,000
Telecommunications	50,132
Other charges	20,440
Depreciation	19,372
Total operating expenses	<u>\$ 191,944</u>
Operating income (loss)	<u>\$ (4,218)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 88
Change in net position	<u>\$ (4,130)</u>
Total net position - beginning	512,874
Total net position - ending	<u><u>\$ 508,744</u></u>

The notes to the financial statements are an integral part of this statement.

County of King and Queen, Virginia
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2016

	Enterprise Fund
	Wireless Service Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 192,280
Payments to suppliers	(94,248)
Payments for operating activities	(20,440)
Net cash provided by (used for) operating activities	<u>\$ 77,592</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 160,426
Net cash provided by (used for) noncapital financing activities	<u>\$ 160,426</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to capital assets	\$ (60,905)
Net cash provided by (used for) capital and related financing activities	<u>\$ (60,905)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 88
Net cash provided by (used for) investing activities	<u>\$ 88</u>
Net increase (decrease) in cash and cash equivalents	\$ 177,201
Cash and cash equivalents - beginning	207,315
Cash and cash equivalents - ending	<u><u>\$ 384,516</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (4,218)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:	
Depreciation	\$ 19,372
(Increase) decrease in accounts receivable	4,554
Increase (decrease) in accounts payable	57,884
Total adjustments	<u>\$ 81,810</u>
Net cash provided by (used for) operating activities	<u><u>\$ 77,592</u></u>

The notes to the financial statements are an integral part of this statement.

County of King and Queen, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Agency <u>Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 24,233</u>
LIABILITIES	
Amounts held for social services clients	\$ 6,128
Amounts held for others	<u>18,105</u>
Total liabilities	<u>\$ 24,233</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies:

The County of King & Queen, Virginia (the "County") is governed by an elected five member Board of Supervisors. The County provides a full range of services for its citizens. These services include police and fire protection, sanitation services, recreational activities, cultural events, education, and social services.

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

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies: (Continued)

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

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

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

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

A. Financial Reporting Entity

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2016.

Discretely Presented Component Units. The School Board members are elected by the citizens of King & Queen County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2016.

The King and Queen County Industrial Development Authority (IDA) is responsible for promoting industry and developing trade within King and Queen County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2016. The Authority does not issue a separate financial report.

C. Other Related Organizations Included in the County's Financial Report

None

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

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

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

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies: (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies: (Continued)

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

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.

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The County reports the General Fund and the Capital Projects Fund as major governmental funds.

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

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

Special Revenue Fund - accounts for and reports the proceeds of revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects requiring separate accounting because of legal or regulatory provisions or administrative action. The Special Revenue Fund accounts for the activities of the Comprehensive Services Act, forfeited assets and court security funds. The County reports the Special Revenue Fund as a nonmajor fund.

Additionally, the County also reports the following fund types:

Fiduciary Funds - (Trust and Agency Funds) - account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Agency funds do not have a measurement focus. Fiduciary funds are not included in the government-wide financial statements. The County's Agency Funds include amounts held for others in a fiduciary capacity, which include special welfare and soil and erosion deposit escrow funds.

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies: (Continued)

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

Enterprise Funds - Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The County's major Enterprise Fund consists of the Wireless Service Authority Fund which provides wireless internet service to citizens for a fee.

E. Cash and Cash Equivalents

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

F. Investments

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

G. Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$57,247 at June 30, 2016 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies: (Continued)

H. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. 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.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the fiscal year ending June 30, 2016.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Furniture, Vehicles, Office and Computer Equipment	5-20
Buses	10

I. 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 that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to received sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

J. Use of Estimates

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies: (Continued)

K. Net Position

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

L. Net Position Flow Assumption

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

M. Pensions

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

N. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies: (Continued)

O. Fund Equity

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

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Treasurer, who has been given the delegated authority to assign amounts by the Board of Supervisors.

The County Board of Supervisors adopted a minimum required unassigned fund balance of \$3,000,000 on June 10, 2015.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies: (Continued)

O. Fund Equity (Continued)

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

	General Fund	Capital Projects Fund	Special Revenue Fund	Total
Fund Balances:				
Restricted:				
Asset forfeiture	\$ -	\$ -	\$ 3,046	\$ 3,046
Court security	-	-	139,655	139,655
Sheriff K-9 and auxiliary funds	-	-	3,606	3,606
School HVAC Energy upgrades	-	-	-	-
CDBG	84,036	-	-	84,036
Total Restricted Fund Balance	\$ <u>84,036</u>	\$ <u>-</u>	\$ <u>146,307</u>	\$ <u>230,343</u>
Committed:				
Capital projects - school	\$ -	\$ 847,806	\$ -	\$ 847,806
Landfill contingency	1,000,000	-	1,456,358	2,456,358
FY16 Budgeted use of fund balance	418,000	-	-	418,000
Rescue squads	201,361	-	-	201,361
Fire departments	96,179	-	-	96,179
EDA projects:				
Airport district	180,000	-	-	180,000
Route 360 corridor	250,000	-	-	250,000
Route 33 corridor	250,000	-	-	250,000
Broadband	500,000	-	-	500,000
Rescue services	400,000	-	-	400,000
Elections (voting equipment)	70,000	-	-	70,000
County capital projects	500,000	80,000	-	580,000
School construction projects	1,000,000	-	-	1,000,000
Total Committed Fund Balance	\$ <u>4,865,540</u>	\$ <u>927,806</u>	\$ <u>1,456,358</u>	\$ <u>7,249,704</u>
Assigned:				
Future expenditures	\$ <u>2,259,294</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,259,294</u>
Total Assigned Fund Balance	\$ <u>2,259,294</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,259,294</u>
Unassigned	\$ <u>11,686,631</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>11,686,631</u>
Total Fund Balances	\$ <u><u>18,895,501</u></u>	\$ <u><u>927,806</u></u>	\$ <u><u>1,602,665</u></u>	\$ <u><u>21,425,972</u></u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies: (Continued)

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as an increase to or a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on next year's taxes and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on next year's taxes are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset or liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

Q. Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the County to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 72.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 1—Summary of Significant Accounting Policies: (Continued)

Q. Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 79, Certain External Investment Pools and Pool Participants

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 3.

Governmental Accounting Standards Board Statement No. 82, Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73

The County early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 2—Stewardship, Compliance, and Accounting: (Continued)

5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2016.

Note 3—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2016 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale. The County’s investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	<u>\$ 17,209,739</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 3—Deposits and Investments: (Continued)

Interest Rate Risk

According to the County's investment policy, no more than 50% of the portfolio may be invested in securities maturing in greater than 1 year.

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 17,209,739	\$ 17,209,739
Total	<u>\$ 17,209,739</u>	<u>\$ 17,209,739</u>

External Investment Pool

The value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 4—Due to/from Other Governments:

At June 30, 2016, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of King & Queen	\$ -	\$ 845,517
Commonwealth of Virginia:		
Local sales tax	31,630	-
Welfare	26,653	-
Communications tax	27,755	-
State Sales Tax	-	183,645
Constitutional officer reimbursements	88,171	-
Registrar reimbursement	29,626	-
VPSA Technology	-	21,375
Recordation tax	3,591	-
Mobile home titling tax	2,111	-
Forestry payment	94,690	-
Wireless grant	3,546	-
VMRC grant - Mattaponi Pier	107,362	-
Comprehensive Services Act	135,214	-
Federal Government:		
School fund grants	-	171,582
Sheriff's DMV grant	2,370	-
Welfare	49,625	-
Total due from other governments	<u>\$ 602,344</u>	<u>\$ 1,222,119</u>

At June 30, 2016, amounts due to other local governments are as follows:

Other Local Governments:		
County of King and Queen School Board	<u>\$ 845,517</u>	<u>\$ -</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<i>Primary Government:</i>				
Governmental Activities:				
Capital assets not subject to depreciation:				
Land	\$ 151,653	\$ -	\$ -	\$ 151,653
Construction in progress	-	4,000	-	4,000
Total capital assets not subject to depreciation	\$ 151,653	\$ 4,000	\$ -	\$ 155,653
Capital assets subject to depreciation:				
Buildings and improvements	\$ 5,318,475	\$ 147,714	\$ -	\$ 5,466,189
Machinery and equipment	4,967,337	216,357	22,578	5,161,116
Infrastructure	237,283	-	-	237,283
Total capital assets subject to depreciation	\$ 10,523,095	\$ 364,071	\$ 22,578	\$ 10,864,588
Accumulated depreciation:				
Buildings and improvements	\$ 2,337,129	\$ 146,439	\$ -	\$ 2,483,568
Machinery and equipment	2,217,569	402,323	22,578	2,597,314
Infrastructure	35,592	11,864	-	47,456
Total accumulated depreciation	\$ 4,590,290	\$ 560,626	\$ 22,578	\$ 5,128,338
Total capital assets subject to depreciation, net	\$ 5,932,805	\$ (196,555)	\$ -	\$ 5,736,250
Governmental activities capital assets, net	\$ 6,084,458	\$ (192,555)	\$ -	\$ 5,891,903

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 5—Capital Assets: (Continued)

A summary of proprietary fund property, plant and equipment at June 30, 2016 follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<i>Primary Government:</i>				
Business-type Activities:				
Capital assets not subject to depreciation:				
Construction in progress	\$ -	\$ 60,905	\$ -	\$ 60,905
Capital assets subject to depreciation:				
Machinery and equipment	\$ 70,481	\$ -	\$ -	\$ 70,481
Infrastructure	283,390	-	-	283,390
Total capital assets subject to depreciation	\$ 353,871	\$ -	\$ -	\$ 353,871
Accumulated depreciation:				
Machinery and equipment	\$ 56,777	\$ 13,704	\$ -	\$ 70,481
Infrastructure	11,734	5,668	-	17,402
Total accumulated depreciation	\$ 68,511	\$ 19,372	\$ -	\$ 87,883
Total capital assets subject to depreciation, net	\$ 285,360	\$ (19,372)	\$ -	\$ 265,988
Business-type activities capital assets, net	\$ 285,360	\$ 41,533	\$ -	\$ 326,893

Depreciation expense was charged to functions/programs as follows:

Primary Government:	
Governmental activities:	
General government administration	\$ 60,327
Judicial administration	114,997
Public safety	372,715
Public works	5,505
Health and welfare	7,082
Total Governmental activities	\$ 560,626
Business-Type Activities	\$ 19,372
Component Unit School Board	\$ 259,952

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land	\$ 39,639	\$ -	\$ -	\$ 39,639
Construction in progress	-	865,938	-	865,938
Total capital assets not subject to depreciation	\$ 39,639	\$ 865,938	\$ -	\$ 905,577
Capital assets subject to depreciation:				
Buildings and improvements	\$ 8,761,837	\$ 73,222	\$ -	\$ 8,835,059
Machinery and equipment	1,889,057	140,443	218,885	1,810,615
Total capital assets subject to depreciation	\$ 10,650,894	\$ 213,665	\$ 218,885	\$ 10,645,674
Accumulated depreciation:				
Buildings and improvements	\$ 5,323,044	\$ 173,203	\$ -	\$ 5,496,247
Machinery and equipment	1,492,408	86,749	218,885	1,360,272
Total accumulated depreciation	\$ 6,815,452	\$ 259,952	\$ 218,885	\$ 6,856,519
Total capital assets subject to depreciation, net	\$ 3,835,442	\$ (46,287)	\$ -	\$ 3,789,155
Component Unit School Board capital assets, net	\$ 3,875,081	\$ 819,651	\$ -	\$ 4,694,732

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<i>Component Unit-Industrial Development Authority:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 289,322	\$ 226,697	\$ -	\$ 516,019
Capital assets subject to depreciation:				
Buildings and improvements	\$ 39,872	\$ -	\$ -	\$ 39,872
Total capital assets subject to depreciation	\$ 39,872	\$ -	\$ -	\$ 39,872
Accumulated depreciation:				
Buildings and improvements	\$ 3,987	\$ 3,987	\$ -	\$ 7,974
Total accumulated depreciation	\$ 3,987	\$ 3,987	\$ -	\$ 7,974
Total capital assets subject to depreciation, net	\$ 35,885	\$ (3,987)	\$ -	\$ 31,898
Component Unit Industrial Development Authority capital assets, net	\$ 325,207	\$ 222,710	\$ -	\$ 547,917

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2016, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 624,940
Capital projects fund	284,122	-
Special Revenue Fund	340,818	-
Total Primary Government	<u>\$ 624,940</u>	<u>\$ 624,940</u>
Component Unit School Board:		
School Operating Fund	\$ -	\$ 33,000
School Cafeteria Fund	33,000	-
Total Component Unit School Board	<u>\$ 33,000</u>	<u>\$ 33,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of long-term obligation transactions for the fiscal year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2016</u>	<u>Amounts Due Within One Year</u>
Governmental Activities Obligations:					
Incurring by County:					
Compensated absences	\$ 205,470	\$ 16,864	\$ 41,094	\$ 181,240	\$ 18,124
Net OPEB obligation	131,258	45,313	16,371	160,200	-
Net pension liability	393,465	921,391	803,760	511,096	-
Landfill post closure care	2,000,000	-	-	2,000,000	-
Total Governmental Activities Obligations	<u>\$ 2,730,193</u>	<u>\$ 983,568</u>	<u>\$ 861,225</u>	<u>\$ 2,852,536</u>	<u>\$ 18,124</u>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

Long-Term Obligations:

	<u>Total Amount</u>
<u>Incurring by County:</u>	
Net OPEB obligation (payable from the General Fund)	\$ 160,200
Landfill postclosure care (payable from the General Fund)	2,000,000
Net pension liability (payable from the General Fund)	511,096
Compensated absences (payable from the General Fund)	<u>181,240</u>
Total Long-Term Obligations, Primary Government	<u><u>\$ 2,852,536</u></u>

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 7—Long-Term Obligations: (Continued)

Component Unit - School Board:

	Balance July 1, 2015	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2016	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 78,504	\$ 41,473	\$ 7,850	\$ 112,127	\$ 11,213
Net pension liability	7,657,000	1,807,000	1,962,000	7,502,000	-
Capital lease	-	1,420,781	-	1,420,781	50,714
Net OPEB obligation	143,259	34,317	23,100	154,476	-
Total Component Unit-School Board	<u>\$ 7,878,763</u>	<u>\$ 3,303,571</u>	<u>\$ 1,992,950</u>	<u>\$ 9,189,384</u>	<u>\$ 61,927</u>

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 7—Long-Term Obligations: (Continued)

Component Unit - School Board: (Continued)

Year Ending June 30	Governmental Activities Component Unit-School Board	
	Capital Lease	
	Principal	Interest
2017	\$ 50,714	\$ 50,556
2018	62,224	41,787
2019	66,945	39,889
2020	71,895	37,847
2021	77,083	35,654
2022	82,550	33,304
2023	88,247	30,786
2024	94,180	28,094
2025	100,424	25,222
2026	106,958	22,159
2027	108,913	18,897
2028	116,073	15,575
2029	123,565	12,034
2030	131,405	8,266
2031	139,605	4,258
Total	<u>\$ 1,420,781</u>	<u>\$ 404,328</u>

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 7—Long-Term Obligations: (Continued)

Long-Term Obligations:

	<u>Total Amount</u>
<u>Incurred by Component Unit-School Board:</u>	
Net OPEB obligation (payable from the School Operating Fund)	\$ 154,476
\$1,420,781 capital lease issued December 15, 2015, secured by HVAC equipment, due in combined annual installments of principal and interest varying from \$101,270 to \$143,863 through February 15, 2031, including interest at 3.05%.	1,420,781
Net pension liability (payable from the School Operating Fund)	7,502,000
Compensated absences (payable from the School Operating Fund)	<u>112,127</u>
Total Long-Term Obligations, Component Unit-School Board	<u>\$ 9,189,384</u>

Note 8—Landfill Postclosure Costs:

The County closed its two landfills and is liable for postclosure monitoring for a period of five years. The amount reported as landfill postclosure liability at June 30, 2016, represents the estimated liability for postclosure monitoring, of \$2,000,000 as required by the Virginia Department of Environmental Quality. The liability consists of an estimate for corrective action as required by the Virginia Department of Environmental Quality. These amounts are based on what it would cost to perform all postclosure care in 2016. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

The County demonstrated financial assurance requirements for closure, postclosure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 9—Unearned and Deferred/Unavailable Revenue:

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

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 477,347
Prepaid property taxes due in December 2016 but paid in advance by taxpayers	34,900	34,900
	\$ <u>34,900</u>	\$ <u>512,247</u>

Note 10—Contingent Liabilities:

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

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

Note 11—Litigation:

At June 30, 2016, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 12—Risk Management:

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance.

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association 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 loss. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2016

Note 13—Pension Plan:

Plan Description

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by VRS Retirement Plan upon employment. This is an agent multiple-employer plan 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 different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • 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.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>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.</p>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> 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.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit (Cont.) 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.</p>	<p>Calculating the Benefit (Cont.)</p>	<p>Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: 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%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: 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.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	32	18
Inactive members:		
Vested inactive members	8	6
Non-vested inactive members	20	13
Inactive members active elsewhere in VRS	37	4
Total inactive members	65	23
Active members	51	38
Total covered employees	148	79

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

The County's contractually required contribution rate for the year ended June 30, 2016 was 9.74% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Contributions (Continued)

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 County were \$222,330 and \$226,362 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 5.64% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$38,659 and \$38,613 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability (Asset)

The County's and Component Unit School Board's (nonprofessional) net pension liability (asset) were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liability (asset) were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

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

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

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

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

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

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

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COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (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
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Discount Rate

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

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 9,397,570	\$ 9,004,105	\$ 393,465
Changes for the year:			
Service cost	\$ 272,591	\$ -	\$ 272,591
Interest	643,099	-	643,099
Difference between expected and actual experience	(50,915)	-	(50,915)
Contributions - employer	-	226,362	(226,362)
Contributions - employee	-	115,782	(115,782)
Net investment income	-	410,701	(410,701)
Benefit payments, including refunds of employee contributions	(420,871)	(420,871)	-
Administrative expenses	-	(5,614)	5,614
Other changes	-	(87)	87
Net changes	\$ 443,904	\$ 326,273	\$ 117,631
Balances at June 30, 2015	\$ 9,841,474	\$ 9,330,378	\$ 511,096

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Changes in Net Pension Liability (Asset)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2014	\$ 2,435,542	\$ 2,812,249	\$ (376,707)
Changes for the year:			
Service cost	\$ 78,636	\$ -	\$ 78,636
Interest	168,533	-	168,533
Difference between expected and actual experience	(95,608)	-	(95,608)
Contributions - employer	-	38,613	(38,613)
Contributions - employee	-	34,218	(34,218)
Net investment income	-	129,766	(129,766)
Benefit payments, including refunds of employee contributions	(55,859)	(55,859)	-
Administrative expenses	-	(1,734)	1,734
Other changes	-	(25)	25
Net changes	\$ 95,702	\$ 144,979	\$ (49,277)
Balances at June 30, 2015	\$ 2,531,244	\$ 2,957,228	\$ (425,984)

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

The following presents the net pension liability (asset) of the County and Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the County's and Component Unit School Board's (nonprofessional) 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:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Net Pension Liability (Asset)	\$ 1,746,963	\$ 511,096	\$ (517,695)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ (119,913)	\$ (425,984)	\$ (683,680)

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

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

For the year ended June 30, 2016, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$67,177 and (\$38,362) respectively. At June 30, 2016, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>		<u>Component Unit School Board (nonprofessional)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 33,113	\$ -	\$ 68,902
Net difference between projected and actual earnings on pension plan investments	-	236,569	-	73,407
Employer contributions subsequent to the measurement date	<u>222,330</u>	<u>-</u>	<u>38,659</u>	<u>-</u>
Total	<u>\$ 222,330</u>	<u>\$ 269,682</u>	<u>\$ 38,659</u>	<u>\$ 142,309</u>

\$222,330 and \$38,659 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of (increase to) the Net Pension Liability (Asset) in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2017	\$ (111,100)	\$ (55,683)
2018	(108,609)	(55,683)
2019	(93,300)	(44,466)
2020	43,327	13,523
2021	-	-
Thereafter	-	-

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED) AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description can be found in the first section of this note.

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% 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.

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64 as a result of the transfer. The 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$638,805 and \$638,045 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability of \$7,502,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 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, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.05960% as compared to 0.06336% at June 30, 2014.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2016, the school division recognized pension expense of \$391,000. 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, 2016, 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 \$	-	\$ 103,000
Net difference between projected and actual earnings on pension plan investments	-	460,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	644,000
Employer contributions subsequent to the measurement date	638,805	-
Total	<u>\$ 638,805</u>	<u>\$ 1,207,000</u>

\$638,805 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 fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2017	\$ (362,000)
2018	(362,000)
2019	(362,000)
2020	(65,000)
2021	(56,000)

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (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
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

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

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (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 member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions 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.

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 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:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) \$	10,978,000	\$ 7,502,000	\$ 4,640,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 14 – Surety Bonds:

	<u>Amount</u>
Division of Risk Management Surety Bond:	
Commonwealth Funds	
Vanessa Porter, Clerk of the Circuit Court	\$ 555,000
Irene Longest, Treasurer	300,000
Kelly N. Lumpkin, Commissioner of the Revenue	3,000
John R. Charboneau, Sheriff	30,000
Department of Risk Management-Public Official Liability:	
General Government Employees	1,000,000
Department of General Services - State Department-Surety:	
All Social Services Employees-blanket bond	100,000
VACo Insurance - Surety:	
All School Board Employees-blanket bond	1,000,000

Note 15– Other Postemployment Benefits - Health Insurance:

A. Plan Description

The County allows retirees that retire at the age of 50 with at least 30 years of service or at the age of 55 with at least 20 years of service to remain on their health insurance plan. The employee/retiree pays 50% of the rate. Benefits end at the age of medicare eligibility. Health benefits include medical, dental and vision.

The King and Queen County Schools' retirees must meet one of the following requirements to be eligible for health benefits.

Virginia Retirement Systems plan 1 (Hired before July 1, 2010)

- Attained the age of 50 with at least 30 years of service for unreduced pension retirement benefits.
- Attained the age of 55 with at least 5 years of service for reduced pension retirement benefits.
- Attained the age of 50 with at least 10 years of service for reduced pension retirement benefits.

Virginia Retirement Systems Plan 2 (Hired on or after July 1, 2010)

- Age plus service is at least 90 points for unreduced pension retirement benefits.
- Attain unreduced Social Security retirement age with at least 5 years of service for unreduced pension retirement benefits.
- Attain the age of 60 with at least 5 years of service for reduced pension retirement benefits.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 15–Other Postemployment Benefits - Health Insurance: (Continued)

A. Plan Description (Continued)

Virginia Retirement Systems Plan 2 (Hired on or after July 1, 2010) (Continued)

Health benefits include medical and dental. Retirees under the age of 65 may choose one of the following options:

- Anthem Blue Cross Blue Shield, Open Access Healthkeepers, POS \$25/30% \$2000
- Anthem Blue Cross Blue Shield, Open Access Healthkeepers, Lumen OS POS \$3000/100%
- Anthem Dental Complete Low Option, Passive PPO
- Anthem Dental Complete High Option, Passive PPO

Health benefits cease at the retiree's age of 65. Spouse coverage ceases when the retiree's coverage ceases.

B. Funding Policy

The School Board currently has 5 retirees on its plan. The County has no retirees on its plan. The employee/retiree pays 100% of the rate. The contribution requirements of plan members and the County are established annually by the Board of Supervisors and the School Board.

C. Annual OPEB Cost and Net OPEB Obligation

The County and School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The County and School Board have elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 15-Other Postemployment Benefits - Health Insurance: (Continued)

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

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

		<u>County</u>	<u>School Board</u>
Annual required contribution	\$	47,391	\$ 34,600
Interest on net OPEB obligation		3,281	5,014
Adjustment to annual required contribution		(5,359)	(5,297)
Annual OPEB cost (expense)	\$	45,313	\$ 34,317
Contributions made		(16,371)	(23,100)
Increase in net OPEB obligation		28,942	11,217
Net OPEB obligation-beginning of year		131,258	143,259
Net OPEB obligation-end of year	\$	160,200	\$ 154,476

The County's and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the two preceding years were as follows:

	<u>Fiscal Year Ended</u>		<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>		<u>Net OPEB Obligation</u>
County :	6/30/2016	\$	45,313	36.13%	\$	160,200
	6/30/2015		45,779	35.76%		131,258
	6/30/2014		41,337	37.34%		101,850
School Board:	6/30/2016	\$	34,317	67.31%	\$	154,476
	6/30/2015		33,047	52.65%		143,259
	6/30/2014		35,200	35.80%		108,312

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 15-Other Postemployment Benefits - Health Insurance: (Continued)

D. Funded Status and Funding Progress

As of June 30, 2015, the most recent valuation date, the County's actuarial accrued liability for benefits was \$423,557, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,335,154, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 18.14 percent.

As of January 1, 2015, the most recent actuarial valuation date, the School Board's actuarial accrued liability for benefits was \$310,500, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,159,500, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 6.02 percent.

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

E. Actuarial Methods and Assumptions

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

As of January 1, 2015, the most recent actuarial valuation date, the projected unit credit method was used for the School Board's plan. The County has elected for its retirees to calculate information of an actuarial nature using the alternative measurement method permitted by GASB 43 for plans with fewer than 100 employees.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 15–Other Postemployment Benefits - Health Insurance: (Continued)

E. Actuarial Methods and Assumptions (Continued)

The following simplifying assumptions were made relative to both the County and School Board plans:

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

Mortality-Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2010 using Scale AA.

Coverage elections-The actuary assumed that 70% of eligible County retirees and 30% of School retirees will elect coverage.

Based on the historical and expected returns of the County's short-term investment portfolio, a discount of 3.50% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015 was thirty years.

Note 16–Other Postemployment Benefits - VRS Health Insurance Credit:

A. Plan Description

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

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

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

Note 16–Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.06% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2016, 2015, and 2014 were \$44,804, \$49,494, and \$51,213, respectively and equaled the required contributions for each year.

Note 17-Upcoming Pronouncements:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

COUNTY OF KING & QUEEN, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2016

Note 17-Upcoming Pronouncements: (Continued)

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

REQUIRED SUPPLEMENTARY INFORMATION

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County of King and Queen, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
General property taxes	\$ 6,226,481	\$ 6,226,481	\$ 6,738,931	\$ 512,450
Other local taxes	615,141	615,141	555,889	(59,252)
Permits, privilege fees, and regulatory licenses	42,920	42,920	46,465	3,545
Fines and forfeitures	153,800	153,800	115,251	(38,549)
Revenue from the use of money and property	77,146	77,146	139,491	62,345
Charges for services	1,074,650	1,074,650	1,466,618	391,968
Miscellaneous	40,000	40,000	127,913	87,913
Recovered costs	12,500	12,500	14,684	2,184
Intergovernmental:				
Commonwealth	2,204,816	2,416,727	2,595,093	178,366
Federal	667,731	681,531	618,308	(63,223)
Total revenues	\$ 11,115,185	\$ 11,340,896	\$ 12,418,643	\$ 1,077,747
EXPENDITURES				
Current:				
General government administration	\$ 1,345,219	\$ 1,364,035	\$ 1,263,888	\$ 100,147
Judicial administration	569,804	569,804	517,169	52,635
Public safety	2,534,050	2,683,226	2,582,351	100,875
Public works	657,108	657,108	627,584	29,524
Health and welfare	1,489,244	1,492,036	1,188,439	303,597
Education	3,896,919	3,896,919	3,792,470	104,449
Parks, recreation, and cultural	161,128	311,128	318,082	(6,954)
Community development	343,760	629,087	319,760	309,327
Nondepartmental	92,000	86,000	30,166	55,834
Capital projects	100,000	300,080	328,223	(28,143)
Total expenditures	\$ 11,189,232	\$ 11,989,423	\$ 10,968,132	\$ 1,021,291
Excess (deficiency) of revenues over (under) expenditures	\$ (74,047)	\$ (648,527)	\$ 1,450,511	\$ 2,099,038
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (343,930)	\$ (620,560)	\$ (624,940)	\$ (4,380)
Total other financing sources (uses)	\$ (343,930)	\$ (620,560)	\$ (624,940)	\$ (4,380)
Net change in fund balances	\$ (417,977)	\$ (1,269,087)	\$ 825,571	\$ 2,094,658
Fund balances - beginning	417,977	1,269,087	18,069,930	16,800,843
Fund balances - ending	\$ -	\$ -	\$ 18,895,501	\$ 18,895,501

County of King and Queen, Virginia
Schedule of OPEB Funding Progress - Retiree Healthcare Plan
For the Year Ended June 30, 2016

Actuarial (1)Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	(2) Annual Covered Payroll	UAAL as % of Payroll
County						
6/30/2015	\$ -	\$ 423,557	\$ 423,557	0.00%	\$ 2,335,154	18.14%
6/30/2012	-	381,794	381,794	0.00%	2,279,047	16.75%
6/30/2009	-	79,071	79,071	0.00%	2,578,456	3.07%
School Board:						
1/1/2015	\$ -	\$ 310,500	\$ 310,500	0.00%	\$ 5,159,000	6.02%
1/1/2013	-	275,800	275,800	0.00%	5,624,900	4.90%
1/1/2011	-	299,300	299,300	0.00%	5,581,900	5.36%

(1) The County's Annual Covered Payroll was obtained from their June 30, 2009, 2011, and 2014 VRS Actuarial Valuations.

County of King and Queen, Virginia
Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Primary Government
For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 272,591	\$ 273,272
Interest	643,099	608,529
Difference between expected and actual experience	(50,915)	-
Benefit payments, including refunds of employee contributions	(420,871)	(355,006)
Net change in total pension liability	\$ 443,904	\$ 526,795
Total pension liability - beginning	9,397,570	8,870,775
Total pension liability - ending (a)	<u>\$ 9,841,474</u>	<u>\$ 9,397,570</u>
Plan fiduciary net position		
Contributions - employer	\$ 226,362	\$ 277,164
Contributions - employee	115,782	116,205
Net investment income	410,701	1,226,442
Benefit payments, including refunds of employee contributions	(420,871)	(355,006)
Administrative expense	(5,614)	(6,516)
Other	(87)	65
Net change in plan fiduciary net position	\$ 326,273	\$ 1,258,354
Plan fiduciary net position - beginning	9,004,105	7,745,751
Plan fiduciary net position - ending (b)	<u>\$ 9,330,378</u>	<u>\$ 9,004,105</u>
County's net pension liability - ending (a) - (b)	\$ 511,096	\$ 393,465
Plan fiduciary net position as a percentage of the total pension liability	94.81%	95.81%
Covered payroll	\$ 2,331,298	\$ 2,324,553
County's net pension liability as a percentage of covered payroll	21.92%	16.93%

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

County of King and Queen, Virginia
Schedule of Components of and Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)
For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 78,636	\$ 83,825
Interest	168,533	155,717
Changes of benefit terms	-	-
Differences between expected and actual experience	(95,608)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(55,859)	(57,070)
Net change in total pension liability	\$ 95,702	\$ 182,472
Total pension liability - beginning	2,435,542	2,253,070
Total pension liability - ending (a)	\$ 2,531,244	\$ 2,435,542
Plan fiduciary net position		
Contributions - employer	\$ 38,613	\$ 38,354
Contributions - employee	34,218	36,252
Net investment income	129,766	382,078
Benefit payments, including refunds of employee contributions	(55,859)	(57,070)
Administrative expense	(1,734)	(2,021)
Other	(25)	20
Net change in plan fiduciary net position	\$ 144,979	\$ 397,613
Plan fiduciary net position - beginning	2,812,249	2,414,636
Plan fiduciary net position - ending (b)	\$ 2,957,228	\$ 2,812,249
School Division's net pension liability (asset) - ending (a) - (b)	\$ (425,984)	\$ (376,707)
Plan fiduciary net position as a percentage of the total pension liability	116.83%	115.47%
Covered payroll	\$ 686,083	\$ 732,850
School Division's net pension liability (asset) as a percentage of covered payroll	-62.09%	-51.40%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

County of King and Queen, Virginia
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Year Ended June 30, 2016

	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.05960%	0.06336%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,502,000	\$ 7,657,000
Employer's Covered Payroll	4,400,310	4,613,774
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	170.49%	165.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%	70.88%

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

County of King and Queen, Virginia
Schedule of Employer Contributions
For the Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2016	\$ 222,330	\$ 222,330	\$ -	\$ 2,282,652	9.74%
2015	227,068	227,068	-	2,331,298	9.74%
2014	275,696	275,696	-	2,324,583	11.86%
2013	275,443	275,443	-	2,322,458	11.86%
2012	198,307	198,307	-	2,228,174	8.90%
2011	206,196	206,196	-	2,316,807	8.90%
2010	206,884	206,884	-	2,442,547	8.47%
2009	203,631	203,631	-	2,404,147	8.47%
2008	118,554	118,554	-	2,098,302	5.65%
2007	113,242	113,242	-	2,004,281	5.65%
Component Unit School Board (nonprofessional)					
2016	\$ 38,659	\$ 38,659	\$ -	\$ 685,441	5.64%
2015	38,695	38,695	-	686,083	5.64%
2014	55,330	38,768	16,562	732,850	5.29%
2013	55,135	38,631	16,504	730,262	5.29%
2012	37,477	37,477	-	712,487	5.26%
2011	37,596	37,596	-	714,745	5.26%
2010	59,492	59,492	-	883,981	6.73%
2009	61,912	61,912	-	919,934	6.73%
2008	68,870	68,870	-	902,627	7.63%
2007	66,396	66,396	-	870,203	7.63%
Component Unit School Board (professional)					
2016	\$ 638,805	\$ 638,805	\$ -	\$ 4,543,421	14.06%
2015	638,045	638,045	-	4,400,310	14.50%
2014	537,966	537,966	-	4,613,774	11.66%
2013	543,843	543,843	-	4,664,177	11.66%
2012	284,876	284,876	-	4,500,411	6.33%
2011	180,463	180,463	-	4,591,934	3.93%
2010	314,729	314,729	-	3,572,406	8.81%
2009	447,207	447,207	-	5,076,129	8.81%
2008	505,999	505,999	-	5,499,989	9.20%
2007	440,711	440,711	-	4,790,337	9.20%

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

County of King and Queen, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms - There have been no actuarially material changes to the 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, 2015 are not material.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Component Unit School Board - Professional Employees

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

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OTHER SUPPLEMENTARY INFORMATION

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County of King and Queen, Virginia
 Capital Projects Fund - Major Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 3,303	\$ 3,303
Total revenues	\$ -	\$ -	\$ 3,303	\$ 3,303
EXPENDITURES				
Capital projects	\$ -	\$ 510,031	\$ 132,607	\$ 377,424
Total expenditures	\$ -	\$ 510,031	\$ 132,607	\$ 377,424
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (510,031)	\$ (129,304)	\$ 380,727
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 276,630	\$ 284,122	\$ 7,492
Total other financing sources (uses)	\$ -	\$ 276,630	\$ 284,122	\$ 7,492
Net change in fund balances	\$ -	\$ (233,401)	\$ 154,818	\$ 388,219
Fund balances - beginning	-	233,401	772,988	539,587
Fund balances - ending	\$ -	\$ -	\$ 927,806	\$ 927,806

County of King and Queen, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 6,734	\$ 6,734
Charges for services	30,000	30,000	31,523	1,523
Miscellaneous	-	-	6,238	6,238
Intergovernmental:				
Commonwealth	518,570	518,570	424,000	(94,570)
Federal	-	-	22,083	22,083
Total revenues	<u>\$ 548,570</u>	<u>\$ 548,570</u>	<u>\$ 490,578</u>	<u>\$ (57,992)</u>
EXPENDITURES				
Current:				
Public safety	\$ 32,295	\$ 34,546	\$ 63,751	\$ (29,205)
Health and welfare	762,500	762,500	689,787	72,713
Total expenditures	<u>\$ 794,795</u>	<u>\$ 797,046</u>	<u>\$ 753,538</u>	<u>\$ 43,508</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (246,225)</u>	<u>\$ (248,476)</u>	<u>\$ (262,960)</u>	<u>\$ (14,484)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 243,930	\$ 243,930	\$ 340,818	\$ 96,888
Total other financing sources (uses)	<u>\$ 243,930</u>	<u>\$ 243,930</u>	<u>\$ 340,818</u>	<u>\$ 96,888</u>
Net change in fund balances	\$ (2,295)	\$ (4,546)	\$ 77,858	\$ 82,404
Fund balances - beginning	2,295	4,546	1,524,807	1,520,261
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,602,665</u>	<u>\$ 1,602,665</u>

County of King and Queen, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Agency Funds</u>		
	<u>Special Welfare</u>	<u>Soil and Erosion Deposit Escrow</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 6,128	\$ 18,105	\$ 24,233
Total assets	<u>\$ 6,128</u>	<u>\$ 18,105</u>	<u>\$ 24,233</u>
LIABILITIES			
Amounts held for social services clients	\$ 6,128	\$ -	\$ 6,128
Amounts held for others	-	18,105	18,105
Total liabilities	<u>\$ 6,128</u>	<u>\$ 18,105</u>	<u>\$ 24,233</u>

County of King and Queen, Virginia
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2016

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 4,084	\$ 2,044	\$ -	\$ 6,128
Liabilities:				
Amounts held for social services clients	\$ 4,084	\$ 2,044	\$ -	\$ 6,128
Soil and Erosion Deposit Escrow:				
Assets:				
Cash and cash equivalents	\$ 18,105	\$ -	\$ -	\$ 18,105
Liabilities:				
Amounts held for others	\$ 18,105	\$ -	\$ -	\$ 18,105
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 22,189	\$ 2,044	\$ -	\$ 24,233
Total assets	\$ 22,189	\$ 2,044	\$ -	\$ 24,233
Liabilities:				
Amounts held for others	\$ 18,105	\$ -	\$ -	\$ 18,105
Amounts held for social services clients	4,084	2,044	-	6,128
Total liabilities	\$ 22,189	\$ 2,044	\$ -	\$ 24,233

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of King and Queen, Virginia
Combining Balance Sheet - Governmental Funds
Discretely Presented Component Unit - School Board
June 30, 2016

	School Operating <u>Fund</u>	School Capital Projects <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 38,132	\$ 38,132
Cash in custody of others		1,170,645		1,170,645
Receivables (net of allowance for uncollectibles):				
Accounts receivable	22,846	-	359	23,205
Due from other governmental units	1,203,088	-	19,031	1,222,119
Total assets	<u>\$ 1,225,934</u>	<u>\$ 1,170,645</u>	<u>\$ 57,522</u>	<u>\$ 2,454,101</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 374,300	\$ 615,755	\$ 19,591	\$ 1,009,646
Accrued liabilities	851,634	-	13,217	864,851
Total liabilities	<u>\$ 1,225,934</u>	<u>\$ 615,755</u>	<u>\$ 32,808</u>	<u>\$ 1,874,497</u>
Fund balances:				
Restricted	\$ -	\$ 554,890	\$ 24,714	\$ 579,604
Total fund balances	<u>\$ -</u>	<u>\$ 554,890</u>	<u>\$ 24,714</u>	<u>\$ 579,604</u>
Total liabilities and fund balances	<u>\$ 1,225,934</u>	<u>\$ 1,170,645</u>	<u>\$ 57,522</u>	<u>\$ 2,454,101</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances per above	\$ 579,604
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,694,732
The net pension asset is not an available resource and, therefore, is not reported in the funds.	425,984
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Items related to measurement of net pension liability/asset	(1,349,309)
Pension contributions subsequent to the measurement date will be a reduction of / increase to the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds.	677,464
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	\$ (112,127)
Net pension liability	(7,502,000)
Capital lease	(1,420,781)
Net OPEB obligation	<u>(154,476)</u>
Net position of governmental activities	<u>\$ (4,160,909)</u>

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County of King and Queen, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

	School Operating Fund	School Projects Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ -	\$ 47	\$ -	\$ 47
Charges for services	750	-	85,655	86,405
Miscellaneous	147,904	-	-	147,904
Intergovernmental:				
Local government	3,786,739	-	-	3,786,739
Commonwealth	4,889,197	-	3,574	4,892,771
Federal	737,159	-	278,400	1,015,559
Total revenues	<u>\$ 9,561,749</u>	<u>\$ 47</u>	<u>\$ 367,629</u>	<u>\$ 9,929,425</u>
EXPENDITURES				
Current:				
Education	\$ 9,528,749	\$ -	\$ 380,952	\$ 9,909,701
Capital projects	-	865,938	-	865,938
Total expenditures	<u>\$ 9,528,749</u>	<u>\$ 865,938</u>	<u>\$ 380,952</u>	<u>\$ 10,775,639</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 33,000</u>	<u>\$ (865,891)</u>	<u>\$ (13,323)</u>	<u>\$ (846,214)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 33,000	\$ 33,000
Transfers out	(33,000)	-	-	(33,000)
Issuance of capital lease	-	1,420,781	-	1,420,781
Total other financing sources and (uses)	<u>\$ (33,000)</u>	<u>\$ 1,420,781</u>	<u>\$ 33,000</u>	<u>\$ 1,420,781</u>
Net change in fund balances	\$ -	\$ 554,890	\$ 19,677	\$ 574,567
Fund balances - beginning	-	-	5,037	5,037
Fund balances - ending	<u>\$ -</u>	<u>\$ 554,890</u>	<u>\$ 24,714</u>	<u>\$ 579,604</u>

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ 574,567

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. This is the amount by which depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital outlays	\$ 1,079,603	
Depreciation expense	<u>(259,952)</u>	819,651

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred inflows related to the measurement of the net pension asset/liability	236,698
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

Decrease (increase) in compensated absences	\$ (33,623)	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	724	
Increase (decrease) in net pension asset	49,277	
(Increase) decrease in capital lease obligation	(1,420,781)	
(Increase) decrease in net pension liability	155,000	
Decrease (increase) in net OPEB obligation	<u>(11,217)</u>	(1,260,620)

Change in net position of governmental activities	<u>\$ 370,296</u>
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County of King and Queen, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	-	1,050	750	(300)
Miscellaneous	50,000	91,451	147,904	56,453
Intergovernmental:				
Local government	3,891,188	3,891,188	3,786,739	(104,449)
Commonwealth	5,074,790	5,019,954	4,889,197	(130,757)
Federal	752,539	679,241	737,159	57,918
Total revenues	\$ 9,768,517	\$ 9,682,884	\$ 9,561,749	\$ (121,135)
EXPENDITURES				
Current:				
Education	\$ 9,768,517	\$ 9,649,884	\$ 9,528,749	\$ 121,135
Capital projects	-	-	-	-
Total expenditures	\$ 9,768,517	\$ 9,649,884	\$ 9,528,749	\$ 121,135
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 33,000	\$ 33,000	\$ -
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ (33,000)	\$ (33,000)	\$ -
Issuance of capital lease	-	-	-	-
Total other financing sources and (uses)	\$ -	\$ (33,000)	\$ (33,000)	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Exhibit 24

School Capital Projects Fund				
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
Original	Final			
\$ -	\$ -	\$ 47	\$	47
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ -	\$ -	\$ 47	\$	47
\$ -	\$ -	\$ -	\$	-
-	-	865,938	(865,938)	
\$ -	\$ -	\$ 865,938	\$	(865,938)
\$ -	\$ -	\$ (865,891)	\$	(865,891)
\$ -	\$ -	\$ -	\$	-
-	-	1,420,781	1,420,781	
-	-	1,420,781	1,420,781	
\$ -	\$ -	\$ 554,890	\$	554,890
-	-	-	-	-
\$ -	\$ -	\$ 554,890	\$	554,890

County of King and Queen, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 104,800	\$ 104,800	\$ 85,655	\$ (19,145)
Intergovernmental:				
Commonwealth	4,688	4,688	3,574	(1,114)
Federal	291,352	291,352	278,400	(12,952)
Total revenues	\$ 400,840	\$ 400,840	\$ 367,629	\$ (33,211)
EXPENDITURES				
Current:				
Education	\$ 400,840	\$ 400,840	\$ 380,952	\$ 19,888
Total expenditures	\$ 400,840	\$ 400,840	\$ 380,952	\$ 19,888
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (13,323)	\$ (13,323)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 33,000	\$ 33,000
Total other financing sources and (uses)	\$ -	\$ -	\$ 33,000	\$ 33,000
Net change in fund balances	\$ -	\$ -	\$ 19,677	\$ 19,677
Fund balances - beginning	-	-	5,037	5,037
Fund balances - ending	\$ -	\$ -	\$ 24,714	\$ 24,714

*DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY*

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County of King and Queen, Virginia
Statement of Net Position
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2016

ASSETS

Current assets:

Cash	\$ 130,555
Total current assets	\$ 130,555

Noncurrent assets:

Capital assets (net of accumulated depreciation):

Land and land improvements	\$ 516,019
Buildings and improvements	31,898
Total net capital assets	\$ 547,917
Total noncurrent assets	\$ 547,917
Total assets	\$ 678,472

LIABILITIES

Current liabilities:

Accounts payable	\$ 3,000
Total liabilities	\$ 3,000

NET POSITION

Investment in capital assets	\$ 547,917
Unrestricted	127,555
Total net position	\$ 675,472

County of King and Queen, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2016

OPERATING REVENUES

Charges for services:

Rent	\$ 28,946
Other revenues	710
Total operating revenues	<u>\$ 29,656</u>

OPERATING EXPENSES

Rent	\$ 15,105
Advertising	134
Website development	1,488
Other charges	1,443
Insurance	820
Depreciation	3,987
Total operating expenses	<u>\$ 22,977</u>
Operating income (loss)	<u>\$ 6,679</u>

NONOPERATING REVENUES (EXPENSES)

Interest income	\$ 227
Total nonoperating revenues (expenses)	<u>\$ 227</u>
Change in net position	<u>\$ 6,906</u>

Total net position - beginning	668,566
Total net position - ending	<u><u>\$ 675,472</u></u>

County of King and Queen, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 29,656
Payments for operating activities	(18,990)
Net cash provided by (used for) operating activities	<u>\$ 10,666</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Additions to capital assets	\$ (226,697)
Net cash provided by (used for) capital and related financing activities	<u>\$ (226,697)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$ 227
Net cash provided by (used for) investing activities	<u>\$ 227</u>

Net increase (decrease) in cash and cash equivalents \$ (215,804)

Cash and cash equivalents - beginning 346,359
Cash and cash equivalents - ending \$ 130,555

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:

Operating income (loss) \$ 6,679

Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:

Depreciation \$ 3,987

Total adjustments \$ 3,987

Net cash provided by (used for) operating activities \$ 10,666

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SUPPORTING SCHEDULES

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County of King and Queen, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 4,271,869	\$ 4,271,869	\$ 4,536,870	\$ 265,001
Real and personal public service corporation taxes	137,997	137,997	146,004	8,007
Personal property taxes	1,465,000	1,465,000	1,648,264	183,264
Mobile home taxes	29,615	29,615	27,707	(1,908)
Machinery and tools taxes	220,000	220,000	242,259	22,259
Merchant's capital taxes	32,000	32,000	29,732	(2,268)
Penalties	40,000	40,000	66,099	26,099
Interest	30,000	30,000	41,996	11,996
Total general property taxes	\$ 6,226,481	\$ 6,226,481	\$ 6,738,931	\$ 512,450
Other local taxes:				
Local sales and use taxes	\$ 175,000	\$ 175,000	\$ 159,883	\$ (15,117)
Consumers' utility taxes	175,000	175,000	173,800	(1,200)
Business license taxes	30,000	30,000	24,632	(5,368)
Motor vehicle licenses	186,000	186,000	154,628	(31,372)
Bank stock taxes	-	-	5,787	5,787
Taxes on recordation and wills	49,141	49,141	37,159	(11,982)
Total other local taxes	\$ 615,141	\$ 615,141	\$ 555,889	\$ (59,252)
Permits, privilege fees, and regulatory licenses:				
Dog licenses	\$ 4,500	\$ 4,500	\$ 5,986	\$ 1,486
Land use application fees	5,000	5,000	14,036	9,036
Transfer fees	320	320	368	48
Permits and other licenses	33,100	33,100	26,075	(7,025)
Total permits, privilege fees, and regulatory licenses	\$ 42,920	\$ 42,920	\$ 46,465	\$ 3,545
Fines and forfeitures:				
Court fines and forfeitures	\$ 153,800	\$ 153,800	\$ 115,251	\$ (38,549)
Revenue from use of money and property:				
Revenue from use of money	\$ 25,000	\$ 25,000	\$ 84,086	\$ 59,086
Revenue from use of property	52,146	52,146	55,405	3,259
Total revenue from use of money and property	\$ 77,146	\$ 77,146	\$ 139,491	\$ 62,345
Charges for services:				
Sheriff's fees	\$ 1,000	\$ 1,000	\$ 447	\$ (553)
Court costs	5,000	5,000	5,166	166
Courthouse maintenance fees	5,000	5,000	6,114	1,114
Charges for Commonwealth's Attorney	850	850	1,728	878
Charges for EMS support	30,000	30,000	32,276	2,276
Landfill host fees	1,032,000	1,032,000	1,419,698	387,698
Charges for correction and detention	800	800	1,189	389
Total charges for services	\$ 1,074,650	\$ 1,074,650	\$ 1,466,618	\$ 391,968

County of King and Queen, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 40,000	\$ 40,000	\$ 127,913	\$ 87,913
Recovered costs:				
Advertising for delinquent taxes	\$ -	\$ -	\$ 415	\$ 415
Drug enforcement restitution	-	-	3,785	3,785
Court costs	1,000	1,000	547	(453)
Circuit court	-	-	3,102	3,102
School resource officer	11,500	11,500	6,835	(4,665)
Total recovered costs	\$ 12,500	\$ 12,500	\$ 14,684	\$ 2,184
Total revenue from local sources	\$ 8,242,638	\$ 8,242,638	\$ 9,205,242	\$ 962,604
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 5,000	\$ 5,000	\$ 7,434	\$ 2,434
Communications tax	160,000	160,000	169,918	9,918
Additional tax on deeds	10,000	10,000	10,309	309
State recordation tax	-	-	12,951	12,951
Personal property tax relief funds	700,000	700,000	800,145	100,145
Total noncategorical aid	\$ 875,000	\$ 875,000	\$ 1,000,757	\$ 125,757
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 140,516	\$ 140,516	\$ 144,801	\$ 4,285
Sheriff	449,788	449,788	463,181	13,393
Commissioner of revenue	67,678	67,678	68,324	646
Treasurer	66,140	66,140	70,075	3,935
Registrar/electoral board	28,000	28,000	34,410	6,410
Clerk of the Circuit Court	134,295	134,295	145,733	11,438
Total shared expenses	\$ 886,417	\$ 886,417	\$ 926,524	\$ 40,107
Other categorical aid:				
Public assistance and welfare administration	\$ 402,899	\$ 402,899	\$ 293,775	\$ (109,124)
Emergency medical services - five for life	-	-	8,139	8,139
Emergency services grant	-	76,556	72,521	(4,035)
E-911 wireless grant	40,000	40,000	42,326	2,326
Arts grant	-	500	500	-
Litter control	500	35,827	6,427	(29,400)
Forest reserve funds	-	-	94,690	94,690
VMRC grant - Mattaponi Pier	-	80,000	107,362	27,362
Animal friendly plates	-	-	61	61

County of King and Queen, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 3 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
Fire programs fund	\$ -	\$ 19,528	\$ 22,011	\$ 2,483
DEQ grant	-	-	20,000	20,000
Total other categorical aid	\$ 443,399	\$ 655,310	\$ 667,812	\$ 12,502
Total categorical aid	\$ 1,329,816	\$ 1,541,727	\$ 1,594,336	\$ 52,609
Total revenue from the Commonwealth	\$ 2,204,816	\$ 2,416,727	\$ 2,595,093	\$ 178,366
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 657,231	\$ 657,231	\$ 592,290	\$ (64,941)
Transportation safety	10,500	24,300	10,814	(13,486)
Bulletproof vest grant	-	-	1,531	1,531
Emergency management planning grant	-	-	13,673	13,673
Total categorical aid	\$ 667,731	\$ 681,531	\$ 618,308	\$ (63,223)
Total revenue from the federal government	\$ 667,731	\$ 681,531	\$ 618,308	\$ (63,223)
Total General Fund	\$ 11,115,185	\$ 11,340,896	\$ 12,418,643	\$ 1,077,747
Special Revenue Funds:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 6,734	\$ 6,734
Charges for services:				
Court security fees	\$ 30,000	\$ 30,000	\$ 31,523	\$ 1,523
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 6,238	\$ 6,238
Total revenue from local sources	\$ 30,000	\$ 30,000	\$ 44,495	\$ 14,495
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive Services Act	\$ 518,570	\$ 518,570	\$ 424,000	\$ (94,570)
Total revenue from the Commonwealth	\$ 518,570	\$ 518,570	\$ 424,000	\$ (94,570)
Revenue from the federal government:				
Categorical aid:				
Other categorical aid:				
Social services block grant	\$ -	\$ -	\$ 22,083	\$ 22,083
Total categorical aid	\$ -	\$ -	\$ 22,083	\$ 22,083
Total revenue from the federal government	\$ -	\$ -	\$ 22,083	\$ 22,083
Total Special Revenue Funds	\$ 548,570	\$ 548,570	\$ 490,578	\$ (57,992)

County of King and Queen, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 4 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 3,303	\$ 3,303
Total Capital Projects Fund	\$ -	\$ -	\$ 3,303	\$ 3,303
 Total Primary Government	 \$ 11,663,755	 \$ 11,889,466	 \$ 12,912,524	 \$ 1,023,058
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Tuition and payments from other divisions	\$ -	\$ 1,050	\$ 750	\$ (300)
Miscellaneous:				
Miscellaneous	\$ 50,000	\$ 91,451	\$ 147,904	\$ 56,453
Total revenue from local sources	\$ 50,000	\$ 92,501	\$ 148,654	\$ 56,153
Intergovernmental:				
Revenues from local governments:				
Contribution from County of King and Queen	\$ 3,891,188	\$ 3,891,188	\$ 3,786,739	\$ (104,449)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,063,452	\$ 1,059,109	\$ 1,061,773	\$ 2,664
Basic school aid	2,204,182	2,218,282	2,218,282	-
Remedial summer education	12,580	-	-	-
At risk payments	124,347	124,940	124,940	-
At risk four-year olds	129,094	115,505	115,505	-
Early reading intervention	12,567	8,976	8,976	-
ESL	7,030	6,679	6,679	-
Gifted and talented	21,555	21,645	21,645	-
Homebound	8,311	4,489	4,489	-
Career and technical education	2,526	2,500	2,904	404
SOL Algebra readiness	11,042	9,247	9,247	-
Mentor teacher program	452	630	630	-
Remedial education	116,490	116,973	116,973	-
Special education - foster children	4,219	-	-	-

County of King and Queen, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 5 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
School fringes	\$ 448,532	\$ 450,393	\$ 450,393	\$ -
Primary class size reduction	194,339	164,201	164,201	-
Special education	414,136	415,854	415,854	-
Compensation supplement	41,445	41,611	41,611	-
Technology initiative	155,200	155,200	21,375	(133,825)
Textbook payment	44,129	44,312	44,312	-
Vocational education	59,162	59,408	59,408	-
Total categorical aid	<u>\$ 5,074,790</u>	<u>\$ 5,019,954</u>	<u>\$ 4,889,197</u>	<u>\$ (130,757)</u>
Total revenue from the Commonwealth	<u>\$ 5,074,790</u>	<u>\$ 5,019,954</u>	<u>\$ 4,889,197</u>	<u>\$ (130,757)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 180,145	\$ 179,793	\$ 182,869	\$ 3,076
Vocational education	15,212	15,880	21,835	5,955
21st century learning center	178,000	121,977	143,182	21,205
Title VIB	228,457	221,637	217,165	(4,472)
Preschool grant	16,727	16,876	29,525	12,649
Title II - Part A	68,998	18,577	24,458	5,881
Title III	-	-	1,841	1,841
Gear up	-	40,381	52,164	11,783
JROTC grant	65,000	64,120	64,120	-
Total categorical aid	<u>\$ 752,539</u>	<u>\$ 679,241</u>	<u>\$ 737,159</u>	<u>\$ 57,918</u>
Total revenue from the federal government	<u>752,539</u>	<u>679,241</u>	<u>737,159</u>	<u>57,918</u>
Total School Operating Fund	<u>\$ 9,768,517</u>	<u>\$ 9,682,884</u>	<u>\$ 9,561,749</u>	<u>\$ (121,135)</u>
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 104,800	\$ 104,800	\$ 85,655	\$ (19,145)

County of King and Queen, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 6 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund: (Continued)				
School Cafeteria Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 4,688	\$ 4,688	\$ 3,574	\$ (1,114)
Total revenue from the Commonwealth	\$ 4,688	\$ 4,688	\$ 3,574	\$ (1,114)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 291,352	\$ 291,352	\$ 250,110	\$ (41,242)
Commodities	-	-	28,290	28,290
Total categorical aid	\$ 291,352	\$ 291,352	\$ 278,400	\$ (12,952)
Total revenue from the federal government	\$ 291,352	\$ 291,352	\$ 278,400	\$ (12,952)
Total School Cafeteria Fund	\$ 400,840	\$ 400,840	\$ 367,629	\$ (33,211)
Capital Projects Fund:				
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 47	\$ 47
Total School Capital Projects Fund	\$ -	\$ -	\$ 47	\$ 47
Total Discretely Presented Component Unit - School Board	\$ 10,169,357	\$ 10,083,724	\$ 9,929,425	\$ (154,299)

County of King and Queen, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 1 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 47,380	\$ 47,380	\$ 40,001	\$ 7,379
General and financial administration:				
County administrator	\$ 243,323	\$ 243,323	\$ 224,228	\$ 19,095
County attorney	125,230	125,230	118,693	6,537
Commissioner of revenue	211,621	211,621	187,105	24,516
Professional auditing and accounting services	39,200	39,200	38,430	770
Treasurer	229,585	234,085	206,748	27,337
General reassessment	60,000	60,000	77,391	(17,391)
Management information systems	82,819	82,819	78,549	4,270
Other general and financial administration	209,878	209,878	195,224	14,654
Total general and financial administration	\$ 1,201,656	\$ 1,206,156	\$ 1,126,368	\$ 79,788
Board of elections:				
Electoral board and officials	\$ 27,525	\$ 41,841	\$ 29,007	\$ 12,834
Registrar	68,658	68,658	68,512	146
Total board of elections	\$ 96,183	\$ 110,499	\$ 97,519	\$ 12,980
Total general government administration	\$ 1,345,219	\$ 1,364,035	\$ 1,263,888	\$ 100,147
Judicial administration:				
Courts:				
Circuit court	\$ 2,700	\$ 2,700	\$ 2,051	\$ 649
General district court	14,940	14,940	14,793	147
Special Magistrates	500	500	97	403
Juvenile and domestic relations court	10,721	10,721	2,509	8,212
Ninth District Court services unit	79,071	79,071	52,081	26,990
Victim witness assistance	4,042	4,042	3,302	740
Clerk of the circuit court	240,912	240,912	230,776	10,136
Total courts	\$ 352,886	\$ 352,886	\$ 305,609	\$ 47,277
Commonwealth's attorney:				
Commonwealth's attorney	\$ 216,918	\$ 216,918	\$ 211,560	\$ 5,358
Total judicial administration	\$ 569,804	\$ 569,804	\$ 517,169	\$ 52,635
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,236,415	\$ 1,250,215	\$ 1,167,687	\$ 82,528
E-911	83,245	83,245	81,432	1,813
Total law enforcement and traffic control	\$ 1,319,660	\$ 1,333,460	\$ 1,249,119	\$ 84,341
Fire and rescue services:				
Fire department	\$ 80,000	\$ 80,000	\$ 80,000	\$ -
Ambulance and rescue services	61,000	61,000	49,798	11,202
Rescue services	176,607	269,427	238,179	31,248
Radio communications	245,217	245,217	208,702	36,515
Emergency medical services	741	741	743	(2)
Forestry services	11,677	11,677	11,677	-
Total fire and rescue services	\$ 575,242	\$ 668,062	\$ 589,099	\$ 78,963

County of King and Queen, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 2 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Probation and pretrial services	\$ 3,000	\$ 3,000	\$ 3,000	\$ -
Payments to Regional Jail	400,000	400,000	317,039	82,961
Total correction and detention	<u>\$ 403,000</u>	<u>\$ 403,000</u>	<u>\$ 320,039</u>	<u>\$ 82,961</u>
Inspections:				
Building	<u>\$ 57,460</u>	<u>\$ 57,460</u>	<u>\$ 46,518</u>	<u>\$ 10,942</u>
Other protection:				
Animal control and shelter	\$ 139,670	\$ 139,670	\$ 139,967	\$ (297)
Emergency services	38,818	81,374	237,609	(156,235)
Medical examiner	200	200	-	200
Total other protection	<u>\$ 178,688</u>	<u>\$ 221,244</u>	<u>\$ 377,576</u>	<u>\$ (156,332)</u>
Total public safety	<u>\$ 2,534,050</u>	<u>\$ 2,683,226</u>	<u>\$ 2,582,351</u>	<u>\$ 100,875</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	<u>\$ 435,031</u>	<u>\$ 435,031</u>	<u>\$ 423,331</u>	<u>\$ 11,700</u>
Maintenance of general buildings and grounds:				
General properties	<u>\$ 222,077</u>	<u>\$ 222,077</u>	<u>\$ 204,253</u>	<u>\$ 17,824</u>
Total public works	<u>\$ 657,108</u>	<u>\$ 657,108</u>	<u>\$ 627,584</u>	<u>\$ 29,524</u>
Health and welfare:				
Health:				
Supplement of local health department	<u>\$ 55,708</u>	<u>\$ 58,000</u>	<u>\$ 58,000</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	<u>\$ 21,321</u>	<u>\$ 21,321</u>	<u>\$ 21,321</u>	<u>\$ -</u>
Welfare:				
Public assistance and welfare administration	\$ 1,364,487	\$ 1,364,487	\$ 1,060,890	\$ 303,597
Rental assistance payments	3,438	3,438	3,438	-
Central Virginia Health Services	6,510	6,510	6,510	-
Bay Aging	27,568	27,568	27,568	-
Contributions	10,212	10,712	10,712	-
Total welfare	<u>\$ 1,412,215</u>	<u>\$ 1,412,715</u>	<u>\$ 1,109,118</u>	<u>\$ 303,597</u>
Total health and welfare	<u>\$ 1,489,244</u>	<u>\$ 1,492,036</u>	<u>\$ 1,188,439</u>	<u>\$ 303,597</u>
Education:				
Other instructional costs:				
Contribution to Community College	\$ 5,731	\$ 5,731	\$ 5,731	\$ -
Contribution to County School Board	3,891,188	3,891,188	3,786,739	104,449
Total education	<u>\$ 3,896,919</u>	<u>\$ 3,896,919</u>	<u>\$ 3,792,470</u>	<u>\$ 104,449</u>

County of King and Queen, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 3 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural:				
Cultural enrichment:				
Mattaponi pier construction	\$ -	\$ 150,000	\$ 157,254	\$ (7,254)
Library:				
Contribution to County library	\$ 161,128	\$ 161,128	\$ 160,828	\$ 300
Total parks, recreation, and cultural	\$ 161,128	\$ 311,128	\$ 318,082	\$ (6,954)
Community development:				
Planning and community development:				
Planning and zoning	\$ 187,616	\$ 217,016	\$ 200,931	\$ 16,085
Wetlands board	3,138	3,138	781	2,357
Board of zoning appeals	4,038	4,038	226	3,812
Industrial Development Authority	3,492	3,492	1,231	2,261
Airport authority	55,000	55,000	59,875	(4,875)
Economic development	31,963	281,963	7,577	274,386
Planning commission	16,300	16,300	16,300	-
Total planning and community development	\$ 301,547	\$ 580,947	\$ 286,921	\$ 294,026
Environmental management:				
Contribution to soil and water conservation district	\$ 9,674	\$ 9,674	\$ 9,674	\$ -
Litter control program	500	6,427	-	6,427
Total environmental management	\$ 10,174	\$ 16,101	\$ 9,674	\$ 6,427
Cooperative extension program:				
Extension office	\$ 32,039	\$ 32,039	\$ 23,165	\$ 8,874
Total community development	\$ 343,760	\$ 629,087	\$ 319,760	\$ 309,327
Nondepartmental:				
Contingencies	\$ 92,000	\$ 86,000	\$ 30,166	\$ 55,834
Capital projects:				
Capital projects	\$ 100,000	\$ 300,080	\$ 328,223	\$ (28,143)
Total capital projects	\$ 100,000	\$ 300,080	\$ 328,223	\$ (28,143)
Total General Fund	\$ 11,189,232	\$ 11,989,423	\$ 10,968,132	\$ 1,021,291

County of King and Queen, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 4 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
Public Safety:				
Other protection:				
Court security	\$ 32,295	\$ 32,295	\$ 45,387	(13,092)
Forfeited assets	-	2,251	7,088	(4,837)
K-9 unit	-	-	10,920	(10,920)
DARE educational materials	-	-	356	(356)
Total public safety	\$ 32,295	\$ 34,546	\$ 63,751	\$ (29,205)
Health and Welfare:				
Welfare:				
Comprehensive Services Act	\$ 762,500	\$ 762,500	\$ 689,787	\$ 72,713
Total Welfare	\$ 762,500	\$ 762,500	\$ 689,787	\$ 72,713
Total Special Revenue Fund	\$ 794,795	\$ 797,046	\$ 753,538	\$ 43,508
Capital Projects Funds:				
Capital Projects Fund:				
Capital projects:				
General government	\$ -	\$ 96,179	\$ 4,630	\$ 91,549
School capital projects	-	413,852	127,977	285,875
Total Capital Projects Fund	\$ -	\$ 510,031	\$ 132,607	\$ 377,424
Total Primary Government	\$ 11,984,027	\$ 13,296,500	\$ 11,854,277	\$ 1,442,223
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health and attendance	\$ 678,953	\$ 720,453	\$ 719,024	\$ 1,429
Instruction costs	7,303,313	7,067,180	6,973,850	93,330
Pupil transportation	1,011,547	1,087,547	1,067,261	20,286
Operation and maintenance of school plant	774,704	774,704	768,614	6,090
Total education	\$ 9,768,517	\$ 9,649,884	\$ 9,528,749	\$ 121,135
Total School Operating Fund	\$ 9,768,517	\$ 9,649,884	\$ 9,528,749	\$ 121,135
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 400,840	\$ 400,840	\$ 380,952	\$ 19,888
Total School Cafeteria Fund	\$ 400,840	\$ 400,840	\$ 380,952	\$ 19,888
Capital Projects Fund:				
School Capital Projects Fund:				
Capital projects expenditures:				
School HVAC project	\$ -	\$ -	\$ 865,938	\$ (865,938)
Total School Capital Projects Fund	\$ -	\$ -	\$ 865,938	\$ (865,938)
Total Discretely Presented Component Unit - School Board	\$ 10,169,357	\$ 10,050,724	\$ 10,775,639	\$ (724,915)

STATISTICAL INFORMATION

County of King and Queen, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education
2007	\$ 1,019,799	\$ 590,168	\$ 1,773,096	\$ 726,985	\$ 1,757,721	\$ 5,338,975
2008	1,182,630	689,333	1,930,910	735,960	2,109,521	5,350,926
2009	1,260,537	601,917	2,201,455	2,948,485	2,072,942	4,321,829
2010	1,174,459	610,178	2,399,846	681,508	1,909,365	4,122,668
2011	1,267,906	591,782	1,979,131	606,615	1,789,941	4,117,502
2012	1,226,149	613,685	2,751,138	554,107	2,078,523	4,156,243
2013	1,203,043	616,327	2,919,101	626,842	1,935,820	4,439,670
2014	1,290,245	629,013	2,842,676	642,818	1,593,694	4,655,236
2015	1,221,463	624,839	2,701,437	567,403	1,872,983	3,710,080
2016	1,246,630	612,550	2,986,517	629,972	1,851,649	3,920,447

Table 1

	Parks, Recreation, and Cultural	Community Development	Interest on Long- Term Debt	Service Authority	Total
\$	173,818	\$ 291,868	\$ 260,407	\$ -	\$ 11,932,837
	188,401	825,805	231,322	-	13,244,808
	214,630	456,491	201,368	-	14,279,654
	207,000	571,849	171,635	-	11,848,508
	171,151	332,854	137,552	-	10,994,434
	248,605	485,371	106,139	-	12,219,960
	181,060	537,440	80,972	94,618	12,634,893
	182,296	298,958	57,134	256,794	12,448,864
	165,790	744,192	14,080	213,425	11,835,692
	318,082	316,566	23,472	191,944	12,097,829

County of King and Queen, Virginia
Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes
2007	\$ 4,290,554	\$ 2,170,888	\$ 25,000	\$ 5,427,229	\$ 787,448
2008	4,476,891	2,489,220	435,110	5,273,163	819,271
2009	4,157,409	2,429,879	103,073	5,450,427	762,763
2010	3,809,129	2,321,552	122,783	5,488,787	639,854
2011	3,360,983	2,265,979	147,075	5,578,955	594,612
2012	3,216,698	2,539,732	-	5,671,926	620,996
2013	2,896,267	2,719,685	-	6,376,738	656,466
2014	2,475,864	2,466,019	14,700	6,532,057	655,146
2015	1,496,483	2,622,086	-	6,792,526	645,179
2016	1,847,583	2,551,365	107,362	6,870,777	555,889

Table 2

		Grants and Contributions Not Restricted to Specific Programs		Gain on Sale of Capital Assets	Total
Unrestricted Investment Earnings	Miscellaneous				
\$ 674,374	\$ 105,276	\$ 906,193	\$ -	\$ 14,386,962	
652,770	61,233	965,834	18,945	15,192,437	
306,619	448,295	905,252	-	14,563,717	
80,345	128,569	1,078,190	-	13,669,209	
160,529	119,343	1,045,800	-	13,273,276	
71,039	121,403	1,049,684	-	13,291,478	
77,878	125,138	1,038,100	-	13,890,272	
98,527	128,806	907,582	-	13,278,701	
112,107	146,769	945,964	-	12,761,114	
149,616	134,151	1,000,757	-	13,217,500	

County of King and Queen, Virginia
General Governmental Expenditures by Function (1,3)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)
2007	\$ 1,062,685	\$ 480,250	\$ 1,833,305	\$ 752,922	\$ 1,758,135	\$ 11,077,211
2008	1,165,088	581,038	1,933,856	725,509	2,112,770	11,665,106
2009	1,258,270	493,137	2,125,239	747,643	2,042,172	11,228,294
2010	1,171,879	513,882	2,028,430	715,845	1,932,790	10,274,097
2011	1,211,803	485,070	2,270,592	627,974	1,753,258	10,327,053
2012	1,219,064	494,712	2,406,039	606,855	2,071,568	11,096,194
2013	1,167,386	503,509	2,758,906	602,076	1,923,722	11,681,192
2014	1,224,648	510,798	2,644,137	659,260	1,590,812	10,556,133
2015	1,194,338	516,483	2,342,193	651,611	1,891,822	9,732,140
2016	1,263,888	517,169	2,646,102	627,584	1,878,226	9,915,432

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit School Board.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit School Board.

(3) Excludes Capital Projects expenditures.

Table 3

	Parks, Recreation, and Cultural	Community Development	Non- departmental	Debt Service	Total
\$	160,436	\$ 306,923	\$ -	\$ 761,325	\$ 18,193,192
	179,708	822,467	-	733,279	19,918,821
	205,937	456,520	-	714,627	19,271,839
	198,307	554,621	-	696,343	18,086,194
	178,911	327,900	3,700	670,734	17,856,995
	248,605	475,388	7,495	646,481	19,272,401
	181,060	770,018	28,373	531,778	20,148,020
	182,296	296,148	17,133	499,048	18,180,413
	165,790	751,644	18,393	901,381	18,165,795
	318,082	319,760	30,166	-	17,516,409

County of King and Queen, Virginia
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services
2007	\$ 5,340,444	\$ 787,448	\$ 134,266	\$ 101,128	\$ 674,966	\$ 4,197,600
2008	5,249,624	819,271	108,920	101,754	652,520	4,414,084
2009	5,477,519	762,763	63,144	133,051	306,633	4,110,956
2010	5,678,269	639,854	78,962	147,261	78,477	3,721,618
2011	5,602,445	594,612	73,498	124,678	187,348	3,295,886
2012	5,547,286	620,996	61,305	148,693	70,073	3,006,700
2013	6,320,017	656,466	67,785	128,578	76,630	2,685,995
2014	6,560,390	655,146	75,948	137,889	97,590	2,274,719
2015	6,839,256	645,179	32,467	174,516	111,066	1,238,497
2016	6,738,931	555,889	46,465	115,251	146,225	1,584,546

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit School Board.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit School Board.

Table 4

Miscellaneous		Recovered Costs	Inter- governmental (2)	Total
\$	339,068	\$ 44,329	\$ 8,947,946	\$ 20,567,195
	287,826	9,664	10,224,591	21,868,254
	659,419	26,630	10,300,393	21,840,508
	329,555	85,994	9,683,574	20,443,564
	331,891	76,398	9,663,040	19,949,796
	121,403	25,839	10,658,460	20,260,755
	114,768	11,082	11,081,156	21,142,477
	241,343	27,162	9,411,401	19,481,588
	195,198	25,871	9,592,652	18,854,702
	282,055	14,684	9,567,814	19,051,860

Table 5

County of King and Queen, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2007	\$ 6,612,760	\$ 5,974,714	90.35%	\$ 226,213	\$ 6,200,927	93.77%	\$ 320,540	4.85%
2008	6,088,486	5,876,877	96.52%	175,231	6,052,108	99.40%	370,897	6.09%
2009	6,303,965	6,078,961	96.43%	182,195	6,261,156	99.32%	390,138	6.19%
2010	6,268,554	6,123,219	97.68%	234,679	6,357,898	101.43%	301,904	4.82%
2011	6,342,318	6,169,530	97.28%	164,138	6,333,668	99.86%	318,770	5.03%
2012	6,361,823	6,201,968	97.49%	136,888	6,338,856	99.64%	318,242	5.00%
2013	7,154,945	6,928,385	96.83%	152,813	7,081,198	98.97%	337,926	4.72%
2014	7,346,800	7,142,854	97.22%	162,645	7,305,499	99.44%	344,648	4.69%
2015	7,462,951	7,261,520	97.30%	196,812	7,458,332	99.94%	339,885	4.55%
2016	7,538,777	7,248,757	96.15%	182,224	7,430,981	98.57%	483,608	6.41%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

Table 6

County of King and Queen, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Machinery and Tools	Merchant's Capital	Public Utility (2)		Total
					Real Estate		
2007	\$ 470,862,472	\$ 63,592,087	\$ 15,608,585	\$ 2,899,704	\$ 13,875,616	\$	566,838,464
2008	759,696,379	65,245,642	15,612,800	3,072,540	19,571,641		863,199,002
2009	773,289,533	68,747,403	15,684,710	2,826,694	17,160,338		877,708,678
2010	784,602,233	66,823,674	15,441,892	4,179,900	18,311,989		889,359,688
2011	781,893,148	69,095,920	16,141,065	3,656,050	18,456,483		889,242,666
2012	789,498,710	68,688,278	16,700,580	4,580,483	22,917,533		902,385,584
2013	838,291,612	73,948,213	16,121,740	4,729,556	27,120,435		960,211,556
2014	838,941,658	74,051,309	18,834,615	4,367,467	26,982,342		963,177,391
2015	845,030,681	70,865,142	21,508,080	5,224,061	25,554,964		968,182,928
2016	844,188,081	77,906,672	22,452,515	5,497,176	26,983,745		977,028,189

(1) Real estate and personal property are assessed at 100% of fair market value.

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

Table 7

County of King and Queen, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Merchant's Capital	Machinery and Tools
2007	\$ 0.76	\$ 3.94	\$ 0.65	\$ 0.99
2008	0.48	3.94	0.65	0.99
2009	0.48	3.94	0.65	1.10
2010	0.48	3.94	0.65	1.10
2011	0.48	3.94	0.65	1.10
2012	0.48	3.94	0.65	1.10
2013	0.52	3.94	0.65	1.10
2014	0.54	3.94	0.65	1.10
2015	0.54	3.94	0.65	1.10
2016	0.54	3.94	0.65	1.10

(1) Per \$100 of assessed value.

Table 8

County of King and Queen, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2007	6,630	\$ 566,838,464	\$ 2,277,104	\$ 2,277,104	0.40%	\$ 343
2008	6,630	863,199,002	1,927,405	1,927,405	0.22%	291
2009	6,630	877,708,678	1,571,654	1,571,654	0.18%	237
2010	6,945	889,359,688	1,214,975	1,214,975	0.14%	175
2011	6,945	889,242,666	855,823	855,823	0.10%	123
2012	6,945	902,385,584	499,362	499,362	0.06%	72
2013	6,945	960,211,556	240,000	240,000	0.02%	35
2014	6,945	963,177,391	-	-	N/A	N/A
2015	6,945	968,182,928	-	-	N/A	N/A
2015	6,945	977,028,189	-	-	N/A	N/A

(1) Weldon Cooper Center for Public Service 2000 and 2010 Census.

(2) From Table 6.

(3) Includes all long-term general obligation bond, bonded anticipation notes, and literary fund loans.

Excludes revenue bonds, capital leases, and compensated absences.

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COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' 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 and Queen
King and Queen, 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 business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of King and Queen, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise County of King and Queen, Virginia's basic financial statements and have issued our report thereon dated November 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of King and Queen, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of King and Queen, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of King and Queen, Virginia'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of King and Queen, Virginia'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 30, 2016

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required the Uniform Guidance

To The Honorable Members of the Board of Supervisors
County of King and Queen
King and Queen, Virginia

Report on Compliance for Each Major Federal Program

We have audited County of King and Queen, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of King and Queen, Virginia's major federal programs for the year ended June 30, 2016. County of King and Queen, Virginia's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of King and Queen, Virginia'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), *Audits of States, Local Governments, and Non-Profit Organizations*. 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 County of King and Queen, Virginia'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 County of King and Queen, Virginia's compliance.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in the accompanying schedule of findings and questioned costs, the County of King and Queen, Virginia did not comply with the requirements of CFDA 10.553/10.555/10.559 Child Nutrition Cluster as described in finding number 2016-001 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County of King and Queen, Virginia to comply with the requirements applicable to that program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County of King and Queen, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, County of King and Queen, Virginia 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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

County of King and Queen, Virginia's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of King and Queen, Virginia's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of County of King and Queen, Virginia 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 County of King and Queen, Virginia'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 County of King and Queen, Virginia's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

Report on Internal Control over Compliance (Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.

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.

County of King and Queen, Virginia's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of King and Queen, Virginia's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 30, 2016

County of King and Queen, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Page 1 of 2

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass-Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	950114/1350115	\$ 13,886
Temporary Assistance for Needy Families	93.558	400114/0400115	95,836
Refugee and Entrant Assistance - State Administered Programs	93.566	500114/500115	103
Low-Income Home Energy Assistance	93.568	600414/00600415	11,308
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	760114/0760115	14,359
Chafee Education and Training Vouchers Program	93.599	9130114/9130115	1,568
Stephanie Tubbs Jones Child Welfare Services Program	93.645	900114/130115	582
Foster Care - Title IV-E	93.658	1100114/1100115	70,052
Adoption Assistance	93.659	1120114/11201115	46,900
Social Services Block Grant	93.667	1000114/1000115	85,223
Chafee Foster Care Independence Program	93.674	9150114/9150115	719
Children's Health Insurance Program	93.767	540114/0540115	4,673
Medical Assistance Program	93.778	1200114/1200115	148,092
Total Department of Health and Human Services			<u>\$ 493,301</u>
Department of Agriculture:			
Child Nutrition Cluster:			
Pass-Through Payments:			
Department of Agriculture:			
Food Distribution	10.555	Not available	\$ 27,428
Department of Education:			
National School Lunch Program	10.555	17901-40623	190,063
Total CFDA 10.555			<u>\$ 217,491</u>
Department of Agriculture:			
Food Distribution	10.559	Not available	862
Department of Education:			
School Breakfast Program	10.553	17901-40591	60,047
Total Child Nutrition Cluster			<u>\$ 278,400</u>
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010114/0010115	121,072
Total Department of Agriculture			<u>\$ 399,472</u>

County of King and Queen, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Page 2 of 2

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass-Through Payments:			
Department of Motor Vehicles:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	60507-55386/53000	\$ 10,814
Department of Defense:			
Direct payments:			
Junior ROTC	12.xxx	N/A	\$ 64,120
Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Emergency Management Performance	97.042	7750100-62744	\$ 13,673
Department of Justice:			
Direct payments:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 1,531
Department of Education:			
Pass-Through Payments:			
State Council for Higher Education for Virginia			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Not available	\$ 52,164
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	182,869
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071	217,165
Special Education - Preschool Grants	84.173	17901-62521	29,525
Total Special Education Cluster			\$ 246,690
Career and Technical Education - Basic Grants to States	84.048	17901-61095/61159	21,835
Twenty-First Century Community Learning Centers	84.287	17901-60565	143,182
English Language Acquisition State Grants	84.365	17901-60512	1,841
Supporting Effective Instruction State Grant	84.367	17901-61480	24,458
Total Department of Education			\$ 673,039
Total Expenditures of Federal Awards			\$ 1,655,950

See accompanying notes to schedule of expenditures of federal awards.

County of King and Queen, Virginia

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of King and Queen, Virginia under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of King and Queen, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of King and Queen, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Donation

The value of federal awards expended in the form of noncash assistance for food commodities is reported in the schedule.

Note 4 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 618,308
Nonmajor Special Revenue Fund	22,083
Total primary government	<u>\$ 640,391</u>

Component Unit School Board:

School Operating Fund	\$ 737,159
School Cafeteria Fund	278,400
Total Component Unit School Board	<u>\$ 1,015,559</u>

Total federal expenditures per basic financial statements	<u>\$ 1,655,950</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 1,655,950</u></u>
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County of King & Queen, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I-Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ none reported

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ✓ yes no

Significant deficiency(ies) identified? yes ✓ none reported

Type of auditors' report issued on compliance
for major programs: modified

Any findings disclosed that are required to be
in accordance with Title 2, *U.S. Code of Federal
Regulations Part 200, Uniform Guidance* ? ✓ yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

Dollar threshold used to distinguish between type A
and type B programs: \$750,000

Auditee qualified as low-risk auditee? ✓ yes no

Section II-Financial Statement Findings

None

County of King & Queen, Virginia
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2016

Section III-Federal Award Findings and Questioned Costs

Finding 2016-001

CFDA Title: Child Nutrition Cluster
CFDA Number: 10.553/10.555/10.559
Federal Award Number: 201616N109941
Federal Award Year: 2015-2016

Criteria:

Applicants who meet the published federal income eligibility guidelines should be given free or reduced price meals as applicable.

Condition:

Two out of twenty-five applicants sampled that were eligible for reduced price meals were denied reduced price meals.

Questioned Costs:

None

Context:

Household income and family size data were incorrectly entered into the online software.

Effect:

Two eligible applicants were denied reduced price meals.

Cause:

Information entered in the online software is not subject to supervisory review.

Recommendation:

Controls should be strengthened to ensure that the amounts entered into the online software are accurate and subject to supervisory review.

Views of responsible officials and planned corrective actions:

The School Board is considering corrective action for FY17.

Section IV-Status of Prior Audit Findings

There were no prior year audit findings.