



**Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2016**

INTRODUCTORY SECTION

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COUNTY OF NEW KENT, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared By:
Department of Financial Services

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COUNTY OF NEW KENT, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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COUNTY OF NEW KENT, VIRGINIA

PRINCIPAL OFFICIALS

June 30, 2016

BOARD OF SUPERVISORS

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

CONSTITUTIONAL OFFICERS

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

COUNTY ADMINISTRATIVE OFFICERS

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

SCHOOL BOARD

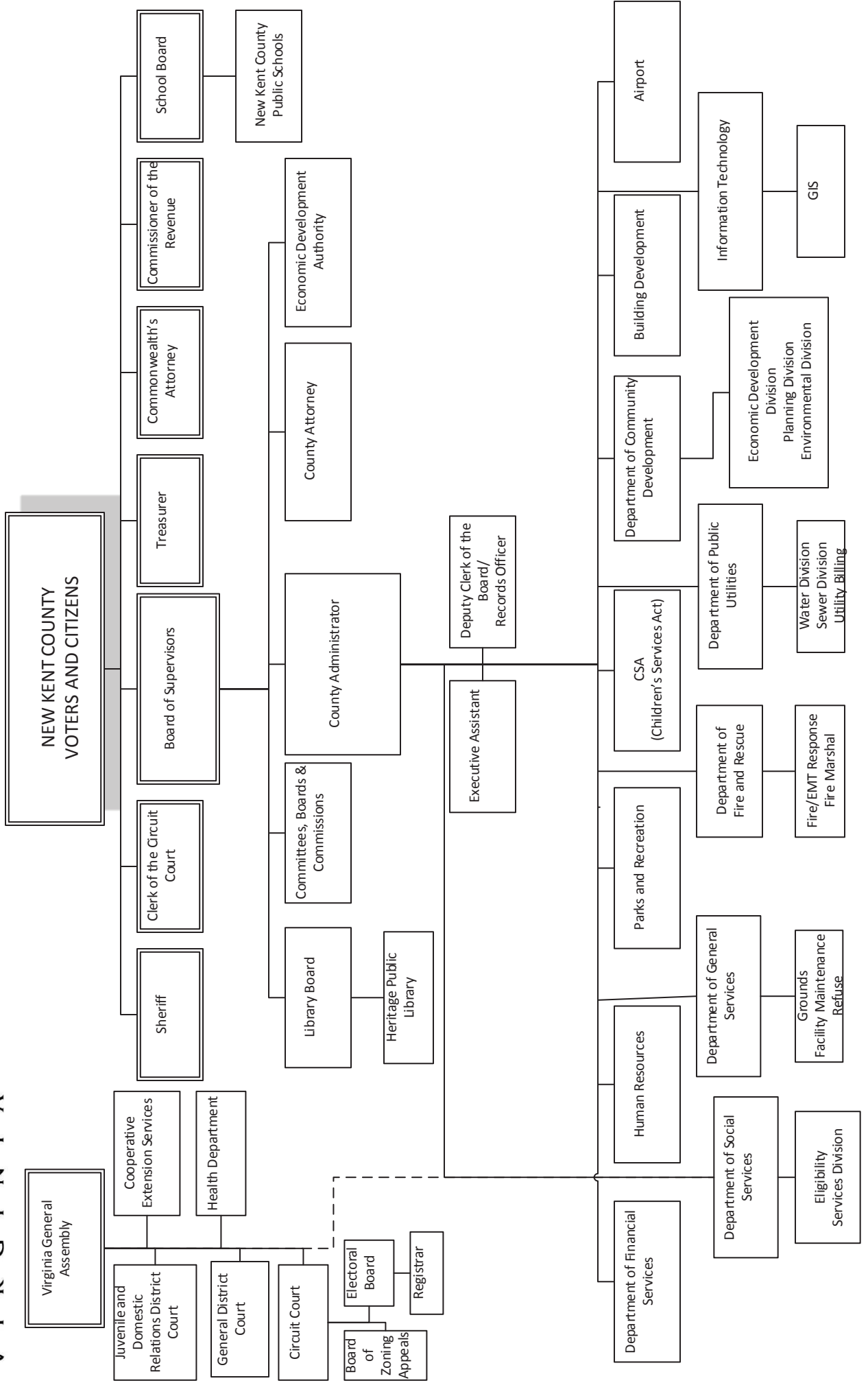
Sarah Grier Barber, Chairman District 4
Dr. Gail B. Hardinge, Vice Chairman District 5
Adriane Marshall District 1
Kristin Swynford District 2
Andrea Staskiel District 3

SCHOOL BOARD ADMINISTRATIVE OFFICERS

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

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Organization of General Governments Administrative Functions FY 2016



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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
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**County of New Kent
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Executive Director/CEO

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**Board of Supervisors**

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

Rodney A. Hathaway
County Administrator

www.co.new-kent.va.us

November 10, 2016

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of New Kent County (the County) for the fiscal year ended June 30, 2016. The *Code of Virginia* requires that local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. This report has been prepared by the County of New Kent Department of Financial Services in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) where applicable, and the Virginia Auditor of Public Accounts (APA).

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

The County's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended

June 30, 2016 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of this report.

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

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

Profile of the County

The County of New Kent (the "County") is home to approximately 20,468 people per the University of Virginia Weldon Cooper Center's 2015 annual official Population Estimates for Virginia and its counties and its cities. In fact, New Kent County was reported as the 5th fastest growing locality in Virginia. At the time of the 2010 census, the population of the County was approximately 18,429. Even though the population density is at approximately 96.54 persons per square mile, demonstrating the County still remains primarily rural, the County has undergone significant development over the past several years with growth spread fairly evenly throughout the County.

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

The County was created by an act of the House of Burgesses on November 20, 1654. The settlers were of English stock and the County was named for Kent of England. Land grants to the early settlers along the rivers led to large plantations and palatial manor houses, fostering a way of life long associated with our colonial era. The European history of New Kent began with the visit of Captain John Smith in 1607. At that time, it encompassed portions of today's surrounding counties: Hanover, King William, King and Queen, James City, Charles City and Henrico.

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

The County government is responsible for providing a wide array of governmental services for its citizens including animal control, building inspections, planning and community development, economic development, tourism, water and sewer services, disposal of refuse, parks and recreation, libraries/culture, police and fire services, E-911 and emergency services, including medical, and health and social services. Other services provided by the County, which receive partial funding from the State and Federal governments, include: 1) public education in grades kindergarten through twelve; 2) certain technical, vocational and special education programs; 3) mental health assistance; 4) agricultural services; 5) judicial activities; juvenile detention services and 6) airport services. The Commonwealth of Virginia is responsible for the construction and maintenance of highways, streets, and related infrastructure located within the County.

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

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

In early March, the County Administrator submits a draft budget to the Board of Supervisors for consideration. This is a working document intended to facilitate Board work sessions to establish a blueprint for a funding and expenditure plan. The draft budget is simply a printout of departmental line-item budgets and does not include the wide array of information reflected in the adopted budget. A proposed budget is issued in April, and a public hearing is held in May to inform residents and to obtain citizen input. The Board of Supervisors is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the County's fiscal year. A final budget is legally adopted through passage of a Budget Appropriation motion no later than June 30 for a fiscal year commencing on July 1. The proposed and adopted budgets also include funding for the first year of the five-year Capital Improvements Plan. The Budget Appropriation motion establishes budgetary appropriation amounts at the fund level (e.g., General Fund). The Code of Virginia requires that the School Board's requested budget be submitted in its entirety to the Board of Supervisors. Legislation passed in the 1978 General Assembly requires the County to approve an annual education budget by May 1 or within 30 days of the receipt of estimates of state educational funds to the County. Activities of the general fund, special revenue funds, capital projects, debt service, school funds, and proprietary funds are included in the annual appropriated budget.

The Board reviews its Bylaws at its January meeting and any necessary amendments are adopted at the February meeting. Included in the Bylaws are procedures for financial control. The Bylaws effectively establish a legal level of budgetary control, the lowest level at which the County Administrator may reallocate resources without Board approval. He is authorized to transfer appropriations by line item within departments, except for payroll and employee benefits line items. The County Administrator does not have authority to transfer appropriations between departments or across funds within the primary government's governmental funds. The Board of Supervisors must approve all other transfers and all requests for supplemental appropriations. The Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories unless the transfer crosses functions. However, any transfer that crosses functions or supplemental appropriation that increases the School's total appropriated budget requires subsequent Board of Supervisors approval. All transfers are reported to the Board of Supervisors on a monthly basis.

Budget-to-actual comparisons are provided in this report for which an appropriated annual budget has been adopted. These comparisons are presented in the Required Supplementary Information section and Supporting Schedules under Other Supplementary Information of the financial statements.

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

Economic Overview

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

Local economy:

Despite challenging national economic conditions, New Kent has maintained population growth, business investment, and positive economic activity. While the adopted FY 2016 Budget did not reflect a reduction in existing services, going forward the County will face revenue and operational cost challenges that will test our ability to maintain our current service levels. It is anticipated that any recovery of the U.S. and State economies will remain modest and slow to materialize in the local housing market. We believe the local economy continues to be positioned to weather these tough economic conditions better than most localities, but it is becoming more of a challenge.

The County enjoys the fourth-highest median household income and the second-lowest poverty rate of the fourteen jurisdictions in the Richmond/Petersburg, Virginia Metropolitan Statistical Area. (Source: U.S. Bureau of the Census 2014 Quick-Facts) The median household income ranking improved from its fifth place ranking from the prior fiscal year. The poverty rate improved as well, returning to the rate as reported in 2009. While the County continues to be largely a bedroom community as documented in 2010 Census Bureau data with a negative 4,770 Net In-Commuters, it has maintained a moderate unemployment rate compared to the rates of the surrounding region, Virginia, and the United States. As of June 2016, the County had an unemployment rate of 3.2% compared to 4.0% and 5.1% for Virginia and the United States, respectively. (Source: U. S. Bureau of Labor Statistics, Unemployment rates by county, not seasonally adjusted, Virginia June 2016)

At the peak of the market in FY 2005, 340 single-family home permits were issued. Single-family home permits in FY 2015 reached the 2013 level of 187. (Source: University of Virginia, Weldon Cooper Center) In previous years, there has been a steady increase in non-residential construction in the County but only 14 commercial building permits were issued for construction in FY 2016, the same as FY 2015. Commercial building permits issued for additions and alterations decreased from a high of 29 in FY 2012 to 17 for FY 2016. (Source: New Kent County Building Official and Building Development Office) Approximately 180 new homes are proposed to be constructed in 2017. (Source: New Kent County Department of Community Development)

New Kent's actual taxable sales have increased 56% over the past ten years. With the exception of a slight decline from 2009-2010 due to the recession, taxable sales have steadily increased year after year. The increase can be attributed to the increase in the business classification of Food and Beverage Stores which also is indicative of the increase in meals tax revenues. (Source: Virginia Department of Taxation, Taxable Sales in Virginia Counties and Cities Based on Retail Sales Tax Revenues – published quarterly with annual summary)

Economic development update: New Kent County is predominately rural in nature with approximately 66% of the County covered in pine and hardwood trees. Agriculture, forestry, fishing and hunting were prominent to the New Kent County economy for many years. However, trends are changing, as the agricultural and forestry industries are in decline; now it is the lowest in employment by industry. In the first quarter of 2016, the largest employment industries were government (federal, state and local), followed by construction, health care and social assistance, retail trade, accommodation and food services and manufacturing. (Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW), 1st Quarter (January, February, March 2016) The County's convenient access to surrounding metropolitan areas, via four interchanges of Interstate 64, has helped sustain the residential and economic expansion although repressed from prior fiscal years.

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

- The Kentland Planned Unit Development (PUD) occupies approximately 3,165 acres and is located within the southeast quadrant of the Route 155/I-64 Interchange. The Kentland community will consist of a variety of residential, office, retail, and recreational uses designed originally to complement the Colonial Downs racetrack (which closed in FY15) and the Legends of New Kent golf complex. The Kentland PUD currently consists of approximately 1,300 lots that have been created for residential use and is approved for an additional 1,900 residential lots. A commercial area has also been established that consists of a gas station, several restaurants, spa and the New Kent County Library before its recent move to a new location.
- The New Kent Vineyards is a mixed use PUD that consists of approximately 2,500 acres located in the central area of the County near the Talleyville exit along State Route 106. When completed this development will consist of approximately 2,400 residential units and up to one million square feet of commercial space. The New Kent Winery opened in May 2008.
- Weir Creek Commerce Park, located on U. S. Route 33 is a 150 acre tract of land planned for an industrial park. Currently, the first phase of site preparation is complete which involves the construction of an access road and three pad sites that total approximately 36 acres.
- Rock Creek Villas is a development consisting of approximately 14.2 acres that proposes 60 age-restricted attached units to be supported by an 18,000 square foot commercial facility. The commercial facility has been fully constructed and leased. This leased space includes two restaurants, a fitness center, hair and nail spa, a dentist office, a community meeting room, and office space for small businesses.

- The Patriots Landing PUD consists of 253 acres in the western portion of the County located at the I-64 and Route 60 intersection. This development is planned for up to 638 residential units and new commercial and office uses will be located on both sides of the Food Lion grocery store, continuing along the Route 33/I-64 frontage totaling 29.5 acres. Single-family residential development is underway with approximately 285 new single family homes completed and 24 new townhomes completed.
- The Maidstone development has seen positive developments with 3 homes sold and another 80 lots available. It is forecast that there will be development of a new section toward the early part of 2017. Recent openings and/or announcements include Aspen Burger Company, the County's new library, and an orthodontist office.
- Several cluster subdivisions that collectively encompass over 300 homes have been approved by the County.

To internally assess our financial health, the County has traditionally tracked State-published indicators of fiscal stress and median adjusted gross income. The most recent State report shows that New Kent's ranking level for fiscal stress has improved from a high of 15th in 2005 to a low of 28th for 2014. The County has maintained a steady ranking of 19th to 21st between the years 2005 to 2014 in median household income when compared to 133 Virginia localities. (Note: Localities in the index reduced from 134 to 133 in FY14 when the City of Bedford reverted to town status.) The fiscal stress index is a locality's tax rate compared to State-wide averages, with low tax rate jurisdictions assigned a lower stress as they would appear to have the greater capacity to raise their taxes. New Kent County's growth does place stress upon our budgetary process as the services sought by many residents in the County are similar to services offered by higher taxing localities. The preceding economic highlights are indicators of good fiscal health and are also indicative of the traditionally strong indicators that the County has improved over many years but the County is seeing the effect of the downturn in the economy. (Source: Commission on Local Government's Report on the *Comparative Revenue Capacity, Revenue Effort, and Fiscal Stress of Virginia's Counties and Cities, for FY2014*)

Long-term financial planning:

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

The Capital Improvements Program (CIP) is the County's plan for investing in facilities, equipment, and vehicles and includes those items with a unit cost greater than \$25,000. The CIP serves as a planning tool for the efficient, effective, and equitable distribution of public improvements throughout the County. The County has long had a non-debt funding strategy for the CIP that helped to strengthen the County's debt ratios. The Board members recognized that there was a need to improve and build new infrastructure, therefore, they increased borrowing and the debt ratios increased accordingly in recent years. The first decline in debt ratios since FY 2005 was realized in FY 2010. To offset the County's increased debt due to school renovations and the commitment to build a new high school, the Board voted in FY 2005 to set aside six cents of the real estate tax rate for future school capital debt expenditures and

one cent of the tax rate for County capital. The practice continued in FY 2010 to set aside six cents of the real estate tax rate for school debt expenditures but the one cent set aside of the tax rate for County capital was not funded in FY 2010. The practice to set aside six cents of the real estate tax rate ended in FY 2011 although there were funds remaining from this practice that allowed the County to off-set debt service expenditures by \$300,000 annually through FY 2016. The County continues to refund bonds at optimal intervals to reduce debt service expenditures. Likewise, the Board is now putting aside funds for new schools and school renovations that will be needed in the near future. The County's Capital Improvement Fund has accumulated funds due to the Board's policy requiring any funds in excess of 15% of budgeted revenues to be transferred from the General Fund into the Capital Fund. This plan was designed to reserve County savings for capital improvement projects that may have otherwise been debt financed.

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

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

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

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

The County recognizes the need to monitor revenue estimates to identify any shortfalls and potential trends that would significantly affect the various revenue sources in the current budget. A significant emphasis is placed on controlling departmental expenditures through accounts

payable and purchasing policies and procedures. Also, expenditures are monitored through monthly reporting and monitoring of departments actual expenditures to budget.

Major initiatives and accomplishments: The County has aligned its professionalism, goals, and standards of operation with those of jurisdictions with much larger populations. Some of the initiatives completed and continued over the past few years include:

- Modifications to the Historic School Gymnasium for Parks and Recreation use
- Repairs to Fire Stations 1, 2, 3 & 4 and equipment purchases for these stations
- Renovation of George Watkins Elementary School
- Improvements and upgrades to the Animal Shelter
- Research for and use of numerous federal, state, private and foundation grant opportunities for County programs, services, and capital programs
- Formulate and review formal fiscal management policies for Board approval
- Implement energy savings programs and policies
- Annually purchase Sheriff's vehicles enabling the department to keep its fleet current
- Annually transfer funds to the Computer Fund to render funds available to replace computers at least every 5 years and to update of IT equipment
- Annually provide funding for new school buses on a rotating basis to meet state guidelines
- Funding for an ERP Needs Analysis
- Support to the New Kent Airport
- Funding for the school's Technology One-to-One Learning Initiative
- Purchase of a new building to house the County library
- Construction of a new 800 MHz Public Radio System

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

Acknowledgements

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of New Kent, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the twelfth year (FY04–FY15) that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must

publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

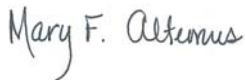
A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Rodney A. Hathaway
County Administrator



Mary F. Altemus, CPA
Director of Financial Services

FINANCIAL SECTION

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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 New Kent
New Kent, 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 New Kent, 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 New Kent, 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 2 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*, 82 *Pension Issues* - an amendment of GASB Statements No. 67, 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 4-37, 110-111, and 112-117 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 New Kent, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016, on our consideration of County of New Kent, 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 New Kent, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 14, 2016

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

This section of the County of New Kent's (the "County") comprehensive annual financial report offers a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2016 (FY 2016). Please read it in conjunction with the transmittal letter at the front of this report and with the County's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FY 2016

- The assets and deferred outflows of resources of the County, on a government-wide basis excluding component units, exceeded its liabilities and deferred inflows of resources by \$120,146,939 (net position) at the close of the most recent fiscal year. Of this amount, \$32,396,165 (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors. Net investment in capital assets totals \$87,716,106. (See Exhibit 1)
- The County's total net position, excluding component units, when compared to FY 2015, increased by \$2,481,654 of which the governmental activities increased by \$2,697,003 and business-type activities decreased by \$215,349. (See Exhibit 1)
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$25,333,711, a decrease of \$595,894 in comparison with the prior year. Approximately 94% of this total amount, \$23,806,529, is *available for expenditure* at the County's discretion (*Assigned and Unassigned Fund Balance*). The \$23,806,529 consists largely of \$8,738,479 unassigned in the General Fund, \$76,228 unassigned in the Airport Fund, and \$14,991,927 assigned in the County Capital Improvements Fund. Approximately \$9.1 million of the \$14,991,927 in the County Capital Improvements Fund is currently encumbered or assigned to current or future projects. (See Exhibit 3)
- At the end of the current fiscal year, assigned and unassigned fund balance for the General Fund totaled \$8,738,479 or 16.3% of governmental fund revenues and transfers in totaling \$53,559,499. FY 2015 reflected an assigned and unassigned fund balance for the General Fund of \$8,169,368 or 17.1% of governmental fund revenues and transfers in totaling \$47,842,959. Per County financial policy, the amount by which the audited unassigned fund balance exceeds 15% of budgeted revenues is transferred to the Capital Improvements Fund for future capital procurements. For FY 2016, the County transferred \$2,224,567 from the General Fund to the Capital Improvements Fund, leaving \$8,738,479 of unassigned fund balance in the General Fund. (See Exhibits 3 and 5)
- On the government-wide basis for governmental activities, expenses net of program revenue totaled \$32,540,946. Expenses net of program revenues are less than the general revenues and transfers of \$35,237,949 by \$2,697,003. The \$32,540,946 is the net amount of expenses that must be funded by taxes and is a good indicator of the government's reliance on this revenue source. (See Exhibit 2)

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management Discussion and Analysis is intended to serve as an introduction to the County's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

For over 20 years, the primary focus of local government financial statements was to summarize fund type information on a current financial resource basis to provide short-term information about the County's overall financial status. This approach was modified with issuance of the Governmental Accounting Standards Board (GASB) Statement 34. Since FY 2003, the County's financial statements have presented two kinds of statements, each with a different snapshot of the County's finances. The focus is on both the County as a whole (government-wide) and the fund financial statements (governmental funds, special revenue, enterprise, fiduciary and internal service funds). The government-wide statements provide both short-term and long-term information about the County's overall financial status. The fund financial statements focus on individual parts of the County government, reporting the County's operations in more detail and reinforcing the information provided in the government-wide statements.

GOVERNMENT-WIDE STATEMENTS

The *government-wide financial statements* report information about the County as a whole using accounting methods similar to those used by private-sector companies. The County implemented the financial reporting provisions of Statement No. 63 of the Governmental Accounting Standards Board (GASB) for the fiscal year ended June 30, 2013. The Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement certain terminology has changed and financial descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements has not changed as a result of implementing this Statement, and no restatement of prior balances is required. The County early implemented the financial reporting provisions of the GASB Statement No. 65 for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets or liabilities.

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

The Statement of Net Position and the Statement of Activities report the County's net position and the changes that occurred in the current year. The County's net position - the difference between assets and deferred outflow of resources and liabilities and deferred inflow of resources - is one way to measure the County's financial health, or financial position. Over time, increases and decreases in the County's net

position is one indicator of whether its financial health is improving or deteriorating. In addition, other nonfinancial factors such as changes in the County's property tax base and the condition of the County's infrastructure will need to be considered in order to assess overall financial health.

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

- **Governmental Activities** – Most of the County's basic services are reported here: general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, environmental management and community development. Property taxes, other local taxes, and revenue from the state and federal government finance most of these activities. See Exhibits 1 and 2 of this report.
- **Business-Type Activities** – The County's operation, maintenance and construction of the County-owned water and wastewater (sewer) utility are reported here as the County charges a fee to customers to cover all or most of the cost of the services these operations provide. The County provides no financial support to this fund. See Exhibits 7 & 8 of this report.
- **Component Units** – The County includes two separate legal entities in its report – the County of New Kent School Board (the School Board) and the Economic Development Authority (the EDA). Although legally separate, these "component units" are important because the County is financially accountable and the County has influence over their budget activities. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found in Exhibits 1 and 2 of this report.

FUND FINANCIAL STATEMENTS

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

- **Governmental Funds** – The County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Airport Fund, Debt Service Fund, County Capital Improvements Fund and the School Construction Fund, all of which are considered major funds. Under the heading Other Governmental Funds is the Human Services Fund, and it is considered to be a non-major fund.

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

additional information is provided at the bottom of the governmental funds statements that explains the relationship (or reconciles the differences) between the two types of statements. The basic governmental funds financial statements are located in Exhibits 3 through 6.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49-109 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary comparisons of the General Fund and Airport Fund and the County's progress in funding its obligation to provide pension benefits to its employees as well as its progress in funding the Schools' retiree healthcare plan. The footnotes and other required supplement information reflect additional schedules and exhibits pertaining to the County's pension liability as it relates to the Virginia Retirement System. Required supplementary information can be found starting on page 110 of this report.

Other Supplementary Information contains the schedule of revenues, expenditures and changes in fund balances (budget and actual) for the Debt Service Fund, County Capital Improvements Fund, and the non-major Special Revenue Fund. Also included are the statement of fiduciary net position of the Fiduciary Fund and the statement of changes in assets and liabilities of the Agency Funds. Other Supplementary Information can be found starting on page 118 of this report.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$120,146,939 at the close of the most recent fiscal year.

A large portion of the County's net position (\$87,716,106, 73% of total) reflects its net investment in capital assets (e.g., land, building, machinery, and equipment less related debt). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future expenditure. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate related liabilities (i.e., the County's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life). See Exhibit 1.

Statement of Net Position – Primary Government

The following table reflects a summary of condensed information on the County's net position at June 30, 2016 and 2015:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2016	2015	2016	2015	2016	2015	2016	2015
Current and other Assets	\$ 29,208,756	\$ 29,555,558	\$ 8,307,086	\$ 7,644,931	\$ 37,515,842	\$ 37,200,489	\$ 6,135,550	\$ 6,016,326
Capital Assets	78,991,049	79,455,958	78,629,420	80,092,608	157,620,469	159,548,566	23,959,368	22,496,327
Total Assets	\$ 108,199,805	\$ 109,011,516	\$ 86,936,506	\$ 87,737,539	\$ 195,136,311	\$ 196,749,055	\$ 30,094,918	\$ 28,512,653
Deferred Outflows of Resources	3,166,195	3,465,829	1,093,671	1,202,539	4,259,866	4,668,368	2,495,862	2,530,702
Total Assets and Deferred Outflows of Resources	\$ 111,366,000	\$ 112,477,345	\$ 88,030,177	\$ 88,940,078	\$ 199,396,177	\$ 201,417,423	\$ 32,590,780	\$ 31,043,355
Current and other Liabilities	\$ 2,441,540	\$ 2,227,756	\$ 579,796	\$ 590,827	\$ 3,021,336	\$ 2,818,583	\$ 3,670,805	\$ 3,734,741
Long-term Liabilities	59,378,322	62,812,219	16,197,376	16,800,213	75,575,698	79,612,432	25,796,296	24,977,176
Total Liabilities	\$ 61,819,862	\$ 65,039,975	\$ 16,777,172	\$ 17,391,040	\$ 78,597,034	\$ 82,431,015	\$ 29,467,101	\$ 28,711,917
Deferred Inflows of Resources	586,437	1,174,672	65,767	146,451	652,204	1,321,123	2,266,588	3,823,578
Total Liabilities and Deferred Inflows of Resources	\$ 62,406,299	\$ 66,214,647	\$ 16,842,939	\$ 17,537,491	\$ 79,249,238	\$ 83,752,138	\$ 31,733,689	\$ 32,535,495
Net Position								
Net Investment in Capital Asset:	24,011,223	21,130,986	63,704,883	64,641,023	87,716,106	85,772,009	23,959,368	22,496,327
Restricted For:								
E-911	8,579	72,689	-	-	8,579	72,689	-	-
Asset Forfeiture	24,002	24,063	-	-	24,002	24,063	-	-
Litter Control	2,087	735	-	-	2,087	735	-	-
Unrestricted (deficit)	24,913,810	25,034,225	7,482,355	6,761,564	32,396,165	31,795,789	(23,102,277)	(23,988,467)
Total Net Position	\$ 48,959,701	\$ 46,262,698	\$ 71,187,238	\$ 71,402,587	\$ 120,146,939	\$ 117,665,285	\$ 857,091	\$ (1,492,140)

Current and other assets for the primary government increased \$315,353 from the prior year. Of this amount, a decrease in the amount of \$346,802 is attributable to the governmental funds and an increase in the amount of \$662,155 is related to business-type activities. Of the \$346,802 decrease in governmental funds, cash and cash equivalents decreased \$1,677,659 as a result of the following, when compared to FY 2015.

Increase in Cash & Cash Equivalents	
Description	Total Change
General Fund	\$ 255,088
Airport Fund	-
Debt Service Fund	(294,704)
Capital Fund - Unexpended Bond Escrow	(2,112,829)
Capital Fund - Nonbond Cash	1,169,808
School Construction Fund (New Library)	(667,433)
Other Governmental Fund	(27,589)
Net Cash Increase	\$ (1,677,659)

The above \$2,112,829 unexpended bond escrow, related to bonds that were issued for the construction of a public radio system in the County in FY 2015, declined from \$4,066,139 at June 30, 2015. The schedule below denotes other changes in various FY 2016 current asset totals when compared to the previous year.

General Government - Net Changes in Total Assets							
Description	General Fund	Airport	Debt Service	Capital Projects	School Construction	Other Gov Funds	Increase (Decrease)
Cash and cash equivalents	\$ 255,088	\$ -	\$ (294,704)	\$ (943,021)	\$ (667,433)	\$ (27,589)	\$ (1,677,659)
Receivables-net of allowance for Uncollectibles:							
Taxes receivable	91,025	-	-	-	-	-	91,025
Accounts receivable	56,599	2,318	-	-	-	-	58,917
Due from other governmental units	(105,750)	880,786	-	302,858	-	89,425	1,167,319
Prepaid items	13,312	277	-	-	-	7	13,596
Net changes total assets	\$ 310,274	\$ 883,381	\$ (294,704)	\$ (640,163)	\$ (667,433)	\$ 61,843	\$ (346,802)

For FY 2016, cash and equivalents decreased \$1,677,659, while amounts due from other governmental units increased \$1,167,319 off-setting each other when compared to the prior year. The remaining totals in the above schedule are subject to many variables and circumstances which do not necessarily provide insight regarding changes in operating results. They are primarily based on the timing of receipts and payments which change from year-to-year (See Exhibit 1). The \$662,155 increase in business-type current and other assets is primarily due to a \$757,016 increase in cash and cash equivalents. There was a \$441,840 increase in cash provided by operations and a \$232,576 increase in tax revenues relative to the Bottoms Bridge Service District (See Exhibits 7-9).

Overall, capital assets for the primary government declined \$1,928,097, which consists of a \$464,909 decline in governmental assets and a \$1,463,188 decline in business-type assets. Of the \$464,909 decline in capital assets for governmental activities when compared to FY 2015, new asset additions for the governmental funds reflect an overall net increase of \$1,524,940, while depreciation reflects a net increase of \$1,989,849. The \$1,463,188 overall decline in capital assets for business-type activities is due to a \$68,537 decrease in capital purchases, and a net increase in depreciation totaling \$1,394,651 (Note 6). For FY 2016, total primary government and component unit liabilities of \$108,064,135 reflect an overall decrease of \$3,078,797 when compared to the prior fiscal year total of \$111,142,932. Of this amount, current and other liabilities reflect a \$138,817 increase and long-term liabilities reflect a \$3,217,614 decrease. The \$3,217,614 decrease in long-term liabilities is summarized in the following schedule.

Summary of Changes in Long-term Obligations FY 2016 and FY 2015				
Description	Governmental	Business-type	Component Units	Total
Compensated Absences	18,109	3,168	(4,686)	16,591
Net Pension Liability	243,245	31,795	737,806	1,012,846
Bond Premium	(55,627)	(161,895)	(544,094)	(761,616)
General Obligation Bonds	-	-	(814,973)	(814,973)
Lease Revenue Bonds	(354,138)	(475,905)	(1,926,419)	(2,756,462)
Net OPEB Obligation	-	-	86,000	86,000
Totals	\$ (148,411)	\$ (602,837)	\$ (2,466,366)	\$ (3,217,614)

As indicated above, most of the decrease in long-term liabilities is related to scheduled principal payments of \$3,571,435 and a \$761,616 decrease in bond premium resulting from normal amortization. No new debt was issued. There was an increase in the pension obligation totaling \$1,012,846 due to lower than expected Virginia Retirement System investment returns. While the plan's expected long-term investment rate totals 7%, the actual return was 1.9%. The OPEB obligation is a function of the number of covered employees, anticipated future insurance rates and benefits.

When compared to the previous fiscal year, deferred outflows of resources for the primary government decreased a total of \$408,502, and deferred inflows of resources decreased \$668,919. General government deferred outflows of resources reflect a decrease of \$299,634, while business-type outflows reflect a decrease of \$108,868 when compared to the prior year. The \$668,919 decrease in deferred inflows of resources consists of a \$588,235 decrease in governmental and an \$80,684 decrease in business-type activities. Both outflows and inflows of resources are related to deferred pension and bond refunding charges that will be amortized in accordance with GAAP requirements. They relate to the amortization of variances between expected and actual investment returns, pension experience and assumptions.

The net position of the primary government, which totals \$120,146,939, increased \$2,481,654 (2.1%) when compared to the FY 2015 total of \$117,665,285. This change is summarized in the following schedule.

Primary Government							
Category	Fiscal Year 2016			Fiscal Year 2015			Total
	Governmental	Business-Type	Total	Governmental	Business-Type	Total	Increase (Decrease)
Current & Other Assets	\$ 29,208,756	\$ 8,307,086	\$ 37,515,842	\$ 29,555,558	\$ 7,644,931	\$ 37,200,489	\$ 315,353
Capital Assets	78,991,049	78,629,420	157,620,469	79,455,958	80,092,608	159,548,566	(1,928,097)
Deferred Outflows of Resources	3,166,195	1,093,671	4,259,866	3,465,829	1,202,539	4,668,368	(408,502)
Total Assets	\$ 111,366,000	\$ 88,030,177	\$ 199,396,177	\$ 112,477,345	\$ 88,940,078	\$ 201,417,423	\$ (2,021,246)
Current & Other Liabilities	2,441,540	579,796	3,021,336	2,227,756	590,827	2,818,583	202,753
Long-term Liabilities	59,378,322	16,197,376	75,575,698	62,812,219	16,800,213	79,612,432	(4,036,734)
Deferred Inflows of Resources	586,437	65,767	652,204	1,174,672	146,451	1,321,123	(668,919)
Total Liabilities	\$ 62,406,299	\$ 16,842,939	\$ 79,249,238	\$ 66,214,647	\$ 17,537,491	\$ 83,752,138	\$ (4,502,900)
Total Net Position	\$ 48,959,701	\$ 71,187,238	\$ 120,146,939	\$ 46,262,698	\$ 71,402,587	\$ 117,665,285	\$ 2,481,654

As indicated in the previous schedule, total assets declined \$2,021,246 primarily due to depreciation. Total liabilities declined \$4,502,900 due to long-term debt payments of \$4,036,734 and a reduction in deferred inflows of resources relative to pension activities of \$668,919.

The following schedule provides an overview of the FY 2016 changes in net position when compared to FY 2015.

Primary Government - Net Position							
Category	Fiscal Year 2016			Fiscal Year 2015			Total Increase (Decrease)
	Governmental	Business-Type	Total	Governmental	Business-Type	Total	
Net investment in Capital Assets	\$ 24,011,223	\$ 63,704,883	\$ 87,716,106	\$ 21,130,986	\$ 64,641,023	\$ 85,772,009	\$ 1,944,097
Restricted for:							
E-911 Wireless Fund	8,579	-	8,579	72,689	-	72,689	(64,110)
Asset Forfeiture	24,002	-	24,002	24,063	-	24,063	(61)
Litter Control	2,087	-	2,087	735	-	735	1,352
Unrestricted	24,913,810	7,482,355	32,396,165	25,034,225	6,761,564	31,795,789	600,376
Total Net Position	\$ 48,959,701	\$ 71,187,238	\$ 120,146,939	\$ 46,262,698	\$ 71,402,587	\$ 117,665,285	\$ 2,481,654

Capital assets are used to provide services to citizens; and consequently, these assets are not available for future expenditure. The “restricted for” balances are related to grants and must be expended in accordance with the terms of the applicable award document. Net investment in capital assets totaling \$87,716,106 is presented net of outstanding debt related to the original purchase. The unrestricted balances of \$24,913,810 for the governmental funds and \$7,482,355 for the business-type funds have no restrictions and are available for future appropriation by the Board of Supervisors.

The \$1,944,097 increase in net investment in capital assets is primarily due to the increase in depreciation and the reduction in outstanding debt. Although capital assets declined \$1,928,097 when compared to FY 2015 due to depreciation, the overall decline in debt outstanding totaling \$4,036,734 resulted in a net increase in net investment in capital assets (as related debt is netted against net investments in capital assets). The \$64,110 reduction in the E-911 Wireless Fund is the result of cash expenditures related to communication facility renovations. The \$600,376 increase in unrestricted net position is directly related to public utility operations of \$720,791.

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

The School Board and Economic Development Authority (EDA) make up the County’s component units. For FY 2016, the net position of the two component units totals \$857,091 compared to a negative net position of \$1,492,140 for FY 2015. The combined increase of \$2,349,231 for FY 2016 is summarized in the following schedule.

Component Units - Net Position							
Category	Fiscal Year 2016			Fiscal Year 2015			Total Increase (Decrease)
	School	EDA	Total	School	EDA	Total	
Current & Other Assets	\$ 5,138,248	\$ 997,302	\$ 6,135,550	\$ 4,881,183	\$ 1,135,143	\$ 6,016,326	\$ 119,224
Capital Assets	23,959,368	-	23,959,368	22,496,327	-	22,496,327	1,463,041
Deferred Outflows of Resources	2,495,862	-	2,495,862	2,530,702	-	2,530,702	(34,840)
Total Assets	\$ 31,593,478	\$ 997,302	\$ 32,590,780	\$ 29,908,212	\$ 1,135,143	\$ 31,043,355	\$ 1,547,425
Current & Other Liabilities	3,670,805	-	3,670,805	3,734,741	-	3,734,741	(63,936)
Long-term Liabilities	25,796,296	-	25,796,296	24,977,176	-	24,977,176	819,120
Deferred Inflows of Resources	2,266,588	-	2,266,588	3,823,578	-	3,823,578	(1,556,990)
Total Liabilities	\$ 31,733,689	\$ -	\$ 31,733,689	\$ 32,535,495	\$ -	\$ 32,535,495	\$ (801,806)
Total Net Position	\$ (140,211)	\$ 997,302	\$ 857,091	\$ (2,627,283)	\$ 1,135,143	\$ (1,492,140)	\$ 2,349,231

Total assets increased \$1,547,425 for FY 2016 when compared to FY 2015. Of this amount, capital assets increased \$1,463,041, as capital assets are transferred from the County government to the School Board as the County retires related debt (see the explanation below regarding Code of Virginia, Section 15.2-1800.1). The \$801,806 net increase in long-term liabilities is primarily the result of an increase in the School Board's pension obligation of \$819,120 and a decrease of \$1,556,990 in deferred inflows of resources. As indicated above, both outflows and inflows of resources are related to deferred pension charges that will be amortized over periods not to exceed five years. They relate to the amortization of variances between expected and actual investment returns, pension experience and assumptions.

In FY 2013, an internal service fund was established to account for the School Board's self-funding of employee health care benefits. At June 30, 2016, the fund reflected a net position of \$846,590, a \$211,738 increase over the FY 2015 total of \$634,852. This increase is related to the overall performance of the fund and a resulting \$180,067 cash increase and an \$80,982 increase in receivables. Assets increased from \$894,103 to \$1,155,152 and liabilities increased from \$259,251 to \$308,562.

The School Board also has fiscal agent responsibilities for the Bridging Communities Regional Career and Technical Center which opened in September 2013 in New Kent County. The opening of the Bridging Communities Regional Career and Technical Center represents a remarkable collaborative effort among the counties of Charles City, King William, King and Queen, Middlesex and New Kent. This was the first regional career and technical education center to be established in Virginia in twenty-five years. For FY 2016, net position totaled \$250,766, which is the net result of assets totaling \$374,049 and liabilities of \$123,283. (See Exhibit 28)

State legislation (Section 15.2-1800.1) enacted in 2002 changed the reporting of local school board capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments "on-behalf" of school boards was reported in the school board discrete column on the Statement of Net Position, along with the related debt. Under the 2002 law, local governments have a "tenancy in common" with the school board whenever the locality incurs a financial obligation for the purchase of school assets when payable over more than one year. The Commonwealth of Virginia requires counties, as well as their financially dependent component units, to debt finance asset purchases under a single structure; and therefore, counties issue debt to finance the capital assets needs, such as public schools, of their component units. Until such time as the related debt is repaid, the County maintains ownership and reflects the asset and related depreciation on the Statement of Net Position. As the debt related to these assets is paid annually, a corresponding amount of capital assets is transferred from the County to

the School Board. The effect of this law for the year ended June 30, 2016 is that School-financed assets (net of accumulated depreciation) in the amount of \$42,905,087 are reported in the Statement of Net Position for the primary government for financial reporting purposes. (See Note 6)

Statement of Activities

The statement of activities, which also uses the full accrual basis of accounting, illustrates the cost of governmental activities net of related revenues. It also reflects the general revenue sources that fund governmental operations. The following table summarizes the revenue and expenses of government-wide activities for the fiscal years ended June 30, 2016 and 2015:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenues:								
Program revenues:								
Charges for services	\$ 1,291,937	\$ 1,397,835	\$ 4,368,636	\$ 4,412,395	\$ 5,660,573	\$ 5,810,230	\$ 837,006	\$ 710,962
Operating grants and contributions	4,147,197	3,542,972	-	-	4,147,197	3,542,972	14,962,407	14,860,329
Capital grants and contributions	1,544,281	-	-	-	1,544,281	-	-	-
General revenues:								
Property taxes	26,514,680	25,661,803	231,748	213,391	26,746,428	25,875,194	-	-
Other taxes	4,244,523	4,069,547	-	-	4,244,523	4,069,547	-	-
Unrestricted revenues from use of money and property	827,194	553,401	53,056	52,533	880,250	605,934	2,450	8,354
Miscellaneous	689,860	354,380	-	-	689,860	354,380	137,520	123,841
Grant and contributions not restricted to specific programs	2,960,092	2,924,756	-	-	2,960,092	2,924,756	-	-
Payment from New Kent County	-	-	-	-	-	-	15,637,846	15,283,828
Transfers	1,600	-	(1,600)	-	-	-	-	-
Total Revenue	\$ 42,221,364	\$ 38,504,694	\$ 4,651,840	\$ 4,678,319	\$ 46,873,204	\$ 43,183,013	\$ 31,577,229	\$ 30,987,314
Expenses:								
General government administration	\$ 3,570,793	\$ 3,460,790	\$ -	\$ -	\$ 3,570,793	\$ 3,460,790	\$ -	\$ -
Judicial administration	1,561,953	1,467,720	-	-	1,561,953	1,467,720	-	-
Public safety	8,551,676	7,874,442	-	-	8,551,676	7,874,442	-	-
Public works	1,956,184	1,382,495	-	-	1,956,184	1,382,495	-	-
Health and welfare	2,978,320	2,533,163	-	-	2,978,320	2,533,163	-	-
Education	16,932,338	16,771,912	-	-	16,932,338	16,771,912	-	-
Parks, recreation, and cultural	825,223	736,236	-	-	825,223	736,236	-	-
Community development	1,232,325	950,049	-	-	1,232,325	950,049	-	-
Interest on long-term debt	1,915,549	2,572,651	-	-	1,915,549	2,572,651	-	-
Business type activities:								
Water & Sewer	-	-	4,011,047	4,016,909	4,011,047	4,016,909	-	-
Bottoms Bridge	-	-	856,142	875,271	856,142	875,271	-	-
Component Units:								
School Board	-	-	-	-	-	-	29,084,101	29,327,674
Economic Development Authority	-	-	-	-	-	-	143,897	78,774
Total Expenses	\$ 39,524,361	\$ 37,749,458	\$ 4,867,189	\$ 4,892,180	\$ 44,391,550	\$ 42,641,638	\$ 29,227,998	\$ 29,406,448
Change in net position:	2,697,003	755,236	(215,349)	(213,861)	2,481,654	541,375	2,349,231	1,580,866
Net position - beginning	46,262,698	45,507,462	71,402,587	71,616,448	117,665,285	117,123,910	(1,492,140)	(3,073,006)
Net position - ending	\$ 48,959,701	\$ 46,262,698	\$ 71,187,238	\$ 71,402,587	\$ 120,146,939	\$ 117,665,285	\$ 857,091	\$ (1,492,140)

Governmental Activities: For the fiscal year ended June 30, 2016, revenues for governmental activities totaled \$42,221,364, an increase of \$3,716,670 when compared to the FY 2015 total revenues of \$38,504,694. Although charges for services reflect a \$105,898 decrease, most of the \$3,716,670 FY 2016 revenue increase is related to a \$604,225 increase operating grants and contributions, a \$1,544,281 increase in capital grants, an \$852,877 increase in property taxes, a \$174,976 increase in other taxes, a \$273,793 increase in use of money and property and a \$335,480 increase in miscellaneous revenues. Details are provided below:

- Charges for services decreased \$105,898 when compared to the prior year. The net change is due to a variety of small changes relative to numerous revenue accounts. The most significant changes include a \$28,866 decrease in fines, a \$17,916 decrease in trash removal at the transfer station, and a \$24,885 decline in fuel sales at the Airport. The decline in Airport sales is related to market prices for fuel.
- Operating grants and contributions, which totaled \$4,147,197, increased a combined \$604,225. Most of this increase is related to a \$149,178 increase in aviation grants, a \$153,007 increase in a Virginia Department of Transportation ISTEA grant, and a \$204,191 increase in Comprehensive Services Act revenues relative to services provided to at-risk youth.

The County receives a variety of public safety grants for which the terms and related receipts fluctuate annually. These fluctuations make it difficult to draw conclusions about future grants and receipts that the County may or may not receive. The reader is better served by looking at trends for all programs over an extended period. These grants are appropriated upon receipt of award letters during the fiscal year and are not reflected in the annual adopted budget. The following schedule denotes operating grants and contributions as reflected on the Statement of Activities for FY 2012 to FY 2016.

Primary Government Schedule of Operating Grants and Contributions					
Program	FY12	FY13	FY14	FY15	FY16
General Government	\$ 221,097	\$ 210,095	\$ 203,821	\$ 210,804	\$ 252,102
Judicial Administration	482,562	480,000	506,242	483,503	487,836
Public Safety	1,986,423	1,811,068	1,904,736	1,495,258	1,550,590
Public Works	-	16,994	59,654	54,548	318,401
Health & Welfare	1,136,878	1,153,627	1,281,886	1,292,502	1,517,739
Parks, Recreation & Cultural	4,500	8,541	4,500	-	4,500
Community Development	19,068	-	6,003	6,357	16,029
	<u>\$ 3,850,528</u>	<u>\$ 3,680,325</u>	<u>\$ 3,966,842</u>	<u>\$ 3,542,972</u>	<u>\$ 4,147,197</u>

- Governmental property tax collections increased \$852,877 due to a \$282,478 increase in personal property tax collections and a \$528,757 increase in real estate, interest and penalty collections. There was also a \$61,497 increase in the conversion to the accrual basis of accounting. The increase in real estate tax collections is related to the construction of new homes and retail establishments in the Bottoms Bridge section of the County. The increase in personal property revenues reflects the growing number of vehicles registered in the County due to population growth. Personal property tax collections do not include \$2,217,883 that the County receives

annually from the Commonwealth of Virginia relative to the Personal Property Tax Relief Act (PPTRA). These revenues are included in state revenues.

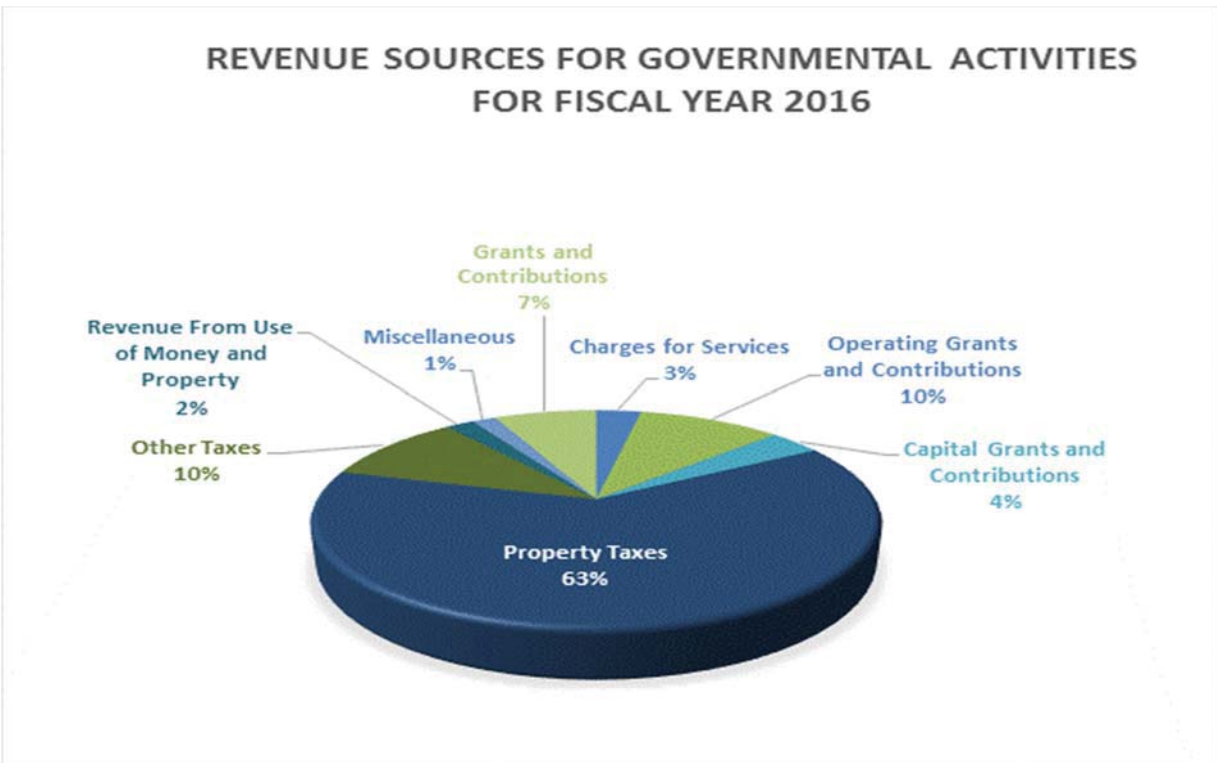
- Other taxes include revenue from local sales and use taxes, recordation tax, consumer's utility taxes, electric consumption taxes, meals tax, business license tax, hotel tax, admission tax, motor vehicle registration fees and bank stock taxes. Combined, these taxes increased \$174,976 primarily due to continued strong meals (\$27,466 increase) and sales tax (\$66,570 increase) collections related to several fast food and retail businesses that have located in the County in recent years. There was also a \$36,044 increase in recordation taxes and a \$21,971 increase in vehicle registration fees. Currently, there are additional retail businesses under construction and therefore it is expected that this trend will continue.
- The \$273,793 increase in the use of money and property is primarily related to the sale of surplus property in the amount of \$260,965 from the sale of fire apparatus.
- The \$335,480 increase in miscellaneous revenues is primarily related to a new revenue source totaling \$263,238 related to advanced deposit wagering. Advanced deposit wagering is a form of on-line gambling on the outcome of horse races in which individuals must fund their account prior to placing bets. Per Senate Bill 1097, approved 4/15/15, the County will receive 0.35 percent on all advanced deposit wagering originating in Virginia through December 31, 2019. There was also a \$62,605 increase in various other miscellaneous revenues.

Fiscal year 2016 expenses, which totaled \$39,524,361, increased \$1,774,903 compared to FY 2015 expenses of \$37,749,458 primarily due to the following:

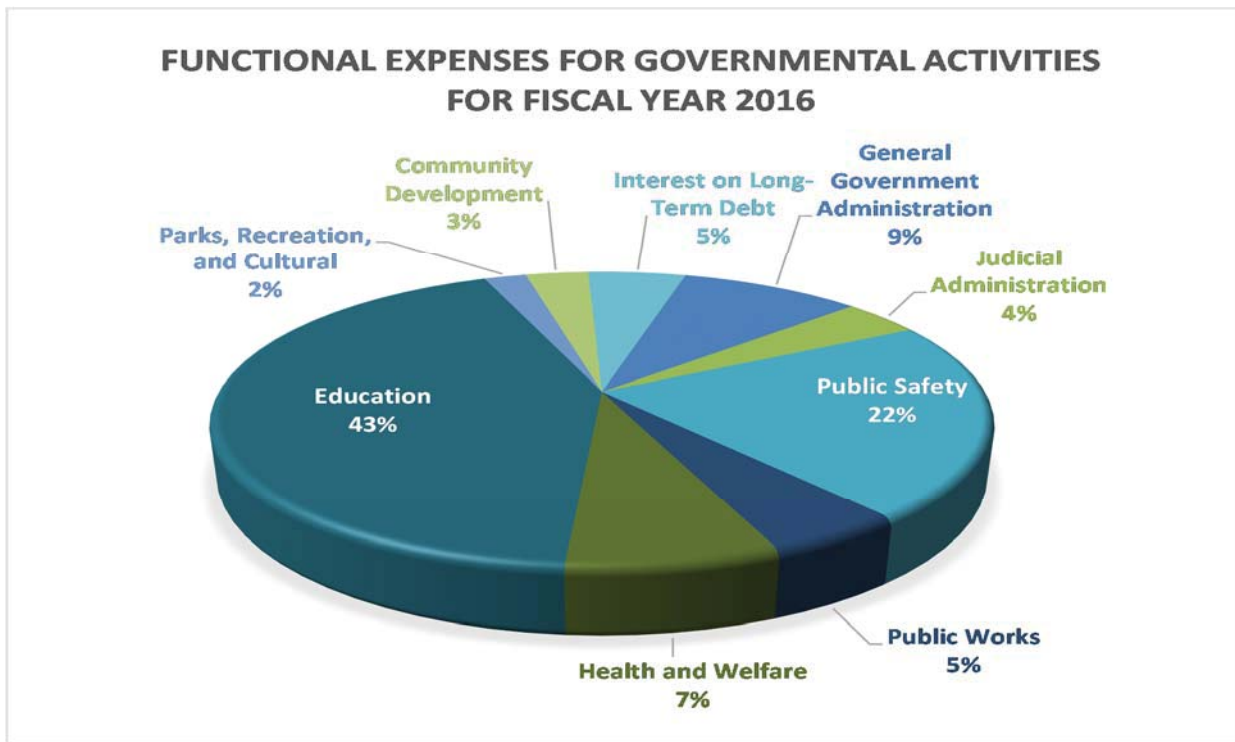
- The \$677,234 increase in Public Safety is primarily related to capital assets allocated to public safety.
- The \$573,689 decrease in Public Works is directly related to capital assets in the amount of \$610,055 that were originally expensed in FY 2015.
- Health and welfare expenses increased \$445,157. Of this amount, Comprehensive Services Act expenditures increased \$334,443. The Comprehensive Services Act provides services to at-risk youth. Expenditures are a function of the complexity of individual cases.

Revenues: The following chart summarizes the major sources of revenues for the governmental activities. As indicated in the revenue chart on the following page, property taxes (63%) and other taxes (10%) comprise 73% of the County's revenue base. While the Board of Supervisors has statutory authority to increase property tax rates, there is very little opportunity for additional revenues relative to other taxes as these rates and fees are restricted by the Code of Virginia in many cases. One penny on the real estate tax rate for FY 2016 equates to approximately \$244,184. Combined, grants and contributions make up 21% of County revenues; however, future receipts are uncertain due to fiscal stress at the federal and state levels. Any major new capital or program expenditure would have to be funded by an increase in property values and/or the tax rate.

Revenues: The following chart summaries FY 2016 revenues by function.



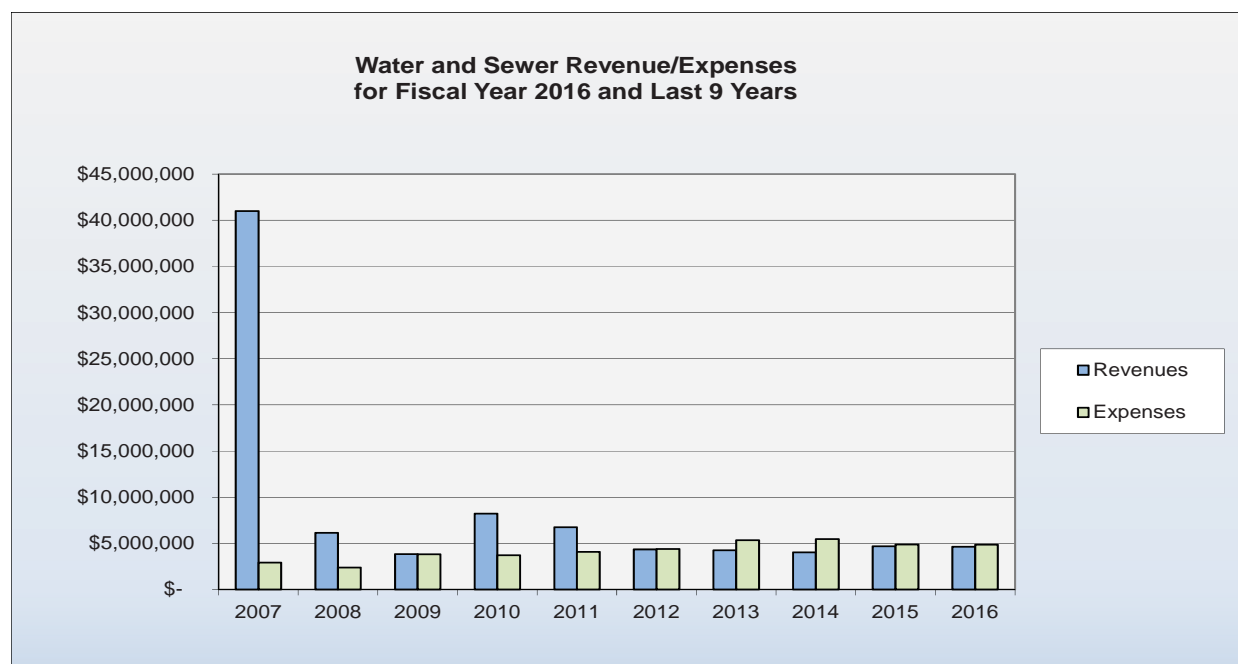
Expenses: The following chart summarizes the major sources of expenses for the governmental activities.



For FY 2016, program expenses for governmental activities totaled \$39,524,361 which includes a \$12,543,846 transfer to the New Kent County School Board for operations. Of the \$39,524,361 total, \$1,291,937 was financed with charges for services and \$5,691,478 from operating and capital grants and contributions. The \$32,540,946 remainder was primarily funded with tax revenues totaling \$30,759,203, which demonstrates the County's reliance on this revenue source.

As a result of the GASB Statement No. 34 financial reporting requirements, depreciation expense is allocated to governmental activities. The County's largest funded programs are local support for education, public safety and public works. Education continues to be one of the County's highest priorities and commitments, and for FY 2016 support for education totaled \$16,932,338. In addition, the County continued its policy of allowing the School to carry forward unspent funds to its Capital Fund to be used for unplanned capital expenditures.

Business-Type Activities: Business-type activities related to the County's water and sewer operations reflect a decrease in net position of \$215,349 for FY 2016. Similar to changes in net position attributable to governmental activities, changes in business-type activity net position also result from the difference between revenues and expenses. Unlike governmental activities, which primarily rely on general tax revenue to finance operations, business-type activities are financed to a significant extent by fees charged for goods and services provided. The \$215,349 change in net position is attributed entirely to the Water and Sewer Fund FY 2016 depreciation in the amount of \$1,544,696. As a new system with a relatively small customer base, operating revenues are not sufficient to pay operating expenses, and therefore, connection and availability fees supplement operating costs. As a result, there are insufficient funds for current depreciation.



For FY 2016, revenues for the water and sewer enterprise fund totaled \$4,653,440, a decrease of \$24,879 when compared to the FY 2015 total of \$4,678,319. Charges for water and sewer services decreased \$25,278. Connection fees increased \$9,619, while availability fees decreased \$28,100. Tax revenues in the Bottom's Bridge Service District reflect an increase of \$18,357. These variances are relatively small and reflect no major changes in operations.

Component Unit – School Board: For FY 2016, School Board revenues totaled \$31,571,173, which is a \$590,644 increase over the FY 2015 total of \$30,980,529. Total annual support from the County, which totaled \$15,637,846, accounts for 50% of total revenues and \$354,018 of the FY 2016 increase. Operating Grants and Contributions, the second largest component of revenues for the School Board, totaled \$14,962,407 and accounts for 47% of the total revenues. Of this amount, funding from the Commonwealth of Virginia totaled \$13,617,168, an increase of \$74,530 over the FY 2015 total of \$13,542,638. Federal revenues totaled \$1,345,239, an increase of \$27,548 when compared to the prior year of \$1,317,691. We anticipate that federal revenues will continue to reflect slow growth or decline in the short-term which will place additional stress on state and local budgets.

Component Unit – Economic Development Authority: The net position of the EDA decreased \$137,841 from the prior year. EDA revenues which total \$6,056 primarily consist of income from invested funds. Expenses total \$143,897 and consist of activities to attract new businesses, encourage existing businesses to expand, and to promote tourism opportunities in the County. The EDA manages several business incentive programs that include assistance with signage and façade improvements, grants to new businesses locating to the County, and grants to assist existing businesses with expansion projects.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental Funds: The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. The expenditure of resources is driven by the annual budget process. Such information is useful in assessing the County's financing requirements and compliance with budgetary restraints. At the end of FY 2016, the County's governmental funds reported a combined ending fund balance of \$25,333,711, a decrease of \$595,894 from the prior fiscal year total of \$25,929,605. Of the \$595,894 decrease, funds assigned for capital improvements (including schools) decreased \$913,063 and unassigned fund balance increased \$658,991, (from \$8,155,611 for FY 2015 to \$8,814,602 for FY 2016). The committed fund balance declined \$292,599. (See Exhibit 3)

GASB Statement No. 54 (Fund Balance Reporting and Governmental Fund Type Definitions) was effective for financial statements for periods beginning after June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. This Statement also provides for additional classifications: restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Amounts in the assigned fund balance classification are

intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The GASB Statement No. 54 Fund Balance Policy resolution was presented to the Board of Supervisors and adopted on June 29, 2011.

As discussed previously, the June 30, 2016 total fund balance for governmental funds totaled \$25,333,711 and is comprised of the following components:

- **Nonspendable - \$319,572:** This amount is not available for expenditure and includes prepaid items.
- **Restricted - \$34,668:** These are grant funds that have been restricted for E-911 wireless (\$8,579), clean county committee/litter control (\$2,087), and asset forfeiture (\$24,002).
- **Committed - \$1,172,942:** Funds reported as committed are constrained for the computer fund (\$75,444) and debt service (\$1,097,498).
- **Assigned - \$14,991,927:** These funds have been assigned (designated) for the procurement of Capital projects.
- **Unassigned Fund Balance - \$8,814,602:** These funds are generally available for future appropriation by the governing body. As discussed below, the County of New Kent maintains a fund balance equal to 15% of total budgeted General Fund revenues.

Although unassigned fund balance is viewed as the amount available for governing body appropriation, portions of the committed and assigned balances could be redirected with Board of Supervisor approval. Approximately \$5.87 million of the \$14,991,927 assigned fund balance is un-encumbered and available for future appropriation or transfer to other funds.

General Fund: The General Fund is the chief operating fund of the County. At the end of FY 2016, the fund balance for this fund totaled \$9,159,410; an increase of \$521,709 from the prior year total of \$8,637,701. The County has established a policy to maintain a fund balance equal to 15% of budgetary revenues. Unassigned fund balances exceeding the 15% threshold are transferred from the General Fund to the County Capital Improvements Fund (Capital Fund) at year-end. For FY 2016, the County transferred \$2,224,567 in excess funds to the Capital Fund which will be used to fund future capital procurements on a cash basis. For FY 2016, the Capital Fund reflects an assigned fund balance of \$14,991,927; a decrease of \$245,630 when compared to the FY 2015 total of \$15,237,557.

Airport Fund: The Airport Fund is used to account for and report the financial resources and operations of the County Airport. The Fund is supported by local, state and federal funding. Local resources consist of fuel and oil sales, as well as hangar rental. Unlike other County capital improvements, most Airport facilities are eligible to be financed with grants totaling up to 98% of the costs. Grant funds from the Federal Aviation Administration (FAA) and the Virginia Department of Aviation (DOAV) are used for the majority of the capital improvements made to the airport facility. At the end of FY 2016, the fund balance

for this fund totaled \$84,876, an increase of \$90,164 from FY 2015 negative balance of \$5,288. The increase is attributable to the closeout of the Obstruction and Removal project.

Debt Service Fund: The Debt Service Fund is used to account for financial resources committed for the retirement of outstanding debt in accordance with existing amortization tables. For FY 2016, the fund balance for this fund decreased \$294,704. This net decrease is partially related to \$282,567 that was transferred to the capital fund for the purchase of the new library building. The fund balance of \$1,097,498 is committed for the following future expenditures:

Explanation	Amount
Excess Funds – To be allocated at the Board of Supervisor’s Discretion	\$250,241
Future School Construction/Debt Service	382,172
Future School Construction	465,085
Total Debt Service Fund Balance	\$1,097,498

School Construction Fund: The School Construction Fund is used to account for financial resources to be used for construction of major School capital facilities. The \$667,433 remaining cash balance in this fund was transferred to the Capital Projects Fund in FY 2016 to partially fund the purchase of a new building for the County’s library.

Proprietary Funds: The County’s proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the proprietary fund at the end of the fiscal year totaled \$7,482,355, an increase of \$720,791 when compared to FY 2015 total of \$6,761,564. Most of the \$720,791 is related to operating activities of \$441,840 and non-operating tax revenues totaling \$232,576. Total net position for the proprietary fund decreased \$215,349. Most of this decrease is related to depreciation expense which totaled \$1,544,696. Water and sewer operating revenues for FY 2016 total \$3,137,894, compared to \$3,163,172 for FY 2015. This \$25,278 decrease is attributable to a decrease in demand due to rainfall in the area. Connection and availability fees, which total \$1,230,742 for FY 2016, decreased \$18,481 when compared to the prior year total of \$1,249,223. Connection fee revenues are a function of construction activity within the County, and varies annually. Operating expenses, which total \$4,205,755, decreased \$59,366.

General Government Functions

The following schedule presents a summary of revenues for the County’s five major funds (General, Airport, Debt Service, County Capital Improvements, School Construction), and the non-major governmental fund (Human Services) for the fiscal year ended June 30, 2016.

Governmental Funds Summary of Revenues June 30, 2016 and 2015					
	2016 Amount	Percent of Total	2015 Amount	Increase (Decrease) From 2015	Percent Increase (Decrease)
Revenues					
General property taxes	\$ 26,453,183	62.0%	\$ 25,641,948	\$ 811,235	3.2%
Other local taxes	4,244,523	10.0%	4,069,547	174,976	4.3%
Permits, privilege fees, and regulatory licenses	542,595	1.3%	561,042	(18,447)	-3.3%
Fines and forfeitures	216,030	0.5%	244,896	(28,866)	-11.8%
Revenue from the use of money and property	827,194	1.9%	553,401	273,793	49.5%
Charges for services	533,312	1.3%	591,897	(58,585)	-9.9%
Miscellaneous	689,860	1.6%	354,380	335,480	94.7%
Recovered costs	475,656	1.1%	617,157	(141,501)	-22.9%
Commonwealth	5,840,270	13.7%	5,529,241	311,029	5.6%
Federal	2,811,300	6.6%	938,487	1,872,813	199.6%
Total Revenues	\$ 42,633,923	100.0%	\$ 39,101,996	\$ 3,531,927	9.0%

When compared to FY 2015, governmental funds revenues increased by a total of \$3,531,927, due to the following:

- For FY 2016 general property taxes increased \$811,235. Of this amount, real estate revenues increased \$416,462, public service corporation tax collections increased \$59,406 and personal property tax revenues increased \$273,901. Mobile home, machinery and tools, and related penalty and interest decreased a combined \$61,466. The real estate tax revenue increase was the result of new construction relative to homes and retail businesses.
- Other local taxes increased \$174,976 due to strong growth in meals and sales tax collections. The growth is the result of several new retail businesses that have located to the County. We expect that this trend will continue into the foreseeable future. In addition, recordation taxes increased \$36,044 and vehicle registration fees increased \$21,971.
- The \$18,447 decrease in permits, fees and licenses is due to a prior year one-time payment from the Commonwealth of Virginia relative to storm water fees. Overall, construction activity in the County was strong during FY 2016.
- Miscellaneous revenues increased \$335,480 primarily due to advanced deposit wagering revenue, as discussed above in the entity-wide statements.
- The \$1,872,813 increase in federal revenues is due to Airport capital project grants totaling \$1,544,281, a VDOT ISTE A grant in the amount of \$153,007 and an assistance to firefighters grant in the amount of \$302,858. There was also a net decrease in General Fund grants in the amount of \$127,333.

The following schedule presents the General Fund budgetary highlights for FY 2016. Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles. Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Budgetary integration is employed as a management control device during the year, and budgets are monitored and reported to the Board of Supervisors on a monthly basis. With the exception of personnel line items, the County Administrator is authorized to transfer line-item amounts within departmental budgets. All other budget transfers must be approved by the Board of Supervisors. The component unit School Board is authorized to transfer budgeted amounts within the school system's categories unless the transfer crosses functions. However, any transfer that crosses functions or supplemental appropriation that increases the School's total appropriated budget requires subsequent Board of Supervisors approval.

The following schedule presents the General Fund budgetary highlights for FY 2016. (See Exhibit 11)

General Fund Budgetary Highlights Fiscal Year 2016					
	Original Budget	Amended Budget	Actual	Original vs. Actual	Amended vs. Actual
Revenues					
Taxes	\$ 30,087,519	\$ 30,087,519	\$ 30,697,706	\$ 610,187	\$ 610,187
Intergovernmental	5,796,522	6,248,305	5,896,461	99,939	(351,844)
Other	2,082,217	2,481,439	2,585,839	503,622	104,400
Total	\$ 37,966,258	\$ 38,817,263	\$ 39,180,006	\$ 1,213,748	\$ 362,743
Expenditures and Other Financing Sources (Uses)					
Expenditures	\$ 31,214,655	\$ 32,170,329	\$ 29,353,765	\$ 1,860,890	\$ 2,816,564
Transfers In/Out	6,424,991	7,237,416	9,304,532	(2,879,541)	(2,067,116)
Total	\$ 37,639,646	\$ 39,407,745	\$ 38,658,297	\$ (1,018,651)	\$ 749,448
Net Change in Fund Balances	\$ 326,612	\$ (590,482)	\$ 521,709	\$ 195,097	\$ 1,112,191

The amended General Fund revenue budget exceeded actual revenues by a total of \$362,743 for FY 2016. The bullets below provide explanations for the major variances:

- The \$610,187 amount by which actual tax revenues exceeded the amended budget was primarily the result of better than expected collections across several revenue streams. The real estate tax budget exceeded actual collections by \$576,087 as the original budget estimate was overstated \$514,650. Delinquent real estate collections were very strong and exceeded budget by \$348,694 due to collection efforts by an outside attorney. Current public service corporation taxes were \$69,899 higher than budget, which is well within acceptable margins. Collectively, personal property current and delinquent collections exceeded budget by \$335,975. Most of this increase is related to current collections for vehicles which reflects an increase of \$267,970. This increase is due to population growth and a resulting increase in the number of vehicles registered in the County. As indicated above, meals, sales, recordation, vehicle registration and business license tax collections reflect increases due to moderate to strong growth relative to population and the location of retail businesses to the County. Although the County does monitor revenue collections on a monthly basis, we do not amend tax-related budgets based on this information.

- The amended budget exceeded actual intergovernmental revenues by \$351,844. Most of this variance is related to funds budgeted for welfare programs that were not required for FY 2016. Welfare programs are historically difficult to budget and it has been County practice to budget conservatively.
- Other actual revenues were \$104,400 over the amended budget. Most of this increase is directly related to advanced deposit wagering (off track betting) receipts of \$263,238 which were not budgeted due to the uncertainty of collections. This is a new revenue source for FY 2016.

Combined, the amended expenditure budget exceeded actual expenditures by \$2,816,564 for a variety of reasons which include:

1. Vacancy savings relative to the public safety and other departments.
 2. Expenditures relative to the Comprehensive Service Act were \$473,504 under budget. Expenditures vary annually and are difficult to forecast. The annual budget reflects historical data and a cushion for contingencies.
 3. Unexpended grants and other restricted funds will be carried forward and re-appropriated in fiscal year 2017.
 4. Unexpended funds relative to the Department of Social Services totaled \$345,550. Again, this is an area that is difficult to forecast demand for services.
 5. School Board carry forward funds for FY 2016 total \$710,749.
 6. Confinement of prisoners was under budget \$253,675.
 7. The unexpended contingency reserve totals \$247,548.
- Actual transfers to and from other funds exceeded the amended budget by \$2,067,116, which is directly related to the final year-end transfer from the General Fund to the Capital Improvement Fund. Annually, once the audit is complete and in accordance with County policy, the amount by which unassigned fund balance exceeds 15% of the annual budget is transferred to the Capital Improvement Fund. This transfer, which totaled \$2,224,567, is not budgeted.

Also, during FY 2016, the Board of Supervisors amended the budget throughout the year. These budget amendments or supplemental appropriations were primarily for the following purposes:

- To re-appropriate monies to pay for continuing programs whose fiscal year extended beyond the prior fiscal year. For example, capital projects and donations.
- To re-appropriate grant revenues authorized in the prior fiscal year or earlier, but not expended or encumbered as of June 30, 2015.
- To appropriate grants or donations accepted or adjusted in FY 2016.
- To appropriate funds for program enhancements, small-scale capital projects or other operational needs that were not anticipated in the original FY 2016 budget.

Proprietary Fund: The County's proprietary fund is comprised of the Water & Sewer Fund and the Bottoms Bridge Service District Fund. The Enterprise Fund is committed to meeting the present and future water and sewer needs of the County by providing quality services at a reasonable cost while meeting and/or exceeding all federal, state, and local regulations with regard to water quality. At the end of June 2016, the department provided water service to approximately 2,675 water customers, 1,365 sewer

customers and 3 reclaimed water customers. In the budgetary management of the Enterprise Fund, the County has chosen not to budget for depreciation. Connection fees have been used to balance the budget.

CAPITAL ASSETS

At the end of FY 2016, the County's investment in capital assets for its governmental, business-type and component unit activities totaled \$181,579,837 (net of accumulated depreciation). When compared to the prior fiscal year total of \$182,044,893, net investment in capital assets for all funds declined \$465,056. Although governmental activities total assets reflect an increase of \$1,524,940, net capital assets declined \$464,909 due to a \$1,989,849 increase in depreciation. Business-type assets reflect a decrease of \$68,537. This total is net of asset additions and retirements, which accounts for the small net total. Net of depreciation, business-type assets declined \$1,463,188. Capital assets, net of accumulated depreciation, for the fiscal years ended June 30, 2016 and 2015, are illustrated in the following table:

Capital Assets (Net of accumulated depreciation) June 30, 2016 and 2015								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2016	2015	2016	2015	2016	2015	2016	2015
Non-Depreciable Assets								
Land	\$ 3,313,901	\$ 3,313,901	\$ 2,695,355	\$ 2,695,355	\$ 6,009,256	\$ 6,009,256	\$ 2,022,600	\$ 2,022,600
Construction in progress	4,868,077	2,298,110	226,941	1,502,808	5,095,018	3,800,918	10,022	10,022
Other Capital Assets								
Buildings	28,592,269	27,671,225	-	-	28,592,269	27,671,225	1,170,803	832,025
Machinery and equipment	13,102,612	13,062,642	-	-	13,102,612	13,062,642	6,047,620	5,909,692
Capital improvements	2,573,376	2,573,376	-	-	2,573,376	2,573,376	-	-
Intangible Assets	111,361	92,521	-	-	111,361	92,521	-	-
Jointly owned assets	55,080,592	57,105,473	-	-	55,080,592	57,105,473	24,825,634	22,800,753
Water production and distribution facilities	-	-	6,065,398	6,199,751	6,065,398	6,199,751	-	-
Machinery and Equipment	-	-	4,482,916	4,549,486	4,482,916	4,549,486	-	-
Intangible assets	-	-	68,722	-	-	-	-	-
Infrastructure	-	-	76,650,337	75,310,806	76,650,337	75,310,806	-	-
	\$ 107,642,188	\$ 106,117,248	\$ 90,189,669	\$ 90,258,206	\$ 197,831,857	\$ 196,375,454	\$ 34,076,679	\$ 31,575,092
Less Accumulated Depreciation	(28,651,139)	(26,661,290)	(11,560,249)	(10,165,598)	(40,211,388)	(36,826,888)	(10,117,311)	(9,078,765)
Capital Assets Net of Depreciation	\$ 78,991,049	\$ 79,455,958	\$ 78,629,420	\$ 80,092,608	\$ 157,620,469	\$ 159,548,566	\$ 23,959,368	\$ 22,496,327

Additional information on the County's capital assets can be found in note 6 of this report.

LONG-TERM OBLIGATIONS

At the end of the current fiscal year, outstanding long-term obligations (including the component units) total \$101,371,994 compared to a total of \$104,589,608 for FY 2015. Of this amount, \$9,548,336 comprises debt backed by the full faith and credit of the government (general obligation bonds) and \$58,394,644 represents bonds secured solely by specified revenue sources (i.e., revenue bonds). The remainder of the long-term obligations consists of accrued vacation and sick leave (\$1,158,197), bond

premium (\$5,378,815), pension liability (\$26,137,002) and Other Post-Employment Benefits (OPEB) liability (\$755,000). Details are summarized in the following table.

Long-Term Obligations June 30, 2016 and 2015								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2016	2015	2016	2015	2016	2015	2016	2015
Compensated Absences	\$ 725,013	\$ 706,904	\$ 106,694	\$ 103,526	\$ 831,707	\$ 810,430	\$ 326,490	\$ 331,176
Net Pension Liability	1,253,660	1,010,415	168,536	136,741	1,422,196	1,147,156	24,714,806	23,977,000
Bond Premium	384,477	440,104	1,298,104	1,459,999	1,682,581	1,900,103	3,696,234	4,240,328
General Obligation Bonds	-	-	-	-	-	-	9,548,336	10,363,309
Lease Revenue Bonds	10,413,851	10,767,989	14,624,042	15,099,947	25,037,893	25,867,936	33,356,751	35,283,170
Net OPEB Obligation	-	-	-	-	-	-	755,000	669,000
	<u>\$ 12,777,001</u>	<u>\$ 12,925,412</u>	<u>\$ 16,197,376</u>	<u>\$ 16,800,213</u>	<u>\$ 28,974,377</u>	<u>\$ 29,725,625</u>	<u>\$ 72,397,617</u>	<u>\$ 74,863,983</u>

New Kent County's total long-term obligations for the Primary government and the Component Units, including OPEB Liability, decreased \$3,217,614. The schedule below provides details for this change in long-term obligations.

Summary of Changes in Long-term Obligations FY 2016 and FY 2015				
Description	Governmental	Business-type	Component Units	Total
Compensated Absences	\$ 18,109	\$ 3,168	\$ (4,686)	\$ 16,591
Net Pension Liability	243,245	31,795	737,806	1,012,846
Bond Premium	(55,627)	(161,895)	(544,094)	(761,616)
General Obligation Bonds	-	-	(814,973)	(814,973)
Lease Revenue Bonds	(354,138)	(475,905)	(1,926,419)	(2,756,462)
Net OPEB Obligation	-	-	86,000	86,000
Totals	<u>\$ (148,411)</u>	<u>\$ (602,837)</u>	<u>\$ (2,466,366)</u>	<u>\$ (3,217,614)</u>

General obligation and lease revenue bonds declined \$814,973 and \$2,756,462, respectively, due to annual principal payments. No new debt was issued in FY 2016. The County's total pension obligation increased \$1,012,846 primarily due to the component unit School Board teacher retirement fund. The Commonwealth of Virginia has taken steps to address this liability in the form FY 2016 cash payments to the pension fund. The \$761,616 reduction in bond premium is consistent with the related amortization schedules. The accrued vacation and sick leave obligation is a product of many factors to include retirements, hires and usage. There was no FY 2016 change in leave policy.

Additional information relative to general long-term debt is available in note 8.

OTHER INFORMATION

The above information and analysis provides the reader with an overview of the FY 2016 financial results of the operations for the County. The following information provides an overview of the FY 2017 budget process.

Overall, FY 2017 General Fund revenues are projected to increase \$2,035,706, of which, real estate and personal property taxes account for \$1,726,891 of this total. The annual operating budget transfer to the School Board will increase \$400,000, which fully funds the FY 2017 request. The total FY 2017 operating fund transfer to the School Board totals \$13,654,595. The County's FY 2017 budget also reflects a 2% cost-of-living (COLA) increase for all County employees to be effective December 1, 2016. School Board employees will receive a 3% COLA on July 1, 2016. The BOS also approved personnel changes totaling \$215,295, which includes three new firefighter positions. The budget reflects funding for the financing and construction of a \$1.8 million fire station. It is anticipated that the fire station will be financed over a 20-year period.

Consistent with a policy established by the Board of Supervisors (BOS) in FY 2014 and modified in FY 2016, one penny of assessments (\$257,847) will be set aside for future school construction projects. However, the adopted budget also reflects an additional set aside of \$237,847 for future school construction and renovation projects, which partially restores the \$0.01 repurposed in FY 2016 for the public safety radio system. The \$237,847 is a fixed amount and is not based on the value of real estate assessments. For FY 2017, a total of \$495,694 will be transferred to the Debt Service Fund for future school construction projects.

The FY 2017 real estate revenue estimate reflects reassessments as performed by the Commissioner of Revenue during calendar year 2015, and that are effective January 1, 2016. Based on calendar year 2015 reassessments, the Commissioner of Revenue recommended an equalized rate of \$0.83 per \$100 of assessed value, which is \$0.01 less than the current \$0.84 rate. FY 2017 real estate revenues are expected to total \$20,759,242, which is a \$1,261,005 increase over the FY 2016 total of \$19,498,237, and is based on the \$0.83 equalized rate. As a result of adopting the \$0.83 rate, on average, the December 2016 real estate bills should reflect no increase. The real estate revenue estimate includes a 97% collection rate and does not include assessed values relative to public service corporation real estate property. Most of the increase in real estate values is related to new retail and home construction in the County. Public service corporation revenues are expected to total \$1,070,038, which is a \$56,798 increase over the prior year estimate of \$1,013,240. These estimates do not reflect a collection rate. Collectively, one penny on the real estate rate now totals \$263,003.

Personal property tax revenues, which include delinquents, are expected to total \$4,636,340, a \$261,111 increase over the prior year total of \$4,375,229. Most of this increase (\$249,667) is related to additional tax revenue from vehicle assessments, which is most likely tied to the increase in population and moderate improvement in the employment rate. Other notable tax revenue increases for FY 2017 include sales taxes of \$19,079, recordation taxes of \$40,000 and meals taxes of \$39,573. Collectively, property and local tax revenues account for \$1,857,619 of the FY 2017 new revenue total of \$2,035,706, or 91.3%. Real estate and personal property taxes account for \$1,726,891 of the total, or 85%. These percentages are important, as they reflect the County's dependency on real estate and personal property taxes. Any new Board of Supervisor initiatives will have to be funded by revenues derived from these sources.

For the third year, the FY 2017 budget does not reflect off track betting (OTB) revenue. In January 2014, revenue from OTB activity was adversely impacted by an impasse in contract negotiations between Colonial Downs and the Virginia Horsemen's Benevolent and Protective Association. The impasse resulted in the shutdown of OTB activity related to thoroughbred racing in accordance with State law. While the County no longer receives revenue from this source, we do receive payments from advanced deposit wagering (ADW). ADW is a form of gambling on the outcome of horse races in which the bettor must fund his or her account before being allowed to place bets. ADW is often conducted online via the internet or by phone (in this case, on out-of-state racing). Senate Bill 1097, passed 4/15/15, indicates that the County of New Kent will receive 0.0035 of all ADW originating in Virginia. Currently, four companies are licensed in Virginia to accept wagering accounts. After 12/31/2019, the revenue distribution allocation will change and will be based on the locality or localities where such live racing occurs to be shared in a ratio of the number of such annual live races in a locality to the total number of such annual live races in the Commonwealth. This new formula should result in a reduction in annual revenues distributed to the County. Given the uncertainties surrounding annual and future collections, these revenues have been allocated to one time budgetary expenditures. The FY 2017 revenue budget reflects a \$130,000 estimate for this revenue source. Of this amount, 1) \$60,000 has been allocated to the Economic Development Authority as a one-time contribution for FY 2017 to fund business incentive programs; 2) \$40,000 has been allocated for the purchase of information technology data storage equipment; and \$30,000 has been allocated as a contingency for Heritage Library rent while the new space is being renovated. All FY 2017 expenditures are one-time allocations, and will not require future appropriations.

The FY 2017 School Board budget totals \$31,000,145, which is a \$1,522,124 increase over the FY 2016 budget of \$29,478,021. Of the \$1,522,124 increase in revenues, state funds reflect a \$1,206,283 increase, County funding increased \$400,000, federal funding increased \$41,075, local funding related to fees decreased \$25,234, and County support for the School's technology initiative declined \$100,000. Funding for the School's technology initiative will decline to \$100,000 in FY 2018 and there will be no funds provided in FY 2019.

Growth in the County continues to present challenges in funding critical service and infrastructure needs in terms of additional schools, law enforcement, inmate housing, social services and fire protection. Population estimates released by the University of Virginia's Weldon Cooper Center for Public Service as of July 1, 2015 revealed that New Kent County is the 5th fastest growing municipality in Virginia. Service infrastructure comes with significant capital and operating costs. For example, a new \$28 million school has the potential to increase County and School Board debt service and operating costs by approximately \$3.4 million annually. Each new firefighter and law enforcement officer costs the County approximately \$60,000 and \$85,000, respectively, to hire and equip. Additional costs of this magnitude would have to be funded by the County's largest revenue source, real estate taxes. But when you consider that a penny on the real estate tax rate equates to \$263,003 in new revenue, it is easy to understand the significant increase in the real estate tax rate that would be required to cover these additional costs. For example, the \$3.4 million debt service and operating costs for a new school would equate to a \$0.13 increase on the real estate tax rate. To take some of the pressure off the real estate rate relative to the funding of services and infrastructure, the County has worked hard to attract new businesses. With the recent growth in retail establishments, the County has seen significant growth in business license, sales and meals tax revenues. However, these three revenue sources combined account for only 8% of total General Fund revenues and cannot possibly provide the additional new revenues that are required.

We continue to employ a balanced approach to address the future service and infrastructure needs of the County, as tax increases alone would place an undue burden on our citizens, many of whom are struggling

to make ends meet in this weak economy. Therefore, the County will continue to employ strategies that provide opportunities for cost containment, best practices, grants, pay-as-you-go capital investments, debt refinancing, targeted user fees and economic development. These cost containment strategies have been made possible by eliminating positions through attrition, reducing operating costs by investing in new technologies, leveraging the purchasing power of the County and debt restructuring. The County will continue to look for opportunities to deliver services to our citizens in a cost efficient and practical manner.

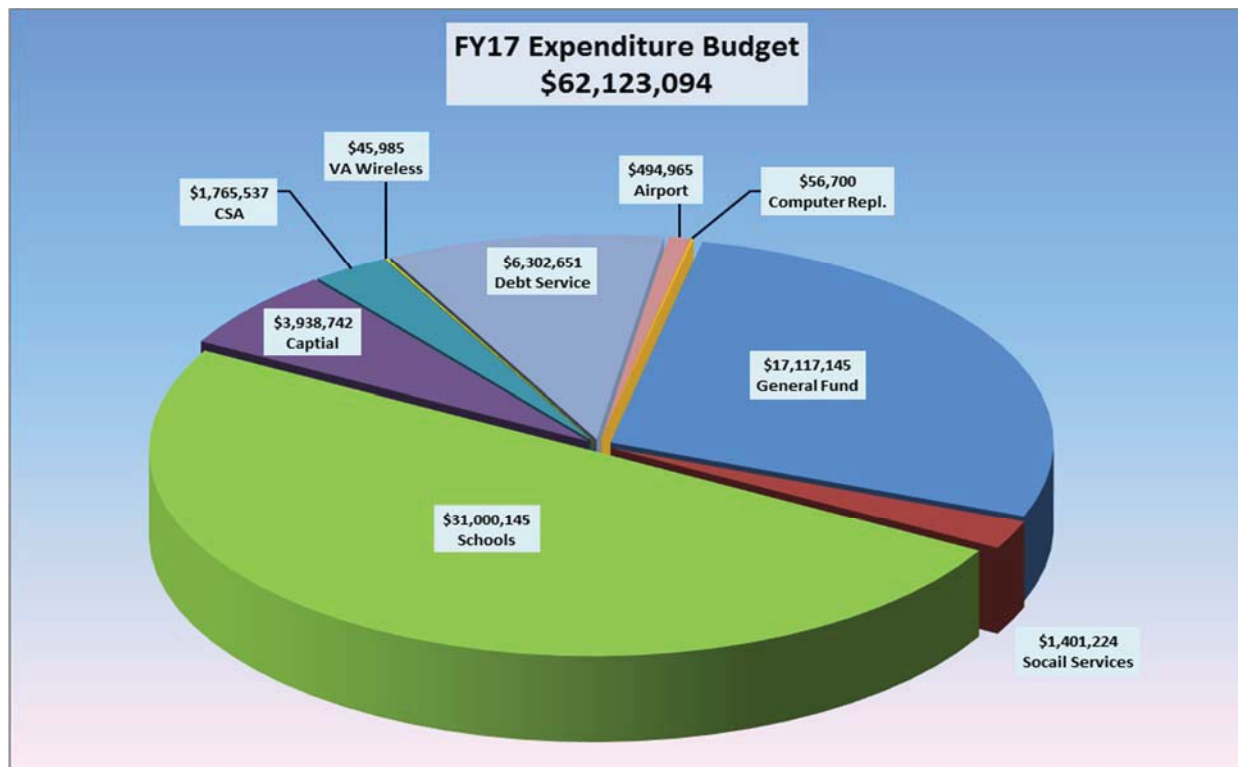
COUNTY EXPENDITURE BUDGET

The chart on the next page denotes organizational expenditures by fund. The \$62,123,094 FY 2017 budget reflects a \$5,206,108 increase when compared to the FY 2016 budget which totaled \$56,916,986. This increase, which is primarily related to capital projects, debt service and Schools, will be examined in the paragraphs following the chart.

The chart is presented net of transfers to other funds to avoid the double accounting of expenditures. For example, including transfers, the General Fund expenditure budget for FY 2017 totals \$38,346,683. Of this amount, \$21,229,538 will be transferred to other funds, and therefore, is reflected in the various expenditure totals for those funds. Because these transfers are reflected in the expenditure totals of the other funds, they must be subtracted from the General Fund total to present a net cost of government. The \$17,117,145 reflected on the following page for the General Fund is the difference between the total FY 2017 budget of \$38,346,683 and the \$21,229,538 that will be transferred to other funds. These are the cost of services that will be provided directly by the General Fund. Transfers to other funds include the following totals:

Transfers To	FY17 Transfers	FY16 Transfers	Increase (Decrease)
School Operating Fund	\$13,654,595	\$13,254,595	\$400,000
Debt Service	5,680,307	5,167,560	512,747
Children Services Act (CSA)	853,298	854,864	(1,566)
Social Service Programs and Administration	387,083	392,481	(5,398)
Future School Construction	495,694	239,301	256,393
Debt Service – Public Radio System	-	239,301	(239,301)
Principal & Interest – Fire Station Construction Loan	126,650	-	126,650
Airport Operating Fund	31,911	29,185	2,726
Total Transfers	\$21,229,538	\$20,177,287	\$1,052,251

The FY 2017 expenditure budget, net of the above transfers to other funds:



GENERAL FUND EXPENDITURE BUDGET

The FY 2017 adopted General Fund expenditure budget totals \$38,346,683 (including transfers of \$21,229,538), which reflects a \$2,035,706 increase over the FY 2016 budget of \$36,310,977. The schedule below summarizes the major FY 2017 expenditure increases and decreases when compared to FY 2016.

FY16 General Fund Expenditure Budget	\$36,310,977
Net Increase in Debt Service – Primarily the Public Radio System Loan	512,747
Increase in School Funding	400,000
Additional School Construction Set Aside – Fixed Amount	237,847
Personnel Adjustments – See Details, Next Page	211,735
Other Payroll Costs (Overtime, Part-time, FY16 Salary Adjustments)	162,261
Change in FY17 Operating Budget, Including Non-major Capital	157,540
December 1, 2016 Employee 2% COLA – All Employees (Excluding Schools)	139,916
Debt Service – Fire Station Construction	126,650
Contingency Reserve Increase	78,810
Employee Health Care Credit Benefit	8,200
Total FY17 General Fund Expenditure Budget	\$38,346,683

- A. School Board Funding** - The FY 2017 budget reflects additional School Board funding for operations in the amount of \$400,000. The annual operating transfer to Schools will increase from \$13,254,595 to \$13,654,595. The \$400,000 fully funds the School Board's FY 2017 request. In addition, the Board of Supervisors also allocated \$657,892 for school-related capital improvements and \$200,000 for the One-On-One Learning Initiative which provides computer notebooks to students. This technology transfer will total \$100,000 in FY 2018, and will be eliminated in FY 2019. Schools will also receive additional state and federal revenues in the amount of \$1,206,283 and \$41,075, respectively.
- B. Personnel Adjustments** – The FY 2017 budget reflects personnel actions totaling \$215,295 as indicated below. One position was partially funded by eliminating a part-time position.

Personnel Actions By Department – Includes Benefits	Total
Fire Department – Three New Firefighter Positions	\$172,446
General Services – Convert Part-Time Maintenance Technician to Full-Time	24,470
Financial Services – Salary Adjustment	11,779
Public Utility – Salary Adjustment	3,560
Social Services – Three Salary Adjustments (\$19,611 Minus \$16,571 State Funds)	3,040
Total	\$215,295

- C. Employee Compensation** - The FY 2017 budget includes a 2% cost-of-living increase for full-time employees that participate in the County's pay plan, which includes the staff of Constitutional Officers. Part-time employees will also receive a 2% increase based on their current hourly rate. Both increases are effective December 1, 2016. The General Assembly approved a 2% cost-of-living increase that will be effective December 1, 2016 for Constitutional Officers, Registrars, Electoral Boards, and Local Department of Social Services employees. This 2% increase is conditional upon actual State revenues meeting established budget estimates. School Board employees will receive a 3% salary increase to be effective July 1, 2016. This increase will be partially funded by the State's 2% cost-of-living increase for SOQ positions that is effective December 1, 2016. This increase is also conditional upon state revenues meeting budget targets.
- D. Employee Health Insurance & Other Personnel Costs** – The County has been notified that employee health insurance rates will increase approximately 4.7%, and therefore, the employee share of premiums will also increase. There was no increase in FY 2016 rates.

Virginia Retirement System rates will decline from 10.20% to 8.72% for FY 2017 and FY 2018. This decline represents a significant savings to the County. The Virginia Retirement System continues to benefit from strong investment returns related to the new Hybrid Retirement Plan. Virginia Retirement System group life insurance rates will increase from \$1.19% to 1.31% for FY 2017.

The adopted budget also reflects \$8,200 to implement a new benefit for County employees entitled the Virginia Retirement System health insurance credit. County employees who retire with at least 15-years Virginia Retirement System service are eligible to receive a monthly payment added to their retirement check equal to \$1.50 for each year of service. The monthly benefit is capped at \$45. Previously, this benefit was only provided by the State to the employees of the School Board, Social Services, Registrar and Constitutional Officers.

- E.** In FY 2014, the Board of Supervisors set aside \$0.02 of the real estate rate for future school construction activities. It was anticipated that these funds would be used for future school construction and renovation costs, to include related debt service. In FY 2016, \$0.01 of the FY 2014 \$0.02 set aside was repurposed to pay debt service on the new public safety radio system, which also benefits school operations. The adopted FY 2017 budget reflects an additional \$237,847 set aside for future school construction and renovation projects, which partially restores the \$0.01 repurposed in FY 2016 for the public safety radio system debt. The \$237,847 is a fixed amount and is not based on assessed real estate values. The schedule below denotes total transfers and uses since the set aside program was adopted in FY 2014. Of the \$1,686,216 balance transferred to the Debt Service Fund, \$465,085 is designated for the Historic School capital project and \$343,264 was appropriated in FY 2016 for the tennis court construction project, which is now complete.

Fiscal Year	RE Assessment (Exclude Pub Service)	Rate	Set Aside		
			\$0.01 RE	Fixed \$\$	Total
Fiscal Year 2014	2,325,425,000	0.0002	\$ 465,085	\$ -	\$ 465,085
Fiscal Year 2015	2,430,680,249	0.0002	486,136		486,136
Fiscal Year 2016	2,393,008,943	0.0001	239,301		239,301
Fiscal Year 2017	2,578,467,465	0.0001	257,847	237,847	495,694
Total Transfers			\$ 1,448,369	\$ 237,847	\$ 1,686,216
Total Transfers					\$ 1,686,216
Designated for Historic School Renovations					(465,085)
FY16 Appropriation - Tennis Court Construction Project					(343,264)
Available Funds					\$ 877,867

EXPENDITURES - OTHER FUNDS

- A. Department of Social Services** – The FY 2017 Social Services budget totals \$1,401,224, which equates to an \$88,620 decrease when compared to the current fiscal year budget of \$1,489,844. The \$88,620 includes a \$28,486 decrease for administration and a \$60,134 decrease in program costs. The administration budget reflects three salary adjustments totaling \$19,611. The Commonwealth is expected to reimburse the County \$16,571 of the \$19,611, leaving a local contribution of \$3,040.
- B. Capital Improvement Fund** – The FY 2017 capital fund budget totals \$4,201,442, a \$2,515,082 increase when compared to the FY 2016 budget of \$1,686,360. The increase is related to major capital improvement projects reflected in the FY 2017 budget which includes \$1.8 million for the construction of a new fire station, and \$550,000 for the purchase of fire apparatus equipment. The fire station will be financed over a 20-year period, with annual principal and interest payments of \$126,650. It is anticipated that the \$550,000 fire apparatus procurement will be offset by a \$400,000 federal grant. Excluding the Airport which is accounted for in a separate fund, major purchases by department include the following capital projects. Airport projects total \$300,000, of which, state and federal funding is expected to total \$294,000. The County's share is \$6,000.
- Fire Department: \$2,642,000, which includes a \$1.8 million fire station, \$550,000 for the replacement of engine 581, \$112,000 for cardiac heart monitors, \$73,000 for stretchers,

\$57,000 to replace two vehicles (CMD & Unit C514), and \$50,000 for fire station #1 renovations

- General Services: \$30,000 to replace the Visitors Center heating and air conditioning
- Information Technology: \$200,000 to upgrade surveillance cameras on the Courthouse campus
- Parks & Recreation: \$25,000 for turf and ground equipment
- Schools: \$857,892, which includes \$275,208 for bus/vehicle replacements, \$200,000 transfer from the Capital Improvement Fund for the School's technology initiative, \$137,684 for system wide replacements, \$90,000 for NKMS window replacements, \$70,000 for NKMS lighting upgrades, \$60,000 for NKMS HVAC replacement, and \$25,000 for various system wide painting and maintenance projects
- Vehicle Replacements: \$383,850, of which \$265,000 is for Sheriff Department vehicles
- Computer Replacements: \$56,700. Computers are replaced on a 5-year rotating cycle

C. Human Services Fund (CSA) – The Children's Services Act (CSA) is a Virginia law designed to assist troubled youths and their families. State and local agencies, parents and private service providers work together to plan and provide services for children who have serious emotional or behavioral problems; who may need residential care or services beyond the scope of standard agency services; who need special education through a private school program; or who receive foster care services. The FY 2017 CSA budget is estimated to total \$1,765,537, which reflects a \$403 decrease when compared to the FY16 budget of \$1,765,940. While it is difficult to estimate the number of cases that will require funding in any given fiscal year, CSA caseload is influenced by population growth, average daily membership in the schools and a host of other social and economic factors. The Human Services Fund also reflects \$20,500 for the Virginia Juvenile Community Crime Control Act.

D. Virginia Wireless E911 Fund – This fund was established to account for annual operating and capital grants received from the Virginia Wireless E-911 Services Board. The FY 2017 budget, which totals \$45,985, reflects a \$1,313 decrease which is directly related to staff turnover.

E. Debt Service Fund – The Debt Service Fund accounts for and reports financial resources that are restricted for the payment of principal and interest on County and School related debt. For FY 2017, principal and interest payments on County and School related debt will total approximately \$5,680,307, all of which, will be provided by a transfer from the General Fund. The FY 2017 debt service increased \$512,747 when compared to FY 2016. This is directly related to the \$4,850,000 debt that was issued on May 1, 2015 to construct the new public safety radio system. No new debt was issued in FY 2016.

Debt Service Funds can also be used to account for the establishment of cash reserves for future debt service payments. The FY 2014 budget set aside \$0.02 of the FY 2014 tax increase of \$0.04 for future school construction projects. As a result, FY 2014 and FY 2015 transfers to the Debt Service Fund totaled \$465,085 and \$486,136, respectively. In FY 2016, \$0.01 of the \$0.02 was repurposed to pay debt service on the public safety radio system loan, and \$239,301 was set aside. For FY 2017, the BOS set aside an additional fixed amount totaling \$237,847. The FY 2017 transfer will total \$495,694 (\$257,847 plus \$237,847). The BOS also appropriated \$126,650 for principal and interest related to construction of a new fire station.

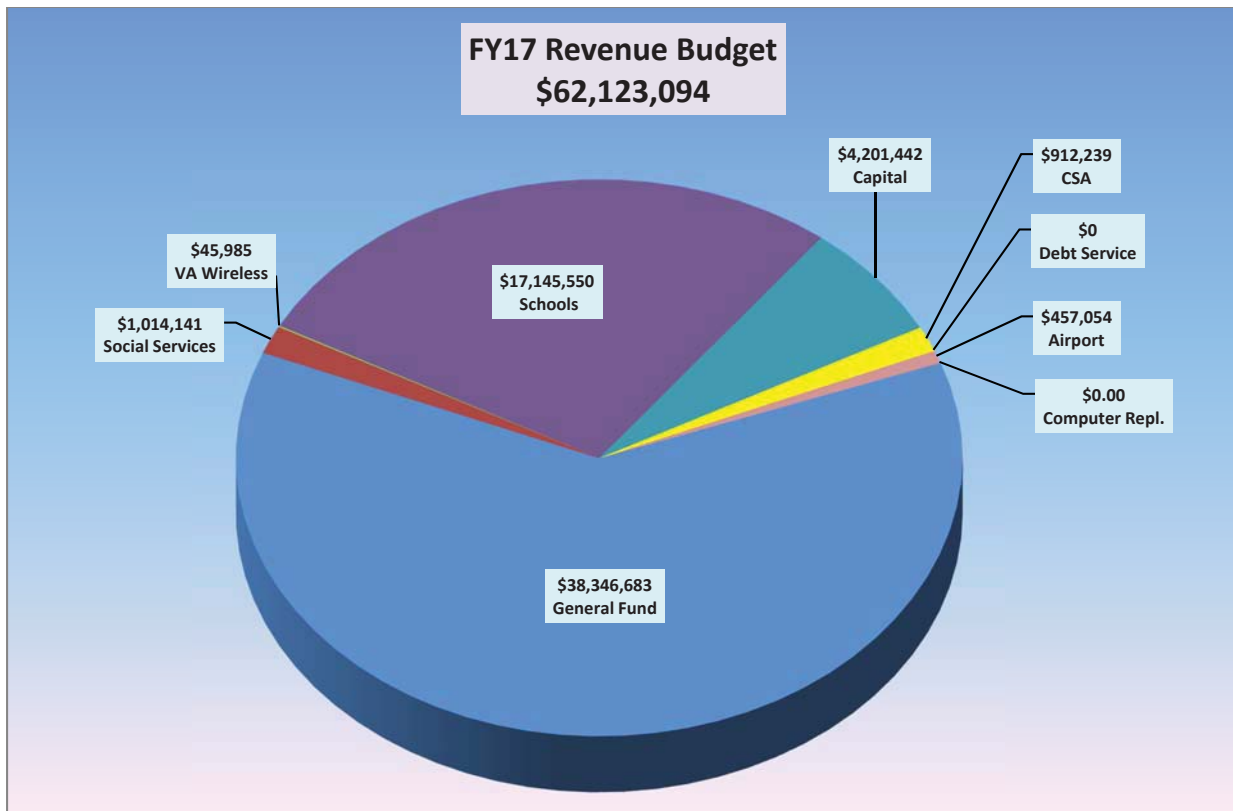
F. Airport Fund – The FY 2017 Airport budget of \$494,965 reflects an increase of \$21,774 compared to the FY 2016 budget of \$473,191. All of this increase is related to major capital projects in FY

2017. The Airport operating budget reflects a decrease of \$21,226, while the Airport capital projects budget increased \$43,000. The County operating transfer to this fund, which totals \$31,911, increased \$2,726. The FY 2017 capital transfer of \$6,000 declined \$8,140 from the FY 2016 transfer.

COUNTY REVENUE BUDGET

The following chart denotes total revenues by fund. The \$62,123,094 FY 2017 budget reflects a \$5,720,758 increase compared to the FY 2016 budget which totaled \$56,402,336. Transfers have been eliminated to reflect net resources and to eliminate the double accounting of revenues.

The Computer Replacement Fund is entirely supported by a \$56,700 transfer from the Capital Projects Fund, and therefore, reflects a zero revenue balance. The Debt Service Fund is funded by a \$5,680,307 transfer from the General Fund. The FY 2017 School revenue budget, which totals \$31,000,145, reflects a \$13,654,595 transfer from the General Fund and a \$200,000 transfer from the Capital Fund. These two transfers have been eliminated to arrive at the \$17,145,550 revenue budget below. The Social Services and CSA Funds are supported by \$387,083 and \$853,298 transfers from the General Fund, respectively. The \$1,014,141 for social services and the \$912,239 for CSA below are comprised of state and federal program and administration funds. The Capital Projects Fund reflects grant funds totaling \$492,500, loan proceeds of \$1.8 million and the appropriation of fund balance totaling \$1,908,942. General Fund revenues are discussed below.



GENERAL FUND REVENUE BUDGET

The FY 2017 adopted General Fund revenue budget totals \$38,346,683, which reflects a \$2,035,706 increase over the FY 2016 budget of \$36,310,977. The budget is primarily supported by real estate and

personal property taxes, which comprise approximately 71% of the General Fund revenue budget. Other major sources of revenues include local tax revenues at 12% and state revenues at 11%. Combined, these three categories of revenues reflect 94% of General Fund revenues. The schedule below summarizes the major increases and decreases when compared to FY 2016.

FY16 General Fund Revenue Budget	\$ 36,310,977
Real Estate – Reflects a tax rate of \$0.83 and a 97% collection rate	1,465,803
PP Taxes - 94% Collection Rate – Primarily Vehicles	261,088
Sales Taxes - Reflects New Retail Establishments	19,079
Consumption Taxes	(7,000)
Vehicle Licenses	5,000
Bank Stock Taxes	2,000
Recordation Tax – Commercial & Housing Activity Within the County	40,000
Meals Tax - New Retail Establishments	39,573
Permits & Licenses - Improving Housing Sector	27,465
Fines & Forfeitures	(5,300)
Investment Earnings & Property	(8,500)
Advanced Deposit Account Wagering	130,000
Commonwealth of Virginia - Primarily Compensation Board Salary Increases	11,749
Other	54,749
Total New Revenues – FY17 General Fund	\$ 38,346,683

- A. **Real Estate** – FY 2017 is a budgetary reassessment year; and therefore, the above \$1,465,803 increase reflects new construction and subdivided property in the County since the last general reassessment which was effective January 1, 2014. This budget includes reassessments that were conducted in calendar year 2015 and that are effective January 1, 2016. The BOS adopted the equalized rate of \$0.83, which is \$0.01 less than the FY16 adopted rate of \$0.84. The FY 2017 revenue estimate is based on a 97% collection rate.
- B. **Personal Property** – Personal property assessments were strong, with a 6% overall increase over FY 2016 revenue estimates. This increase was expected given continued population growth in the County. We anticipate that the strong upward trend will continue next year. Due to continued economic uncertainty, the collection rate remains at 94%.
- C. **Local Sales Tax** – Sales tax collections continue to reflect steady growth, but not at the rates of previous years. This growth is driven by the number of new retail establishments that have located to the County in recent years. This growth should continue as there are several new businesses currently in the planning stages.
- D. **Recordation Tax** – It is expected that recordation tax receipts will continue to reflect strong growth due to substantial residential, commercial and retail development in the County.

REVENUES - OTHER FUNDS

- A. **Social Services** - State funding for Social Service operations is expected to decrease \$88,620, which is directly related to decreases in program costs. State reimbursements are expected to total approximately 72.4% of total administration and program costs.
- B. **Capital Improvement Fund** – Budgeted capital resources total \$4,201,442 and are comprised of:
- \$56,000 Virginia Department of Health – Rescue Squad Assistance Fund Grant
 - \$436,500 FEMA, Assistance to Firefighters Grant
 - \$1,800,000 Loan Proceeds, Fire Station Construction
 - \$1,908,942 allocation of fund balance, which reflects a \$381,582 increase over FY 2016
- C. **Comprehensive Services Act** - State funding for the CSA program totals \$1,765,537 for FY 2017, a decrease of \$403 over FY 2016. State funding is expected to equal 52% of total expenditures.
- D. **Virginia Wireless E911 Fund** - It is anticipated that the County will receive grant funds in the amount of \$45,985 in FY 2017, which funds one dispatcher position.
- E. **Debt Service Fund** - The \$6,302,651 Debt Service Fund budget reflects a \$6,302,651 transfer from the General Fund. The \$6,302,651 transfer from the General Fund includes \$5,680,307 for debt service, \$495,694 for the school construction set aside reserve, and \$126,650 for debt service relative to the new fire station construction project.
- F. **Airport Fund** – FY 2017 Airport revenues are expected to total \$494,965, and consist of local revenues totaling \$156,700, state revenues of \$30,354, \$270,000 of federal revenues, a \$31,911 transfer from the General Fund, and a \$6,000 transfer from the Capital Projects Fund.
- G. **Public Utility Fund** - The Public Utilities budget represents the financial plan for operating and capital costs relative to water and sewer services which are provided in certain areas of the County. This fund is financed entirely by user fees and receives no tax support from the County. The FY 2017 budget does not include a rate increase for water and sewer services. It does reflect a restructuring of availability fees as follows:

Currently, in new developments where water and sewer are available, the home builder pays the following:

Water Connection Fee	\$4,650.00
Sewer Connection Fee	\$9,275.00
Sewer Availability Fee	<u>\$5,075.00</u>
Total	\$19,000.00

The adopted budget reflects a new water availability fee of \$2,500, and a reduction to the sewer availability fee. The new fee structure is effective July 1, 2016.

<u>Home Water Only</u>	
Water Connection Fee	\$4,650.00
Water Availability Fee	<u>\$2,500.00</u>
Total	\$7,150.00

Home Water and Sewer

Water Connection Fee	\$4,650.00
Water Availability Fee	\$2,500.00
Sewer Connection Fee	\$9,275.00
Sewer Availability Fee	<u>\$2,500.00</u>
Total	\$18,925.00

The overall Public Utility Fund budget reflects a \$167,267 decline as indicated below.

Function	FY17 Budget	FY16 Budget	Increase (Decrease)
Personnel	\$1,337,549	\$1,323,751	\$13,798
Operations	1,628,526	1,741,086	(112,560)
Capital – (Less than \$25,000 each)	96,000	167,500	(71,500)
Debt Service	75,645	61,286	14,359
Transfers – Bottoms Bridge Service District	316,235	316,839	(604)
Capital Improvement Plan	518,950	529,710	(10,760)
Total	\$3,972,905	\$4,140,172	(\$167,267)

- H. **Bottoms Bridge Service District** – The District was established in 2004 as a financing vehicle to provide resources for the construction of water and sewer facilities in the Bottoms Bridge area. Excluding water and sewer volume fees, all revenues collected in the District are legally dedicated to the payment of debt service on the original construction bonds. For the most part, revenues collected in the District include an ad valorem tax in the amount of \$0.15 per \$100 of assessed value, investment income and connection fees. Because the District has been unable to generate sufficient revenues to pay debt service on the 2004 construction debt, the FY 2015 budget included a \$0.05 increase in the ad valorem tax rate. This rate, which is in addition to the regular \$0.83 real estate tax rate, increased the District rate from \$0.10 to \$0.15 per \$100 of assessed value. The FY 2017 budget does not reflect an increase in the District rate. As indicated above, the District is heavily reliant on connection fees for debt service payments. We anticipate that connection fee revenues will diminish over the next couple years as existing housing developments are completed.

Post Adoption Budget Amendment

At their June 29, 2016 meeting, the BOS voted to provide funding in the amount of \$229,928 for four new firefighter positions. The four positions are in addition to the three positions reflected in the FY 2017 budget that was adopted on May 25, 2016. Funding for the \$229,928 consists of a \$110,100 reduction to the FY 2017 school set aside of \$237,847, leaving a transfer balance of \$127,747. The remaining \$119,828 will be taken from the Fire Department's FY 2017 part-time salary budget of \$268,237, leaving a budget balance of \$148,409. The FY 2017 budget now reflects seven new firefighter positions.

Economic Outlook

When looking at New Kent County from an economic perspective, it is important to remember that the County is primarily rural, but positioned for significant growth given the interstate highway that runs the length of the County and our location between Richmond and Hampton Roads. As indicated above, in the past few years New Kent County has experienced strong growth in new retail establishments, and

therefore, has seen significant growth in business license, sales and meals tax revenues. However, the County's tax base is still primarily supported by real estate and personal property taxes given the fact that we are still considered a bedroom community and have not achieved the desired mix of business and housing that reflects a diversified tax base. Reliance on the real estate tax rate has presented short-term challenges in terms of financing new schools and providing personnel and infrastructure for public safety. In response to this short-term reliance on the real estate rate, the Board of Supervisors has looked for the right balance of tax increases and cost containment strategies to maintain service levels and respond to infrastructure needs. The influx of new businesses has and continues to take pressure off the real estate tax rate, and we expect that major retail chains and other major industries will locate to the County to take advantage of our well-educated workforce, interstate highways, affordable building lots and attractive tax structure.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Statement of Net Position
June 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	\$ 24,314,451	\$ 7,612,827	\$ 31,927,278	\$ 3,523,446	\$ 275,250
Investments	-	-	-	-	544
Receivables (net of allowance for uncollectibles):					
Taxes receivable	2,149,298	30,063	2,179,361	-	-
Accounts receivable	302,666	607,688	910,354	495,146	-
Due from other governmental units	2,122,769	-	2,122,769	1,119,656	-
Inventories	-	-	-	-	721,508
Prepaid items	319,572	56,508	376,080	-	-
Capital assets (net of accumulated depreciation):					
Land	3,313,901	2,695,355	6,009,256	2,022,600	-
Buildings and system	66,574,808	4,084,317	70,659,125	20,376,229	-
Intangible assets	62,388	68,722	131,110	-	-
Machinery and equipment	4,171,875	2,407,153	6,579,028	1,550,517	-
Infrastructure	-	69,146,932	69,146,932	-	-
Construction in progress	4,868,077	226,941	5,095,018	10,022	-
Total assets	\$ 108,199,805	\$ 86,936,506	\$ 195,136,311	\$ 29,097,616	\$ 997,302
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refunding	\$ 2,419,823	\$ 997,609	\$ 3,417,432	\$ -	\$ -
Pension contributions subsequent to measurement date	746,372	96,062	842,434	2,171,824	-
Items related to measurement of net pension liability/asset	-	-	-	324,038	-
Total deferred outflows of resources	\$ 3,166,195	\$ 1,093,671	\$ 4,259,866	\$ 2,495,862	\$ -
LIABILITIES					
Accounts payable	\$ 1,226,427	\$ 235,656	\$ 1,462,083	\$ 618,256	\$ -
Accrued liabilities	94,053	-	94,053	3,052,549	-
Accrued interest payable	695,424	151,347	846,771	-	-
Unearned revenue	103,499	79,050	182,549	-	-
Deposits held in escrow	322,137	113,743	435,880	-	-
Long-term liabilities:					
Due within one year	4,763,200	760,050	5,523,250	276,315	-
Due in more than one year	54,615,122	15,437,326	70,052,448	25,519,981	-
Total liabilities	\$ 61,819,862	\$ 16,777,172	\$ 78,597,034	\$ 29,467,101	\$ -
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 111,977	\$ -	\$ 111,977	\$ -	\$ -
Items related to measurement of net pension liability/asset	474,460	65,767	540,227	2,266,588	-
Total deferred inflows of resources	\$ 586,437	\$ 65,767	\$ 652,204	\$ 2,266,588	\$ -
NET POSITION					
Net investment in capital assets	\$ 24,011,223	\$ 63,704,883	\$ 87,716,106	\$ 23,959,368	\$ -
Restricted:					
E-911 Wireless	8,579	-	8,579	-	-
Asset forfeiture	24,002	-	24,002	-	-
Litter control	2,087	-	2,087	-	-
Unrestricted	24,913,810	7,482,355	32,396,165	(24,099,579)	997,302
Total net position	\$ 48,959,701	\$ 71,187,238	\$ 120,146,939	\$ (140,211)	\$ 997,302

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

COUNTY OF NEW KENT, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 3,570,793	\$ -	\$ 252,102	\$ -
Judicial administration	1,561,953	368,540	487,836	-
Public safety	8,551,676	550,385	1,550,590	-
Public works	1,956,184	69,039	318,401	1,544,281
Health and welfare	2,978,320	-	1,517,739	-
Education	16,932,338	-	-	-
Parks, recreation, and cultural	825,223	301,733	4,500	-
Community development	1,232,325	2,240	16,029	-
Interest on long-term debt	1,915,549	-	-	-
Total governmental activities	\$ 39,524,361	\$ 1,291,937	\$ 4,147,197	\$ 1,544,281
Business-type activities:				
Water and sewer	\$ 4,011,047	\$ 3,834,861	\$ -	\$ -
Bottom's Bridge	856,142	533,775	-	-
Total business-type activities	\$ 4,867,189	\$ 4,368,636	\$ -	\$ -
Total primary government	\$ 44,391,550	\$ 5,660,573	\$ 4,147,197	\$ 1,544,281
COMPONENT UNITS:				
School Board	\$ 29,084,101	\$ 837,006	\$ 14,962,407	\$ -
Economic Development Authority	143,897	-	-	-
Total component units	\$ 29,227,998	\$ 837,006	\$ 14,962,407	\$ -
General revenues:				
General property taxes				
Local sales and use tax				
Taxes on recordation and wills				
Business license tax				
Vehicle registration tax				
Meals tax				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Payment from New Kent County				
Transfers				
Total general revenues and transfers				
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	EDA	
\$ (3,318,691)	\$ -	\$ (3,318,691)	\$ -	\$ -	
(705,577)	-	(705,577)	-	-	
(6,450,701)	-	(6,450,701)	-	-	
(24,463)	-	(24,463)	-	-	
(1,460,581)	-	(1,460,581)	-	-	
(16,932,338)	-	(16,932,338)	-	-	
(518,990)	-	(518,990)	-	-	
(1,214,056)	-	(1,214,056)	-	-	
(1,915,549)	-	(1,915,549)	-	-	
<u>\$ (32,540,946)</u>	<u>\$ -</u>	<u>\$ (32,540,946)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (176,186)	\$ (176,186)	\$ -	\$ -	
-	(322,367)	(322,367)	-	-	
<u>\$ -</u>	<u>\$ (498,553)</u>	<u>\$ (498,553)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (32,540,946)</u>	<u>\$ (498,553)</u>	<u>\$ (33,039,499)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (13,284,688)	\$ -	
-	-	-	-	(143,897)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,284,688)</u>	<u>\$ (143,897)</u>	
\$ 26,514,680	\$ 231,748	\$ 26,746,428	\$ -	\$ -	
1,437,225	-	1,437,225	-	-	
380,571	-	380,571	-	-	
734,400	-	734,400	-	-	
541,401	-	541,401	-	-	
776,011	-	776,011	-	-	
374,915	-	374,915	-	-	
827,194	53,056	880,250	1,394	1,056	
689,860	-	689,860	132,520	5,000	
2,960,092	-	2,960,092	-	-	
-	-	-	15,637,846	-	
1,600	(1,600)	-	-	-	
<u>\$ 35,237,949</u>	<u>\$ 283,204</u>	<u>\$ 35,521,153</u>	<u>\$ 15,771,760</u>	<u>\$ 6,056</u>	
\$ 2,697,003	\$ (215,349)	\$ 2,481,654	\$ 2,487,072	\$ (137,841)	
46,262,698	71,402,587	117,665,285	(2,627,283)	1,135,143	
<u>\$ 48,959,701</u>	<u>\$ 71,187,238</u>	<u>\$ 120,146,939</u>	<u>\$ (140,211)</u>	<u>\$ 997,302</u>	

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FUND FINANCIAL STATEMENTS

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Balance Sheet
Governmental Funds
June 30, 2016

	General	Airport	Debt Service	County Capital Improvements	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 8,088,974	\$ 1,200	\$ 1,097,498	\$ 15,126,779	\$ -	\$ 24,314,451
Receivables (net of allowance for uncollectibles):						
Taxes receivable	2,149,298	-	-	-	-	2,149,298
Accounts receivable	274,932	9,775	-	17,959	-	302,666
Due from other funds	189,980	-	-	-	-	189,980
Due from other governmental units	702,143	881,617	-	302,858	236,151	2,122,769
Prepaid items	310,819	8,648	-	-	105	319,572
Total assets	<u>\$ 11,716,146</u>	<u>\$ 901,240</u>	<u>\$ 1,097,498</u>	<u>\$ 15,447,596</u>	<u>\$ 236,256</u>	<u>\$ 29,398,736</u>
LIABILITIES						
Accounts payable	\$ 230,859	\$ 759,060	\$ -	\$ 134,732	\$ 101,776	\$ 1,226,427
Accrued liabilities	93,449	604	-	-	-	94,053
Due to other funds	-	55,500	-	-	134,480	189,980
Unearned revenue	103,499	-	-	-	-	103,499
Deposits held in escrow	-	1,200	-	320,937	-	322,137
Total liabilities	<u>\$ 427,807</u>	<u>\$ 816,364</u>	<u>\$ -</u>	<u>\$ 455,669</u>	<u>\$ 236,256</u>	<u>\$ 1,936,096</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	\$ 2,128,929	\$ -	\$ -	\$ -	\$ -	\$ 2,128,929
Total deferred inflows of resources	<u>\$ 2,128,929</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,128,929</u>
FUND BALANCES						
Nonspendable	\$ 310,819	\$ 8,648	\$ -	\$ -	\$ 105	\$ 319,572
Restricted	34,668	-	-	-	-	34,668
Committed	75,444	-	1,097,498	-	-	1,172,942
Assigned	-	-	-	14,991,927	-	14,991,927
Unassigned	8,738,479	76,228	-	-	(105)	8,814,602
Total fund balances	<u>\$ 9,159,410</u>	<u>\$ 84,876</u>	<u>\$ 1,097,498</u>	<u>\$ 14,991,927</u>	<u>\$ -</u>	<u>\$ 25,333,711</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,716,146</u>	<u>\$ 901,240</u>	<u>\$ 1,097,498</u>	<u>\$ 15,447,596</u>	<u>\$ 236,256</u>	<u>\$ 29,398,736</u>

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

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	\$ 25,333,711
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$ 107,642,188	
Accumulated depreciation	<u>(28,651,139)</u>	78,991,049

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.

Unavailable revenue - property taxes	2,016,952	
Deferred charges on refunding	2,419,823	
Items related to measurement of net pension liability	<u>(474,460)</u>	3,962,315

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.

746,372

Long-term liabilities and related assets, including bonds payable. Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	\$ (53,318,938)	
Bond issuance premium	(4,080,711)	
Accrued interest payable	(695,424)	
Net pension liability	(1,253,660)	
Compensated absences	<u>(725,013)</u>	<u>(60,073,746)</u>

Net position of governmental activities	\$ <u>48,959,701</u>
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The notes to the financial statements are an integral part of this statement.

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

	General	Airport	Debt Service	County Capital Improvements	School Construction	Other Governmental Funds	Total
REVENUES							
General property taxes	\$ 26,453,183	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,453,183
Other local taxes	4,244,523	-	-	-	-	-	4,244,523
Permits, privilege fees, and regulatory licenses	542,595	-	-	-	-	-	542,595
Fines and forfeitures	216,030	-	-	-	-	-	216,030
Revenue from the use of money and property	456,410	87,561	-	283,223	-	-	827,194
Charges for services	480,991	52,321	-	-	-	-	533,312
Miscellaneous	414,157	-	-	274,817	-	886	689,860
Recovered costs	475,656	-	-	-	-	-	475,656
Intergovernmental:							
Commonwealth	5,085,307	161,044	-	-	-	593,919	5,840,270
Federal	811,154	1,544,281	-	455,865	-	-	2,811,300
Total revenues	<u>\$ 39,180,006</u>	<u>\$ 1,845,207</u>	<u>\$ -</u>	<u>\$ 1,013,905</u>	<u>\$ -</u>	<u>\$ 594,805</u>	<u>\$ 42,633,923</u>
EXPENDITURES							
Current:							
General government administration	\$ 3,332,137	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,332,137
Judicial administration	1,457,164	-	-	-	-	-	1,457,164
Public safety	7,301,905	-	-	-	-	-	7,301,905
Public works	1,440,180	165,099	-	-	-	-	1,605,279
Health and welfare	1,655,780	-	-	-	-	1,292,218	2,947,998
Education	12,553,246	-	-	352,608	-	-	12,905,854
Parks, recreation, and cultural	724,004	-	-	-	-	-	724,004
Community development	889,349	-	-	-	-	-	889,349
Capital projects	-	1,641,213	-	5,211,479	-	-	6,852,692
Debt service:							
Principal retirement	-	-	3,095,530	-	-	-	3,095,530
Interest and other fiscal charges	-	-	2,119,505	-	-	-	2,119,505
Total expenditures	<u>\$ 29,353,765</u>	<u>\$ 1,806,312</u>	<u>\$ 5,215,035</u>	<u>\$ 5,564,087</u>	<u>\$ -</u>	<u>\$ 1,292,218</u>	<u>\$ 43,231,417</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 9,826,241</u>	<u>\$ 38,895</u>	<u>\$ (5,215,035)</u>	<u>\$ (4,550,182)</u>	<u>\$ -</u>	<u>\$ (697,413)</u>	<u>\$ (597,494)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 106,820	\$ 51,269	\$ 5,646,162	\$ 4,423,912	\$ -	\$ 697,413	\$ 10,925,576
Transfers out	(9,411,352)	-	(725,831)	(119,360)	(667,433)	-	(10,923,976)
Total other financing sources (uses)	<u>\$ (9,304,532)</u>	<u>\$ 51,269</u>	<u>\$ 4,920,331</u>	<u>\$ 4,304,552</u>	<u>\$ (667,433)</u>	<u>\$ 697,413</u>	<u>\$ 1,600</u>
Net change in fund balances	\$ 521,709	\$ 90,164	\$ (294,704)	\$ (245,630)	\$ (667,433)	\$ -	\$ (595,894)
Fund balances - beginning	8,637,701	(5,288)	1,392,202	15,237,557	667,433	-	25,929,605
Fund balances - ending	<u>\$ 9,159,410</u>	<u>\$ 84,876</u>	<u>\$ 1,097,498</u>	<u>\$ 14,991,927</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,333,711</u>

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

Reconciliation of 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	\$	(595,894)
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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 exceeded capital outlays in the current period.

Capital asset additions	\$	4,427,444	
Depreciation expense		(2,112,430)	
Jointly owned asset allocation of assets		(1,577,284)	
Jointly owned asset depreciation		<u>(1,164,108)</u>	(426,378)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(38,531)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$	61,497	
Increase (decrease) in items related to measurement of net pension liability		<u>607,706</u>	669,203

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments	\$	3,095,530	
Premium amortization		<u>599,721</u>	3,695,251

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.

(Increase) decrease in compensated absences	\$	(18,109)	
(Increase) decrease in net pension liability		(243,245)	
Amortization of deferred charges on refunding		(350,105)	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date		50,471	
(Increase) decrease in accrued interest payable		<u>(45,660)</u>	(606,648)

Change in net position of governmental activities	\$	<u><u>2,697,003</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Fund
June 30, 2016

	Enterprise Funds		
	Water & Sewer	Bottom's Bridge	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,612,827	\$ -	\$ 7,612,827
Receivables (net of allowance for uncollectibles):			
Taxes receivable	-	30,063	30,063
Accounts receivable	607,688	-	607,688
Prepaid items	56,508	-	56,508
Total current assets	<u>\$ 8,277,023</u>	<u>\$ 30,063</u>	<u>\$ 8,307,086</u>
Noncurrent assets:			
Capital assets:			
Infrastructure	\$ 55,916,489	\$ 20,733,848	\$ 76,650,337
Land	1,442,314	1,253,041	2,695,355
Water production and distribution facilities	6,065,398	-	6,065,398
Machinery and equipment	4,482,916	-	4,482,916
Intangible assets	68,722	-	68,722
Construction in progress	226,941	-	226,941
Accumulated depreciation	(9,008,391)	(2,551,858)	(11,560,249)
Total capital assets	<u>\$ 59,194,389</u>	<u>\$ 19,435,031</u>	<u>\$ 78,629,420</u>
Total noncurrent assets	<u>\$ 59,194,389</u>	<u>\$ 19,435,031</u>	<u>\$ 78,629,420</u>
Total assets	<u>\$ 67,471,412</u>	<u>\$ 19,465,094</u>	<u>\$ 86,936,506</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	\$ -	\$ 997,609	\$ 997,609
Pension contributions subsequent to measurement date	96,062	-	96,062
Total deferred outflows of resources	<u>\$ 96,062</u>	<u>\$ 997,609</u>	<u>\$ 1,093,671</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 235,656	\$ -	\$ 235,656
Accrued interest payable	6,969	144,378	151,347
Compensated absences - current portion	86,902	-	86,902
Unearned revenue	79,050	-	79,050
Deposits held in escrow	113,743	-	113,743
Bonds payable - current portion	52,624	620,524	673,148
Total current liabilities	<u>\$ 574,944</u>	<u>\$ 764,902</u>	<u>\$ 1,339,846</u>
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 961,418	\$ 14,287,580	\$ 15,248,998
Net pension liability	168,536	-	168,536
Compensated absences - net of current portion	19,792	-	19,792
Total noncurrent liabilities	<u>\$ 1,149,746</u>	<u>\$ 14,287,580</u>	<u>\$ 15,437,326</u>
Total liabilities	<u>\$ 1,724,690</u>	<u>\$ 15,052,482</u>	<u>\$ 16,777,172</u>
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 65,767	\$ -	\$ 65,767
Total deferred inflows of resources	<u>\$ 65,767</u>	<u>\$ -</u>	<u>\$ 65,767</u>
NET POSITION			
Net investment in capital assets	\$ 58,180,347	\$ 5,524,536	\$ 63,704,883
Unrestricted	7,596,670	(114,315)	7,482,355
Total net position	<u>\$ 65,777,017</u>	<u>\$ 5,410,221</u>	<u>\$ 71,187,238</u>

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

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

	Enterprise Funds		
	Water & Sewer	Bottom's Bridge	Total
OPERATING REVENUES			
Charges for services:			
Water and sewer revenues	\$ 3,126,744	\$ -	\$ 3,126,744
Other revenues	11,150	-	11,150
Total operating revenues	<u>\$ 3,137,894</u>	<u>\$ -</u>	<u>\$ 3,137,894</u>
OPERATING EXPENSES			
Personal services	\$ 974,597	\$ -	\$ 974,597
Fringe benefits	251,948	-	251,948
Contractual services	612,602	-	612,602
Other charges	821,912	-	821,912
Depreciation	1,225,714	318,982	1,544,696
Total operating expenses	<u>\$ 3,886,773</u>	<u>\$ 318,982</u>	<u>\$ 4,205,755</u>
Operating income (loss)	<u>\$ (748,879)</u>	<u>\$ (318,982)</u>	<u>\$ (1,067,861)</u>
NONOPERATING REVENUES (EXPENSES)			
Connection and reconnection fees	\$ 549,792	\$ 533,775	\$ 1,083,567
Investment income	53,056	-	53,056
Availability fees	147,175	-	147,175
Loss on disposal of assets	(102,833)	-	(102,833)
Tax revenue	-	231,748	231,748
Interest expense	(21,441)	(537,160)	(558,601)
Total nonoperating revenues (expenses)	<u>\$ 625,749</u>	<u>\$ 228,363</u>	<u>\$ 854,112</u>
Income (loss) before transfers	<u>\$ (123,130)</u>	<u>\$ (90,619)</u>	<u>\$ (213,749)</u>
Transfers in	-	276,243	276,243
Transfers out	(277,843)	-	(277,843)
Change in net position	<u>\$ (400,973)</u>	<u>\$ 185,624</u>	<u>\$ (215,349)</u>
Total net position - beginning	66,177,990	5,224,597	71,402,587
Total net position - ending	<u><u>\$ 65,777,017</u></u>	<u><u>\$ 5,410,221</u></u>	<u><u>\$ 71,187,238</u></u>

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

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2016

	Enterprise Funds		
	Water & Sewer	Bottom's Bridge	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 3,223,703	\$ -	\$ 3,223,703
Receipts for miscellaneous items	11,150	-	11,150
Payments to suppliers	(1,518,863)	-	(1,518,863)
Payments to employees	(1,274,150)	-	(1,274,150)
Net cash provided by (used for) operating activities	\$ 441,840	\$ -	\$ 441,840
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ (277,843)	\$ -	\$ (277,843)
Transfers from other funds	-	276,243	276,243
Tax revenue	-	232,576	232,576
Net cash provided by (used for) noncapital financing activities	\$ (277,843)	\$ 508,819	\$ 230,976
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (186,547)	\$ -	\$ (186,547)
Principal payments on bonds	(25,905)	(450,000)	(475,905)
Proceeds from disposal of assets	2,206	-	2,206
Connection and availability fees	776,017	533,775	1,309,792
Interest expense	(25,808)	(592,594)	(618,402)
Net cash provided by (used for) capital and related financing activities	\$ 539,963	\$ (508,819)	\$ 31,144
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	\$ 53,056	\$ -	\$ 53,056
Net cash provided by (used for) investing activities	\$ 53,056	\$ -	\$ 53,056
Net increase (decrease) in cash and cash equivalents	\$ 757,016	\$ -	\$ 757,016
Cash and cash equivalents - beginning	6,855,811	-	6,855,811
Cash and cash equivalents - ending	\$ 7,612,827	\$ -	\$ 7,612,827
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (748,879)	\$ (318,982)	\$ (1,067,861)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 1,225,714	\$ 318,982	\$ 1,544,696
(Increase) decrease in accounts receivable	96,959	-	96,959
(Increase) decrease in prepaid items	(2,926)	-	(2,926)
(Increase) decrease in pension contributions subsequent to measurement date	(1,884)	-	(1,884)
Increase (decrease) in accounts payable	(81,423)	-	(81,423)
Increase (decrease) in items related to measurement of net pension liability	(80,684)	-	(80,684)
Increase (decrease) in net pension liability	31,795	-	31,795
Increase (decrease) in compensated absences	3,168	-	3,168
Total adjustments	\$ 1,190,719	\$ 318,982	\$ 1,509,701
Net cash provided by (used for) operating activities	\$ 441,840	\$ -	\$ 441,840

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 11,921
Total assets	\$ <u>11,921</u>
LIABILITIES	
Amounts held for social services clients	\$ 11,921
Total liabilities	\$ <u>11,921</u>

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

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

The financial statements of the County of New Kent, 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.

Financial Statement Presentation

The County's financial report is prepared in accordance with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

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. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

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

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

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 New Kent (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units to be included for the fiscal year ended June 30, 2016.

Discretely Presented Component Unit

The School Board members are elected by the citizens of New Kent County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The School Board does not issue a separate financial report. Additionally, the School Board provides a potential benefit or burden to the County, and cannot be included as part of another financial reporting entity. The County not only provides financial support to the School Board but also is responsible for any debt or financial obligation. The financial statements of the School Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2016.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Individual Component Unit Disclosures: (Continued)

The New Kent County Economic Development Authority (EDA) is responsible for industrial and commercial development in the County. The Authority consists of five members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the EDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2016. The Authority does not issue a separate financial report.

C. Other Related Organizations

The Central Virginia Waste Management Authority

The Central Virginia Waste Management Authority (the Waste Authority) was established in December 1990 under the provision of the Virginia Water and Sewer Authorities Act (Ch. 31, Title 15.2, Code of VA). The Waste Authority's board is comprised of representatives from the cities of Petersburg, Hopewell, Colonial Heights and Richmond, the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George and the Town of Ashland. The 20 member board is comprised of no less than one and up to no more than three members from each of the participating jurisdictions, determined on a population basis. The County has one representative on the board. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Except for contribution requirements and direct payments for special projects, no participant has any on-going financial interest or responsibility in the Waste Authority. The County's contribution and direct payments for special projects for the year ended June 30, 2016 was \$306,690. Complete financial statements can be obtained from the Authority's office at 2100 West Laburnum Avenue, Suite 105, Richmond, Virginia 23227.

Middle Peninsula Juvenile Detention Commission

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Other Related Organizations (Continued)

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

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 proprietary fund and fiduciary fund financial statements, except for agency funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

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

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

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

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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.

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

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

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

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

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

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

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

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

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

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

E. Cash and Cash Equivalents

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

F. Investments

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

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$217,350 at June 30, 2016 and is comprised of property taxes of \$208,491 and water and sewer receivables of \$8,859.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

G. Receivables and Payables: (Continued)

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

Capital assets, which include property, plant and equipment and infrastructure, are reported in the applicable governmental columns in the government-wide financial statements for both the County and the Component Unit School Board. Capital assets are defined by the County as land, buildings, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as 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. There is no capitalized interest for the year 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	50
Capital improvements	20-50
Machinery and equipment	5-30
Intangible assets	4
Infrastructure	65
Vehicles	5-8
Water production and distribution facilities	50

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

I. Compensated Absences

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

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.

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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

N. Long-term Obligations

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

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

O. Prepaid Items

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

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

P. Restricted Assets

The County reports restricted fund balance on the balance sheet in the amount of \$34,668, which represents E-911 wireless, Litter Control and asset forfeiture funds.

Q. Fund Equity

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

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

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Q. Fund Equity (Continued)

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

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

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

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

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

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

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COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Q. Fund Equity (Continued)

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

	General Fund	Major Special Revenue Fund Airport Fund	Major Debt Service Fund	Major Capital Projects Fund County Capital Improvements Fund	Other Governmental Funds	Total
Fund Balances:						
Nonspendable:						
Prepaid items	\$ 310,819	\$ 8,648	\$ -	\$ -	\$ 105	\$ 319,572
Total Nonspendable Fund Balance	\$ 310,819	\$ 8,648	\$ -	\$ -	\$ 105	\$ 319,572
Restricted:						
E-911 Wireless	\$ 8,579	\$ -	\$ -	\$ -	\$ -	\$ 8,579
Litter Control	2,087	-	-	-	-	2,087
Asset Forfeiture - Sheriff	4,479	-	-	-	-	4,479
Asset Forfeiture - Comm. Atty	19,523	-	-	-	-	19,523
Total Restricted Fund Balance	\$ 34,668	\$ -	\$ -	\$ -	\$ -	\$ 34,668
Committed:						
Computer Fund	\$ 75,444	\$ -	\$ -	\$ -	\$ -	\$ 75,444
Debt Service	-	-	1,097,498	-	-	1,097,498
Total Committed Fund Balance	\$ 75,444	\$ -	\$ 1,097,498	\$ -	\$ -	\$ 1,172,942
Assigned:						
Capital Improvements	\$ -	\$ -	\$ -	\$ 14,991,927	\$ -	\$ 14,991,927
Total Assigned Fund Balance	\$ -	\$ -	\$ -	\$ 14,991,927	\$ -	\$ 14,991,927
Unassigned	\$ 8,738,479	\$ 76,228	\$ -	\$ -	\$ (105)	\$ 8,814,602
Total Fund Balances	\$ 9,159,410	\$ 84,876	\$ 1,097,498	\$ 14,991,927	\$ -	\$ 25,333,711

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

R. 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 two items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments and contributions to the pension plan made during the current year and subsequent to the net pension liability (asset) 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 the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30 and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability (asset) 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.

S. 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

S. Adoption of Accounting Principles (Continued)

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:

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

1. On or before December 1 of each year, all agencies of the County submit requests for appropriations to the County Administrator so that a budget may be prepared. The proposed operating and capital budget are presented to the County's Board of Supervisors for review. The Board holds informational budget sessions, budget work sessions, and a public hearing to obtain detailed information on budgetary issues and citizen input. A final budget is legally adopted through passage of a Budget Appropriation motion no later than June 30 for a fiscal year commencing on July 1. The Budget Appropriation motion establishes budgetary appropriation amounts at the fund level. The operating and capital budget includes proposed expenditures and the means to financing them.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 (CONTINUED)

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTING: (CONTINUED)

2. The Board reviews its Bylaws at its January meeting and amends, as necessary, and readopts Bylaws at the February meeting. Included in the Bylaws are procedures for financial control. The Bylaws effectively establish a *legal level of budgetary* control, the lowest level at which the County Administrator may not reallocate resources without Board approval, at the department level. He is authorized to transfer appropriations by line item within departments, except for payroll and employee benefits line items. The County Administrator does not have authority to transfer appropriations between departments within the primary government's governmental funds. The Board of Supervisors must approve all other transfers and all requests for supplemental appropriations. The Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories unless the transfer crosses functions. However, any transfer that crosses functions or supplemental appropriation that increases the School's total appropriated budget requires subsequent Board of Supervisors approval.
3. Budgets are monitored and reported to the Board of Supervisors on a monthly basis.
4. Appropriations lapse on June 30, for all County departments. Encumbrances and committed fund balances outstanding at June 30 are reappropriated in the succeeding year on a case-by-case basis.

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).

Custodial Credit Risk (Investments)

The County's investment policy requires that all securities purchased for the County be held by the County or by the County's designated custodian. The County's investments at June 30, 2016 were held by the County or in the County's name by the County's custodial banks. The investments also should have a credit rating no less than AA rated by Standard and Poor or Aa by Moody's Investor Service.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2016 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale. The County's investment policy limits investments to those allowed by the Code of Virginia. The County may however restrict investments beyond the limits imposed by the Code of Virginia as such restrictions serve the purpose of further safeguarding County funds or are in the best interest of the County.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ <u>3,907</u>
Total	\$ <u><u>3,907</u></u>

Interest Rate Risk

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

External Investment Pools

The fair value of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 4—DUE FROM OTHER GOVERNMENTS:

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

		<u>Component Unit</u>	
	<u>Primary Government</u>		<u>School Board</u>
Commonwealth of Virginia:			
State sales tax	\$ -	\$	577,774
Victim witness grant	15,822		-
Rental vehicle tax	1,200		-
E-911 wireless funds	7,086		-
Recordation tax	23,978		-
VA domestic violence victim grant	11,250		-
Welfare	25,782		-
Comprehensive services	236,151		-
Communication sales tax	94,225		-
Constitutional officer reimbursements	127,315		-
Local sales tax	266,197		-
Airport improvement	60,576		-
Other state grants	2,937		-
Federal Government:			
School fund grants	-		541,882
FEMA grants	328,968		-
DMV	12,635		-
Justice assistance grants	5,655		-
Emergency management and response grant	27,932		-
Welfare	54,019		-
Airport improvement	821,041		-
Total due from other governments	\$ <u>2,122,769</u>	\$	<u>1,119,656</u>

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 5—INTERFUND OBLIGATIONS:

Details of the Primary Government's interfund receivables and payables as of June 30, 2016, are as follows:

	Interfund Receivable	Interfund Payable
General	\$ 189,980	\$ -
Airport Fund	-	55,500
Other Governmental	-	134,480
Total Governmental Funds	<u>\$ 189,980</u>	<u>\$ 189,980</u>

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

NOTE 6—CAPITAL ASSETS:

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

Primary Government:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 3,313,901	\$ -	\$ -	\$ 3,313,901
Construction in progress	<u>2,298,110</u>	<u>3,633,800</u>	<u>1,063,833</u>	<u>4,868,077</u>
Total capital assets not subject to depreciation	<u>\$ 5,612,011</u>	<u>\$ 3,633,800</u>	<u>\$ 1,063,833</u>	<u>\$ 8,181,978</u>
Capital assets subject to depreciation:				
Buildings	\$ 27,671,225	\$ 921,044	\$ -	\$ 28,592,269
Machinery and equipment	13,062,642	917,593	877,623	13,102,612
Capital improvements	2,573,376	-	-	2,573,376
Intangible assets	92,521	18,840	-	111,361
Jointly owned assets - buildings	<u>57,105,473</u>	<u>-</u>	<u>2,024,881</u>	<u>55,080,592</u>
Total capital assets being depreciated	<u>\$ 100,505,237</u>	<u>\$ 1,857,477</u>	<u>\$ 2,902,504</u>	<u>\$ 99,460,210</u>
Accumulated depreciation:				
Buildings	\$ 5,682,799	\$ 783,764	\$ -	\$ 6,466,563
Machinery and equipment	8,567,109	1,202,720	839,092	8,930,737
Capital improvements	927,330	102,031	-	1,029,361
Intangible assets	25,058	23,915	-	48,973
Jointly owned assets - buildings	<u>11,458,994</u>	<u>1,164,108</u>	<u>447,597</u>	<u>12,175,505</u>
Total accumulated depreciation	<u>\$ 26,661,290</u>	<u>\$ 3,276,538</u>	<u>\$ 1,286,689</u>	<u>\$ 28,651,139</u>
Total capital assets being depreciated, net	<u>\$ 73,843,947</u>	<u>\$ (1,419,061)</u>	<u>\$ 1,615,815</u>	<u>\$ 70,809,071</u>
Governmental activities capital assets, net	<u>\$ 79,455,958</u>	<u>\$ 2,214,739</u>	<u>\$ 2,679,648</u>	<u>\$ 78,991,049</u>

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

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

Enterprise Fund:	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Business-type activities:				
Capital assets not subject to depreciation:				
Land	\$ 2,695,355	\$ -	\$ -	\$ 2,695,355
Construction in progress	1,502,808	122,009	1,397,876	226,941
Total capital assets not subject to depreciation	\$ 4,198,163	\$ 122,009	\$ 1,397,876	\$ 2,922,296
Capital assets subject to depreciation:				
Water production and distribution facilities	\$ 6,199,751	\$ 28,933	\$ 163,286	\$ 6,065,398
Machinery and equipment	4,549,486	25,228	91,798	4,482,916
Intangible assets	-	68,722	-	68,722
Infrastructure	75,310,806	1,339,531	-	76,650,337
Total capital assets being depreciated	\$ 86,060,043	\$ 1,462,414	\$ 255,084	\$ 87,267,373
Accumulated depreciation:				
Water production and distribution facilities	\$ 1,903,356	\$ 142,200	\$ 64,475	\$ 1,981,081
Machinery and equipment	1,934,839	226,494	85,570	2,075,763
Infrastructure	6,327,403	1,176,002	-	7,503,405
Total accumulated depreciation	\$ 10,165,598	\$ 1,544,696	\$ 150,045	\$ 11,560,249
Total capital assets being depreciated, net	\$ 75,894,445	\$ (82,282)	\$ 105,039	\$ 75,707,124
Business-type activities capital assets, net	\$ 80,092,608	\$ 39,727	\$ 1,502,915	\$ 78,629,420

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COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

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

Component Unit—School Board:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not subject to depreciation:				
Land	\$ 2,022,600	\$ -	\$ -	\$ 2,022,600
Construction in progress	10,022	-	-	10,022
Total capital assets not subject to depreciation	\$ 2,032,622	\$ -	\$ -	\$ 2,032,622
Capital assets subject to depreciation:				
Buildings	\$ 832,025	\$ 338,778	\$ -	\$ 1,170,803
Jointly owned assets - buildings	22,800,753	-	(2,024,881)	24,825,634
Machinery and equipment	5,909,692	403,765	265,837	6,047,620
Total capital assets being depreciated	\$ 29,542,470	\$ 742,543	\$ (1,759,044)	\$ 32,044,057
Accumulated depreciation:				
Buildings	\$ 91,667	\$ 40,862	\$ -	\$ 132,529
Jointly owned assets - buildings	4,575,283	464,799	(447,597)	5,487,679
Machinery and equipment	4,411,815	351,125	265,837	4,497,103
Total accumulated depreciation	\$ 9,078,765	\$ 856,786	\$ (181,760)	\$ 10,117,311
Total capital assets being depreciated, net	\$ 20,463,705	\$ (114,243)	\$ (1,577,284)	\$ 21,926,746
Capital assets, net	\$ 22,496,327	\$ (114,243)	\$ (1,577,284)	\$ 23,959,368

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COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$ 167,088
Judicial administration	579,297
Public safety	630,821
Public works	415,672
Health and welfare	76,201
Education	1,164,108
Parks, recreation and cultural	51,756
Community development	\$ <u>191,595</u>
Total Governmental activities	\$ <u><u>3,276,538</u></u>
Component Unit School Board	\$ <u><u>856,786</u></u>
Business-type Activities	\$ <u><u>1,544,696</u></u>

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of New Kent, Virginia for the year ended June 30, 2016, is that school financed assets in the amount of \$42,905,087 are reported in the Primary Government for financial reporting purposes.

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COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 7—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:		
Governmental Funds:		
General	\$ 106,820	\$ 9,411,352
Other Governmental	697,413	-
County Capital Improvements	4,423,912	119,360
School Construction Fund	-	667,433
Debt Service	5,646,162	725,831
Airport	51,269	-
Total Governmental Funds	\$ 10,925,576	\$ 10,923,976
Enterprise Funds:		
Water and Sewer	\$ -	\$ 277,843
Bottom's Bridge	276,243	-
Total Enterprise Funds	\$ 276,243	\$ 277,843
Component Unit—School Board:		
School Operating	\$ -	\$ 100,000
Textbook	100,000	-
Total Component Unit—School Board Funds	\$ 100,000	\$ 100,000
Total-All Funds	\$ 11,301,819	\$ 11,301,819

Budget transfers were made throughout the year and at year-end for the Primary Government, Enterprise Fund, and the Component Unit - School Board. Most transfers were included in the FY16 Adopted Budget.

Governmental Funds:

The largest interfund transfers out were the General Fund's support of the Debt Service and the County Capital Improvements Fund in the amount of \$5,646,162 and \$4,423,912, respectively. The Debt Service Fund is used to account for financial resources committed for the retirement of outstanding debt in accordance with existing amortization tables. All County debt (excluding the Enterprise Fund) is paid from the Debt Service Fund. The General Fund supports the Debt Services Fund through Real Estate Tax and other local taxes collections. The County Capital Improvements Fund reflects \$2,224,567 in funds transferred from the General Fund in accordance with the County's Unassigned Fund Balance Reserve Policy.

The transfer out for County Capital Improvements Fund (\$119,360) consists of the transfers to the Computer Fund (\$101,190), Airport Fund (\$14,140) and the transfer to Social Services Fund for the County's portion of a vehicle (\$4,030).

The majority of the transfers in were funds transferred from the General Fund to the other Funds. The largest, as discussed above, is to the Debt Service Fund (\$5,646,162). The General Fund also supports the Airport Fund with local funds. For FY16, the local support totaled \$51,269, which included operating costs of \$35,329, capital expenditures of \$14,140 and computer replacement of \$1,800. Other Governmental transfers (\$697,413) are directly related to the County's support of the Human Services Fund.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 7—INTERFUND TRANSFERS: (Continued)

Enterprise Fund:

The Enterprise Funds made a transfer between Water and Sewer and Bottom's Bridge in the amount of \$276,243. The Bottom's Bridge District was established in 2004 as a financing vehicle to provide resources for the construction of water and sewer facilities in the Bottom's Bridge area. Excluding water and sewer volume fees, all revenues collected in the District are legally dedicated to the payment of debt service on the original construction bonds. Because the District did not collect enough funds to pay the debt service, the Water and Sewer Fund provided \$276,243 in additional support.

Component Unit - School Board Funds

A transfer of \$100,000 was made to the Textbook Fund from the Operating Fund to provide funding for school textbooks.

NOTE 8—LONG-TERM OBLIGATIONS:

Primary Government:

The following is a summary of long-term obligations of the County for the year ended June 30, 2016:

	Balance at July 1, 2015	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2016	Amounts Due Within One Year
Governmental Activities:					
Incurring by County:					
Compensated absences (payable from the General Fund)	\$ 706,904	\$ 805,576	\$ 787,467	\$ 725,013	\$ 590,523
Net pension liability	1,010,415	2,167,247	1,924,002	1,253,660	-
Lease revenue bonds	10,767,989	-	354,138	10,413,851	799,985
Bond premium	440,104	-	55,627	384,477	53,547
Total incurred by County	<u>\$ 12,925,412</u>	<u>\$ 2,972,823</u>	<u>\$ 3,121,234</u>	<u>\$ 12,777,001</u>	<u>\$ 1,444,055</u>
Incurring by School Board:					
General obligation bonds	\$ 10,363,309	\$ -	\$ 814,973	\$ 9,548,336	\$ 821,510
Lease revenue bond	35,283,170	-	1,926,419	33,356,751	1,975,930
Bond premium	4,240,328	-	544,094	3,696,234	521,705
Total incurred by School Board	<u>\$ 49,886,807</u>	<u>\$ -</u>	<u>\$ 3,285,486</u>	<u>\$ 46,601,321</u>	<u>\$ 3,319,145</u>
Total Governmental Activities	<u>\$ 62,812,219</u>	<u>\$ 2,972,823</u>	<u>\$ 6,406,720</u>	<u>\$ 59,378,322</u>	<u>\$ 4,763,200</u>
Business-type Activities:					
Compensated absences (payable from the Enterprise Fund)	\$ 103,526	\$ 102,511	\$ 99,343	\$ 106,694	\$ 86,902
Net pension liability	136,741	283,281	251,486	168,536	-
Lease revenue bonds	15,099,947	-	475,905	14,624,042	517,624
Bond premium	1,459,999	-	161,895	1,298,104	155,524
Total Business-type Activities	<u>\$ 16,800,213</u>	<u>\$ 385,792</u>	<u>\$ 988,629</u>	<u>\$ 16,197,376</u>	<u>\$ 760,050</u>

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Year Ending June 30	County Obligations	
	Lease	
	Revenue Bonds	
	Principal	Interest
2017	\$ 799,985	\$ 318,354
2018	820,965	296,668
2019	843,582	274,861
2020	867,339	250,350
2021	895,239	222,129
2022	925,789	192,483
2023	956,494	161,681
2024	988,361	129,717
2025	1,021,892	96,524
2026	1,053,101	64,889
2027	532,993	35,027
2028	348,317	17,208
2029	359,794	5,622
Total	\$ <u>10,413,851</u>	\$ <u>2,065,513</u>

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Year Ending June 30	School Obligations			
	General		Lease	
	Obligation Bond		Revenue Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 821,510	\$ 437,649	\$ 1,975,930	\$ 1,321,777
2018	826,765	397,201	2,034,442	1,259,115
2019	830,897	357,876	2,097,456	1,198,740
2020	835,474	318,106	2,178,474	1,117,593
2021	840,284	278,104	2,286,497	1,006,441
2022	845,807	237,388	2,408,023	886,144
2023	850,329	197,672	2,538,552	759,388
2024	854,517	158,292	2,669,080	625,943
2025	860,264	117,352	2,813,112	485,461
2026	866,534	75,888	2,934,638	363,133
2027	742,966	37,034	3,033,659	260,944
2028	372,989	9,511	3,141,683	155,205
2029	-	-	3,245,205	50,707
Total	\$ <u>9,548,336</u>	\$ <u>2,622,073</u>	\$ <u>33,356,751</u>	\$ <u>9,490,591</u>

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Year Ending June 30	Enterprise Obligations	
	Lease Revenue	
	Bonds	
	Principal	Interest
2017	\$ 517,624	\$ 588,767
2018	538,730	566,292
2019	559,859	540,570
2020	591,011	512,842
2021	622,188	483,553
2022	658,389	452,599
2023	679,616	420,209
2024	720,869	386,407
2025	747,148	352,112
2026	778,453	317,772
2027	809,786	283,042
2028	846,147	248,900
2029	882,537	214,473
2030	918,956	178,301
2031	925,405	145,661
2032	956,884	113,895
2033	945,440	77,997
2034	950,000	45,313
2035	975,000	15,234
Total	\$ 14,624,042	\$ 5,943,939

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

	Year Issued	Interest Rates	Maturity Date	Amount Outstanding	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Lease revenue Bonds					
2015 lease revenue bond	2015	2.35%	10/1/2025	\$ 4,850,000	\$ 436,000
2014 refunding lease revenue bond	2015	2.125%-5.125%	10/1/2028	3,698,249	219,070
2007 lease revenue bond	2008	3.98%	2/1/2027	1,865,602	144,915
Unamortized premium				384,477	53,547
Net pension liability				1,253,660	-
Compensated absences (payable from the General Fund)				725,013	590,523
Total incurred by County				<u>\$ 12,777,001</u>	<u>\$ 1,444,055</u>
Incurred by School Board:					
General obligation bonds					
2007 School bond	2008	5.10%	7/15/2027	\$ 4,270,244	\$ 341,089
2006 School bond	2007	4.225%-5.10%	7/15/2026	4,029,401	360,274
2005 School bond - primary school	2006	4.60%-5.10%	7/15/2025	1,248,691	120,147
Lease revenue bond					
2014 refunding lease revenue bond	2015	2.125%-5.125%	10/1/2028	33,356,751	1,975,930
Unamortized premium				3,696,234	521,705
Total incurred by School Board				<u>\$ 46,601,321</u>	<u>\$ 3,319,145</u>
Total Governmental Activities Obligations				<u>\$ 59,378,322</u>	<u>\$ 4,763,200</u>
Business-type Activities Obligations:					
Lease revenue bonds					
2014 lease revenue bond	2015	2.09%	9/1/2034	\$ 1,014,042	\$ 52,624
2012B lease revenue bond	2012	2.279-5.125%	10/1/2029	8,505,000	440,000
2012C lease revenue bond	2012	2.172-4.839%	10/1/2034	5,105,000	25,000
Unamortized premium				1,298,104	155,524
Net pension liability				168,536	-
Compensated absences (payable from the Enterprise Fund)				106,694	86,902
Total Business-type Obligations				<u>\$ 16,197,376</u>	<u>\$ 760,050</u>

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Rate Covenant

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

Fiscal Year	Total Revenues	Cash Reserves *1	Total Revenue and Cash Available for Debt Service	Adjusted Expenditures *2	Net Revenues and Cash Available For Debt Service	Fiscal Year Debt Service All W&S Bonds *3	Percentage of Net Revenues and Cash Available For Debt Service
2014	\$ 4,025,801	\$ 6,198,507	\$ 10,224,308	\$ 3,083,277	\$ 7,141,031	\$ 1,079,802	661%
2015	4,678,319	6,742,068	11,420,387	2,448,304	8,972,083	1,078,141	832%
2016	4,653,440	7,499,084	12,152,524	2,434,877	9,717,647	1,087,807	893%

*1 - Uncommitted cash at June 30th

Component Unit—School Board:

The following is a summary of long-term obligations transactions of the Component Unit—School Board for the year ended June 30, 2016:

	Balance at July 1, 2015	Increases	Decreases	Balance at June 30, 2016	Amounts Due Within One Year
Compensated absences (payable from the School Fund)	\$ 331,176	\$ 275,595	\$ 280,281	\$ 326,490	\$ 276,315
Net pension liability	23,918,702	2,962,327	2,166,223	24,714,806	-
Net OPEB Obligation	669,000	175,000	89,000	755,000	-
Total Component Unit School Board	\$ 24,977,176	\$ 3,412,922	\$ 2,535,504	\$ 25,796,296	\$ 276,315

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 9—UNEARNED AND DEFERRED/UNAVAILABLE REVENUE:

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

Unavailable Property Tax Revenue: Revenue representing uncollected tax billings not available for funding of current expenditures totaled \$2,016,952 at June 30, 2016.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2016, but paid in advance by the tax payers totaled \$111,977 at June 30, 2016.

Unearned Revenue: Other miscellaneous unearned revenue items totaled \$182,549 at June 30, 2016, of which \$39,787 is FEMA funds related to Hurricane Irene and \$79,050 are deferred utility connection fees.

NOTE 10—COMMITMENTS AND CONTINGENCIES:

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

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

The following construction contracts were outstanding at June 30, 2016:

<u>Fund</u>	<u>Project</u>	<u>Contractor</u>	<u>Amount of Contract</u>	<u>Contract Outstanding At June 30, 2016</u>
Capital Projects Fund	Taxiway Lighting and Rehab	Curtis Contracting, Inc.	\$ 1,504,346	\$ 128,576

NOTE 11—LITIGATION:

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

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

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

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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.

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.)	About the Hybrid Retirement Plan (Cont.) <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.

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>

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>

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>

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</p> <p>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</p> <p>See definition under Plan 1.</p>	<p>Calculating the Benefit</p> <p><u>Defined Benefit Component:</u> See definition under Plan 1</p>

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>

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 NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

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 NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

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>

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 NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

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	69	38
Inactive members:		
Vested inactive members	30	14
Non-vested inactive members	49	40
Inactive members active elsewhere in VRS	74	19
Total inactive members	153	73
Active members	162	71
Total covered employees	384	182

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 10.20% 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.

NOTE 13—PENSION PLAN: (CONTINUED)

Contributions (Continued)

Contributions to the pension plan from the County were \$842,434 and \$789,667 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, 2015 was 7.44% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. However, during 2016, the Component Unit School Board paid a reduced certified rate approved by the VRS of 6.90% of covered employee compensation.

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 \$80,035 and \$85,947 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 NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 13—PENSION PLAN: (CONTINUED)

Contributions (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 NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

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

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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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	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

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

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

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	\$ 21,633,037	\$ 20,485,881	\$ 1,147,156
Changes for the year:			
Service cost	\$ 947,373	\$ -	\$ 947,373
Interest	1,490,526	-	1,490,526
Differences between expected and actual experience	(17,916)	-	(17,916)
Contributions - employer	-	789,667	(789,667)
Contributions - employee	-	409,532	(409,532)
Net investment income	-	958,373	(958,373)
Benefit payments, including refunds of employee contributions	(679,609)	(679,609)	-
Administrative expenses	-	(12,422)	12,422
Other changes	-	(207)	207
Net changes	\$ 1,740,374	\$ 1,465,334	\$ 275,040
Balances at June 30, 2015	\$ 23,373,411	\$ 21,951,215	\$ 1,422,196

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

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	\$ 4,322,867	\$ 4,381,165	\$ (58,298)
Changes for the year:			
Service cost	\$ 152,260	\$ -	\$ 152,260
Interest	295,305	-	295,305
Differences between expected and actual experience	34,975	-	34,975
Contributions - employer	-	85,947	(85,947)
Contributions - employee	-	63,501	(63,501)
Net investment income	-	198,775	(198,775)
Benefit payments, including refunds of employee contributions	(208,453)	(208,453)	-
Administrative expenses	-	(2,745)	2,745
Other changes	-	(42)	42
Net changes	\$ 274,087	\$ 136,983	\$ 137,104
Balances at June 30, 2015	\$ 4,596,954	\$ 4,518,148	\$ 78,806

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		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 4,779,716	\$ 1,422,196	\$ (1,335,937)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 678,207	\$ 78,806	\$ (420,089)

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

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 \$376,317 and \$49,023 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:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 13,470	\$ 23,038	\$ -
Net difference between projected and actual earnings on pension plan investments	-	526,757	-	114,588
Employer contributions subsequent to the measurement date	842,434	-	80,035	-
Total	<u>\$ 842,434</u>	<u>\$ 540,227</u>	<u>\$ 103,073</u>	<u>\$ 114,588</u>

\$842,434 and \$80,035 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 in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2017	\$ (212,923)	\$ (33,309)
2018	(212,923)	(34,145)
2019	(212,924)	(45,244)
2020	98,543	21,148
Thereafter	-	-

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

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 actuarially determined 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 \$2,091,789 and \$2,053,466 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 \$24,636,000 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 0.19574% as compared to 0.19841% at June 30, 2014.

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

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 \$1,818,000. 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 \$	-	\$ 339,000
Net difference between projected and actual earnings on pension plan investments	-	1,509,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	301,000	304,000
Employer contributions subsequent to the measurement date	2,091,789	-
Total	\$ 2,392,789	\$ 2,152,000

\$2,091,789 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:

<u>Year ended June 30</u>	
2017	\$ (654,000)
2018	(654,000)
2019	(654,000)
2020	180,000
2021	(69,000)

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

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:

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

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

COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

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		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset) \$	36,051,000 \$	24,636,000 \$	15,237,000

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 NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 14—DEFERRED COMPENSATION PLAN:

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

NOTE 15—SURETY BONDS:

	<u>Amount</u>
Commonwealth of Virginia - Division of Risk Management - Surety	
Amy P. Crump, Clerk of the Circuit Court	\$ 385,000
Norma C. Holmes, Treasurer	400,000
Laura M. Ecimovic, Commissioner of the Revenue	3,000
J. J. "Joe" McLaughlin, Jr., Sheriff	30,000
The above constitutional officer's employees blanket bond	50,000
Virginia Association of Counties Group Self Insurance Risk Pool	
All School Employees - Blanket Bond	1,000,000
Fidelity and Deposit Company of Maryland - Surety	
Thomas W. Evelyn, Board of Supervisor	1,000
W. R. Davis, Jr., Board of Supervisor	1,000
Travelers Casualty and Surety Company of America	
Rodney A. Hathaway, County Administrator	1,000
C. Thomas Tiller, Jr., Board of Supervisor	1,000
Patricia A. Paige, Board of Supervisor	1,000
Ron Stiers, Board of Supervisor	1,000
VaRISK2 - Virginia Group Liability Self Insurance Plan - Surety	1,000,000
All Social Services Employees - Blanket Bond	

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NOTE 16-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:

A. Plan Description

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

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

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

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

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

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COUNTY OF NEW KENT, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 16-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 School Board. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation to the Retiree Health Plan:

		<u>SCHOOL BOARD</u>
Annual required contribution	\$	180,000
Interest on net OPEB obligation		23,000
Adjustment to annual required contribution		(28,000)
Annual OPEB cost (expense)	\$	<u>175,000</u>
Contributions made		<u>(89,000)</u>
Increase in net OPEB obligation		86,000
Net OPEB obligation-beginning of year		<u>669,000</u>
Net OPEB obligation-end of year	\$	<u><u>755,000</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
School Board:			
6/30/2016	\$ 175,000	50.86%	\$ 755,000
6/30/2015	166,000	45.18%	669,000
6/30/2014	153,000	33.99%	578,000

Funded Status and Funding Progress

At July 1, 2015, the start of the most recent actuarial report, the School Board's actuarial accrued liability for benefits was \$1,667,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$15,586,059, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 10.70 percent.

NOTE 16-OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (CONTINUED)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

Cost Method

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

The following simplifying assumptions were made:

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

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

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

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

NOTE 17-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.

NOTE 17-OTHER POSTEMPLOYMENT BENEFITS - VRS HEALTH INSURANCE CREDIT:

A. Plan Description (Continued)

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.

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 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2016, 2015, and 2014 were \$157,928, \$155,015, and \$160,551, respectively and equaled the required contributions for each year.

NOTE 18-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.

NOTE 18-UPCOMING PRONOUNCEMENTS: (CONTINUED)

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.

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.

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REQUIRED SUPPLEMENTARY INFORMATION

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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)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 26,116,687	\$ 26,116,687	\$ 26,453,183	\$ 336,496
Other local taxes	3,970,832	3,970,832	4,244,523	273,691
Permits, privilege fees, and regulatory licenses	435,030	435,030	542,595	107,565
Fines and forfeitures	275,700	275,700	216,030	(59,670)
Revenue from the use of money and property	476,200	476,200	456,410	(19,790)
Charges for services	525,636	532,336	480,991	(51,345)
Miscellaneous	45,739	388,648	414,157	25,509
Recovered costs	323,912	373,525	475,656	102,131
Intergovernmental:				
Commonwealth	5,042,708	5,265,416	5,085,307	(180,109)
Federal	753,814	982,889	811,154	(171,735)
Total revenues	<u>\$ 37,966,258</u>	<u>\$ 38,817,263</u>	<u>\$ 39,180,006</u>	<u>\$ 362,743</u>
EXPENDITURES				
Current:				
General government administration	\$ 3,547,165	\$ 3,664,699	\$ 3,332,137	\$ 332,562
Judicial administration	1,494,653	1,536,082	1,457,164	78,918
Public safety	7,728,223	8,321,087	7,301,905	1,019,182
Public works	1,498,772	1,518,714	1,440,180	78,534
Health and welfare	1,891,783	2,001,330	1,655,780	345,550
Education	13,263,995	13,263,995	12,553,246	710,749
Parks, recreation, and cultural	786,281	815,772	724,004	91,768
Community development	1,003,783	1,048,650	889,349	159,301
Total expenditures	<u>\$ 31,214,655</u>	<u>\$ 32,170,329</u>	<u>\$ 29,353,765</u>	<u>\$ 2,816,564</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 6,751,603</u>	<u>\$ 6,646,934</u>	<u>\$ 9,826,241</u>	<u>\$ 3,179,307</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 105,220	\$ 106,820	\$ 106,820	\$ -
Transfers out	(6,530,211)	(7,344,236)	(9,411,352)	(2,067,116)
Total other financing sources (uses)	<u>\$ (6,424,991)</u>	<u>\$ (7,237,416)</u>	<u>\$ (9,304,532)</u>	<u>\$ (2,067,116)</u>
Net change in fund balances	\$ 326,612	\$ (590,482)	\$ 521,709	\$ 1,112,191
Fund balances - beginning	(326,612)	590,482	8,637,701	8,047,219
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,159,410</u>	<u>\$ 9,159,410</u>

Airport Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 91,662	\$ 91,662	\$ 87,561	\$ (4,101)
Charges for services	89,100	89,100	52,321	(36,779)
Intergovernmental:				
Commonwealth	62,804	254,785	161,044	(93,741)
Federal	186,300	1,864,865	1,544,281	(320,584)
Total revenues	<u>\$ 429,866</u>	<u>\$ 2,300,412</u>	<u>\$ 1,845,207</u>	<u>\$ (455,205)</u>
EXPENDITURES				
Current:				
Public works	\$ 216,191	\$ 217,991	\$ 165,099	\$ 52,892
Capital projects	257,000	2,216,982	1,641,213	575,769
Total expenditures	<u>\$ 773,191</u>	<u>\$ 2,434,973</u>	<u>\$ 1,806,312</u>	<u>\$ 628,661</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (343,325)</u>	<u>\$ (134,561)</u>	<u>\$ 38,895</u>	<u>\$ 173,456</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 43,325</u>	<u>\$ 51,269</u>	<u>\$ 51,269</u>	<u>\$ -</u>
Net change in fund balances	\$ (300,000)	\$ (83,292)	\$ 90,164	\$ 173,456
Fund balances - beginning	-	83,292	(5,288)	(88,580)
Fund balances - ending	<u><u>\$ (300,000)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 84,876</u></u>	<u><u>\$ 84,876</u></u>

Schedule of OPEB Funding Progress - Retiree Healthcare Plan
For the Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll * (c)	UAAL as % of Payroll ((b-a)/c)
School Board:						
7/1/2011	\$ -	\$ 1,751,000	\$ 1,751,000	0.00%	\$ 14,771,287	11.85%
7/1/2012	-	1,118,000	1,118,000	0.00%	15,128,675	7.39%
7/1/2013	-	1,208,000	1,208,000	0.00%	15,922,044	7.59%
7/1/2014	-	1,580,000	1,580,000	0.00%	15,412,145	10.25%
7/1/2015	-	1,667,000	1,667,000	0.00%	15,586,059	10.70%

* Based on annual payroll reported to the Virginia Retirement System

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	\$ 947,373	\$ 940,029
Interest	1,490,526	1,375,536
Differences between expected and actual experience	(17,916)	-
Benefit payments, including refunds of employee contributions	(679,609)	(666,080)
Net change in total pension liability	\$ 1,740,374	\$ 1,649,485
Total pension liability - beginning	21,633,037	19,983,552
Total pension liability - ending (a)	<u>\$ 23,373,411</u>	<u>\$ 21,633,037</u>
Plan fiduciary net position		
Contributions - employer	\$ 789,667	\$ 888,904
Contributions - employee	409,532	388,169
Net investment income	958,373	2,755,972
Benefit payments, including refunds of employee contributions	(679,609)	(666,080)
Administrative expense	(12,422)	(14,214)
Other	(207)	145
Net change in plan fiduciary net position	\$ 1,465,334	\$ 3,352,896
Plan fiduciary net position - beginning	20,485,881	17,132,985
Plan fiduciary net position - ending (b)	<u>\$ 21,951,215</u>	<u>\$ 20,485,881</u>
County's net pension liability - ending (a) - (b)	\$ 1,422,196	\$ 1,147,156
Plan fiduciary net position as a percentage of the total pension liability	93.92%	94.70%
Covered payroll	\$ 7,802,880	\$ 7,613,554
County's net pension liability as a percentage of covered payroll	18.23%	15.07%

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.

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	\$ 152,260	\$ 148,983
Interest	295,305	279,406
Differences between expected and actual experience	34,975	-
Benefit payments, including refunds of employee contributions	(208,453)	(194,074)
Net change in total pension liability	\$ 274,087	\$ 234,315
Total pension liability - beginning	4,322,867	4,088,552
Total pension liability - ending (a)	<u>\$ 4,596,954</u>	<u>\$ 4,322,867</u>
Plan fiduciary net position		
Contributions - employer	\$ 85,947	\$ 122,227
Contributions - employee	63,501	73,877
Net investment income	198,775	596,911
Benefit payments, including refunds of employee contributions	(208,453)	(194,074)
Administrative expense	(2,745)	(3,189)
Other	(42)	32
Net change in plan fiduciary net position	\$ 136,983	\$ 595,784
Plan fiduciary net position - beginning	4,381,165	3,785,381
Plan fiduciary net position - ending (b)	<u>\$ 4,518,148</u>	<u>\$ 4,381,165</u>
School Division's net pension liability (asset) - ending (a) - (b)	\$ 78,806	\$ (58,298)
Plan fiduciary net position as a percentage of the total pension liability	98.29%	101.35%
Covered payroll	\$ 1,250,311	\$ 1,445,174
School Division's net pension liability (asset) as a percentage of covered payroll	6.30%	-4.03%

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.

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Year Ended June 30, 2016*

	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	0.19574%	0.19841%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 24,636,000	\$ 23,977,000
Employer's Covered Payroll	14,877,589	14,161,834
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	165.59%	169.31%
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.

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

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	\$ 842,434	\$ 842,434	\$ -	\$ 8,259,154	10.20%
2015	789,667	789,667	-	7,802,880	10.12%
2014	888,961	888,961	-	7,546,356	11.78%
2013	823,149	823,149	-	6,987,684	11.78%
2012	655,039	655,039	-	7,020,784	9.33%
2011	628,773	628,773	-	6,739,258	9.33%
2010	389,299	389,299	-	6,609,492	5.89%
2009	384,390	384,390	-	6,526,149	5.89%
2008	527,465	527,465	-	5,966,798	8.84%
2007	476,265	476,265	-	5,387,614	8.84%
Component Unit School Board (nonprofessional)					
2016	\$ 86,299	\$ 80,035	\$ 6,264	\$ 1,159,928	6.90%
2015	93,023	85,947	7,076	1,250,311	6.87%
2014	122,170	122,170	-	1,454,410	8.40%
2013	111,960	111,960	-	1,332,855	8.40%
2012	87,173	87,173	-	1,263,373	6.90%
2011	80,730	80,730	-	1,170,006	6.90%
2010	59,910	59,910	-	1,165,562	5.14%
2009	79,029	79,029	-	1,537,521	5.14%
2008	56,866	56,866	-	1,418,100	4.01%
2007	53,121	53,121	-	1,324,717	4.01%
Component Unit School Board (professional)					
2016	\$ 2,091,789	\$ 2,091,789	\$ -	\$ 14,877,589	14.06%
2015	2,110,075	2,110,075	-	14,552,241	14.50%
2014	2,409,714	2,409,714	-	14,464,067	16.66%
2013	2,300,413	2,300,413	-	13,808,000	16.66%
2012	1,530,447	1,530,447	-	13,507,914	11.33%
2011	1,165,167	1,165,167	-	13,047,781	8.93%
2010	1,504,950	1,504,950	-	13,327,914	11.29%
2009	1,948,314	1,948,314	-	14,107,995	13.81%
2008	2,014,456	2,014,456	-	13,166,381	15.30%
2007	1,769,528	1,769,528	-	12,461,465	14.20%

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

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

OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES*

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Debt Service 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)
	Original	Final	Actual Amounts	
EXPENDITURES				
Debt service:				
Principal retirement	\$ 3,095,531	\$ 3,095,531	\$ 3,095,530	\$ 1
Interest and other fiscal charges	2,072,029	2,119,519	2,119,505	14
Total expenditures	<u>\$ 5,167,560</u>	<u>\$ 5,215,050</u>	<u>\$ 5,215,035</u>	<u>\$ 15</u>
Excess (deficiency) of revenues over (under)				
expenditures	<u>\$ (5,167,560)</u>	<u>\$ (5,215,050)</u>	<u>\$ (5,215,035)</u>	<u>\$ 15</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 5,646,162	\$ 5,646,162	\$ 5,646,162	\$ -
Transfers out	<u>(100,000)</u>	<u>(725,831)</u>	<u>(725,831)</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ 5,546,162</u>	<u>\$ 4,920,331</u>	<u>\$ 4,920,331</u>	<u>\$ -</u>
Net change in fund balances	\$ 378,602	\$ (294,719)	\$ (294,704)	\$ 15
Fund balances - beginning	<u>(378,602)</u>	<u>294,719</u>	<u>1,392,202</u>	<u>1,097,483</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,097,498</u>	<u>\$ 1,097,498</u>

County Capital Improvements 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)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	\$ -	\$ 288,283	\$ 283,223	\$ (5,060)
Miscellaneous	-	62,605	274,817	212,212
Intergovernmental:				
Commonwealth	59,000	153,804	-	(153,804)
Federal	-	302,858	455,865	153,007
Total revenues	<u>\$ 59,000</u>	<u>\$ 807,550</u>	<u>\$ 1,013,905</u>	<u>\$ 206,355</u>
EXPENDITURES				
Current:				
Education	\$ 300,000	\$ 352,608	\$ 352,608	\$ -
Capital projects	1,267,000	12,476,497	5,211,479	7,265,018
Total expenditures	<u>\$ 1,567,000</u>	<u>\$ 12,829,105</u>	<u>\$ 5,564,087</u>	<u>\$ 7,265,018</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,508,000)</u>	<u>\$ (12,021,555)</u>	<u>\$ (4,550,182)</u>	<u>\$ 7,471,373</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 100,000	\$ 2,199,345	\$ 4,423,912	\$ 2,224,567
Transfers out	(119,360)	(119,360)	(119,360)	-
Total other financing sources (uses)	<u>\$ (19,360)</u>	<u>\$ 2,079,985</u>	<u>\$ 4,304,552</u>	<u>\$ 2,224,567</u>
Net change in fund balances	\$ (1,527,360)	\$ (9,941,570)	\$ (245,630)	\$ 9,695,940
Fund balances - beginning	1,527,360	9,941,570	15,237,557	5,295,987
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,991,927</u>	<u>\$ 14,991,927</u>

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

	Human Services Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 886	\$ 886
Commonwealth	911,076	911,076	593,919	(317,157)
Total revenues	<u>\$ 911,076</u>	<u>\$ 911,076</u>	<u>\$ 594,805</u>	<u>\$ (316,271)</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 1,765,940	\$ 1,765,940	\$ 1,292,218	\$ 473,722
Total expenditures	<u>\$ 1,765,940</u>	<u>\$ 1,765,940</u>	<u>\$ 1,292,218</u>	<u>\$ 473,722</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (854,864)</u>	<u>\$ (854,864)</u>	<u>\$ (697,413)</u>	<u>\$ 157,451</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 854,864	\$ 854,864	\$ 697,413	\$ (157,451)
Total other financing sources (uses)	<u>\$ 854,864</u>	<u>\$ 854,864</u>	<u>\$ 697,413</u>	<u>\$ (157,451)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Combining Statement of Fiduciary Net Position
 Fiduciary Fund
 June 30, 2016

	Agency Funds		
	Special Welfare	SSI Dedicated	Total
ASSETS			
Cash and cash equivalents	\$ 9,095	\$ 2,826	\$ 11,921
Total assets	<u>\$ 9,095</u>	<u>\$ 2,826</u>	<u>\$ 11,921</u>
LIABILITIES			
Amounts held for social services clients	\$ 9,095	\$ 2,826	\$ 11,921
Total liabilities	<u>\$ 9,095</u>	<u>\$ 2,826</u>	<u>\$ 11,921</u>

Fiduciary Funds

Combining Statement of Changes in Assets and Liabilities - Agency Funds

Year Ended June 30, 2016

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 7,099	\$ 4,799	\$ 2,803	\$ 9,095
Total assets	<u>\$ 7,099</u>	<u>\$ 4,799</u>	<u>\$ 2,803</u>	<u>\$ 9,095</u>
Liabilities:				
Amounts held for social services clients	\$ 7,099	\$ 4,799	\$ 2,803	\$ 9,095
Total liabilities	<u>\$ 7,099</u>	<u>\$ 4,799</u>	<u>\$ 2,803</u>	<u>\$ 9,095</u>
SSI Dedicated Fund:				
Assets:				
Cash and cash equivalents	\$ 1,343	\$ 3,653	\$ 2,170	\$ 2,826
Total assets	<u>\$ 1,343</u>	<u>\$ 3,653</u>	<u>\$ 2,170</u>	<u>\$ 2,826</u>
Liabilities:				
Amounts held for social services clients	\$ 1,343	\$ 3,653	\$ 2,170	\$ 2,826
Total liabilities	<u>\$ 1,343</u>	<u>\$ 3,653</u>	<u>\$ 2,170</u>	<u>\$ 2,826</u>
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 8,442	\$ 8,452	\$ 4,973	\$ 11,921
Total assets	<u>\$ 8,442</u>	<u>\$ 8,452</u>	<u>\$ 4,973</u>	<u>\$ 11,921</u>
Liabilities:				
Amounts held for social services clients	\$ 8,442	\$ 8,452	\$ 4,973	\$ 11,921
Total liabilities	<u>\$ 8,442</u>	<u>\$ 8,452</u>	<u>\$ 4,973</u>	<u>\$ 11,921</u>

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2016

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,203,351	\$ 620,880	\$ 2,824,231
Receivables (net of allowance for uncollectibles):			
Accounts receivable	34,112	5,097	39,209
Due from other governmental units	1,048,288	71,368	1,119,656
Total assets	<u>\$ 3,285,751</u>	<u>\$ 697,345</u>	<u>\$ 3,983,096</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 295,339	\$ 14,355	\$ 309,694
Accrued liabilities	2,990,412	62,137	3,052,549
Total liabilities	<u>\$ 3,285,751</u>	<u>\$ 76,492</u>	<u>\$ 3,362,243</u>
Fund balances:			
Committed			
Cafeteria fund	\$ -	\$ 294,792	\$ 294,792
Textbook fund	-	326,061	326,061
Total fund balances	<u>\$ -</u>	<u>\$ 620,853</u>	<u>\$ 620,853</u>
Total liabilities and fund balances	<u>\$ 3,285,751</u>	<u>\$ 697,345</u>	<u>\$ 3,983,096</u>

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

Total fund balances per above \$ 620,853

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

Capital assets cost	\$ 34,076,679	
Less: accumulated depreciation	<u>(10,117,311)</u>	23,959,368

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	(2,266,588)
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Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds. 2,171,824

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 846,590

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

Compensated absences	\$ (326,490)	
Net pension liability	(24,714,806)	
Net OPEB obligation	(755,000)	
Deferred outflows related to measurement of net pension liability	<u>324,038</u>	<u>(25,472,258)</u>

Net position of governmental activities \$ (140,211)

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	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ -	\$ 1,394	\$ 1,394
Charges for services	160,477	676,529	837,006
Miscellaneous	110,345	22,175	132,520
Intergovernmental:			
Local government	12,896,454	-	12,896,454
Commonwealth	13,438,154	179,014	13,617,168
Federal	927,260	417,979	1,345,239
Total revenues	<u>\$ 27,532,690</u>	<u>\$ 1,297,091</u>	<u>\$ 28,829,781</u>
EXPENDITURES			
Current:			
Education	\$ 27,425,081	\$ 1,237,139	\$ 28,662,220
Total expenditures	<u>\$ 27,425,081</u>	<u>\$ 1,237,139</u>	<u>\$ 28,662,220</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 107,609</u>	<u>\$ 59,952</u>	<u>\$ 167,561</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 100,000	\$ 100,000
Transfers out	(100,000)	-	(100,000)
Total other financing sources (uses)	<u>\$ (100,000)</u>	<u>\$ 100,000</u>	<u>\$ -</u>
Net change in fund balances	\$ 7,609	\$ 159,952	\$ 167,561
Fund balances - beginning	(7,609)	460,901	453,292
Fund balances - ending	<u>\$ -</u>	<u>\$ 620,853</u>	<u>\$ 620,853</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	\$ 167,561
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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 capital outlays exceeded depreciation in the current period.

Capital asset additions	\$ 2,319,827	
Depreciation expense	(856,786)	1,463,041

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

(Increase) decrease in items related to measurement of net pension liability	1,556,990
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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.

Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	\$ 28,122	
Increase (decrease) in deferred outflows related to measurement of net pension liability	(62,962)	
(Increase) decrease in compensated absences	4,686	
(Increase) decrease in net pension liability/asset	(796,104)	
(Increase) decrease in net OPEB obligation	(86,000)	(912,258)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	211,738
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Change in net position of governmental activities	\$ 2,487,072
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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			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ 112,750	\$ 112,750	\$ 160,477	\$ 47,727
Miscellaneous	97,500	112,122	110,345	(1,777)
Intergovernmental:				
Local government	13,554,595	13,607,203	12,896,454	(710,749)
Commonwealth	13,664,688	13,664,688	13,438,154	(226,534)
Federal	936,388	936,388	927,260	(9,128)
Total revenues	<u>\$ 28,365,921</u>	<u>\$ 28,433,151</u>	<u>\$ 27,532,690</u>	<u>\$ (900,461)</u>
EXPENDITURES				
Current:				
Education	\$ 28,365,921	\$ 28,325,542	\$ 27,425,081	\$ 900,461
Total expenditures	<u>\$ 28,365,921</u>	<u>\$ 28,325,542</u>	<u>\$ 27,425,081</u>	<u>\$ 900,461</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 107,609</u>	<u>\$ 107,609</u>	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ (100,000)	\$ (100,000)	\$ -
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ 7,609	\$ 7,609	\$ -
Fund balances - beginning	-	(7,609)	(7,609)	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	School Cafeteria Fund				Textbook Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of money and property	\$ -	\$ -	1,394	\$ 1,394	\$ -	\$ -	\$ -	\$ -
Charges for services	628,684	628,684	676,529	47,845	-	-	-	-
Miscellaneous	-	-	22,175	22,175	-	-	-	-
Intergovernmental:								
Commonwealth	13,822	13,822	15,326	1,504	164,594	164,594	163,688	(906)
Federal	305,000	491,117	417,979	(73,138)	-	-	-	-
Total revenues	\$ 947,506	\$ 1,133,623	\$ 1,133,403	\$ (220)	\$ 164,594	\$ 164,594	\$ 163,688	\$ (906)
EXPENDITURES								
Current:								
Education	\$ 947,506	\$ 1,133,623	\$ 1,107,393	\$ 26,230	\$ 164,594	\$ 264,594	\$ 129,746	\$ 134,848
Total expenditures	\$ 947,506	\$ 1,133,623	\$ 1,107,393	\$ 26,230	\$ 164,594	\$ 264,594	\$ 129,746	\$ 134,848
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 26,010	\$ 26,010	\$ -	\$ (100,000)	\$ 33,942	\$ 133,942
OTHER FINANCING SOURCES (USES)								
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ -
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ -
Net change in fund balances	\$ -	\$ -	\$ 26,010	\$ 26,010	\$ -	\$ -	\$ 133,942	\$ 133,942
Fund balances - beginning	-	-	268,782	268,782	-	-	192,119	192,119
Fund balances - ending	\$ -	\$ -	\$ 294,792	\$ 294,792	\$ -	\$ -	\$ 326,061	\$ 326,061

Statement of Fiduciary Net Position
Fiduciary Fund - Discretely Presented Component Unit School Board
June 30, 2016

	<u>Bridging Communities</u>
ASSETS	
Cash and cash equivalents	\$ 311,536
Accounts receivable	62,513
Total assets	<u>\$ 374,049</u>
LIABILITIES	
Accounts payable	\$ 43,628
Accrued liabilities	71,375
Unearned revenue	8,280
Total liabilities	<u>\$ 123,283</u>
NET POSITION	
Held in trust for education	<u>\$ 250,766</u>

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds - Discretely Presented Component Unit School Board
 For the Year Ended June 30, 2016

	<u>Bridging Communities</u>
ADDITIONS	
Contributions:	
Tuition	\$ 742,843
Grants from the Commonwealth of Virginia	99,063
Contributions	3,602
Start up revenue	46,338
Other revenues	45,300
Total additions	<u>\$ 937,146</u>
DEDUCTIONS	
Instruction	\$ 745,080
Operation and maintenance	22,114
Technology	44,160
Total deductions	<u>\$ 811,354</u>
Change in net position	\$ 125,792
Net position - beginning	124,974
Net position - ending	<u><u>\$ 250,766</u></u>

Statement of Net Position

Internal Service Fund - Discretely Presented Component Unit - School Board

June 30, 2016

	Self- Insurance Fund
<hr/>	
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 699,215
Accounts receivable, net of allowances for uncollectibles	455,937
Total assets	<u>\$ 1,155,152</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 308,562
Total liabilities	<u>\$ 308,562</u>
NET POSITION	
Unrestricted	\$ 846,590
Total net position	<u><u>\$ 846,590</u></u>

Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

	Self- Insurance Fund
	<hr/>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 3,675,474
Total operating revenues	\$ <u>3,675,474</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 3,470,914
Total operating expenses	\$ <u>3,470,914</u>
Operating income (loss)	\$ <u>204,560</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	\$ <u>7,178</u>
Change in net position	\$ <u>211,738</u>
Total net position - beginning	\$ 634,852
Total net position - ending	\$ <u><u>846,590</u></u>

Statement of Cash Flows

Internal Service Fund - Discretely Presented Component Unit - School Board

For the Year Ended June 30, 2016

	Self- Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 3,594,492
Payments for premiums	(3,421,603)
Net cash provided by (used for) operating activities	<u>\$ 172,889</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>\$ 7,178</u>
Net increase (decrease) in cash and cash equivalents	\$ 180,067
Cash and cash equivalents - beginning	519,148
Cash and cash equivalents - ending	<u><u>\$ 699,215</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 204,560
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	\$ (80,982)
Increase (decrease) in accounts payable	49,311
Total adjustments	<u>\$ (31,671)</u>
Net cash provided by (used for) operating activities	<u><u>\$ 172,889</u></u>

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*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

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Statement of Net Position

Discretely Presented Component Unit - Economic Development Authority

June 30, 2016

ASSETS

Current assets:

Cash and cash equivalents	\$	275,250
Investments		544
Inventories		721,508
Total current assets	\$	<u>997,302</u>
Total assets	\$	<u>997,302</u>

NET POSITION

Unrestricted	\$	<u>997,302</u>
Total net position	\$	<u><u>997,302</u></u>

Statement of Revenues, Expenses, and Changes in Fund Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2016

OPERATING REVENUES

Miscellaneous	\$	5,000
Total operating revenues	\$	<u>5,000</u>

OPERATING EXPENSES

Other charges	\$	143,897
Total operating expenses	\$	<u>143,897</u>

Operating income (loss)	\$	<u>(138,897)</u>
-------------------------	----	------------------

NONOPERATING REVENUES (EXPENSES)

Interest income	\$	1,056
Total nonoperating revenues (expenses)	\$	<u>1,056</u>

Change in net position	\$	(137,841)
------------------------	----	-----------

Total net position - beginning		1,135,143
Total net position - ending	\$	<u><u>997,302</u></u>

Statement of Cash Flows

Discretely Presented Component Unit - Economic Development Authority

For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts for customers	\$	5,000
Payments for operating activities		<u>(143,897)</u>
Net cash provided by (used for) operating activities	\$	<u>(138,897)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$	<u>1,054</u>
Net cash provided by (used for) investing activities	\$	<u>1,054</u>

Net increase (decrease) in cash and cash equivalents	\$	(137,843)
--	----	-----------

Cash and cash equivalents - beginning		<u>413,093</u>
Cash and cash equivalents - ending	\$	<u><u>275,250</u></u>

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

Operating income (loss)	\$	<u>(138,897)</u>
Net cash provided by (used for) operating activities	\$	<u><u>(138,897)</u></u>

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SUPPORTING SCHEDULES

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 20,437,887	\$ 20,437,887	\$ 20,212,783	\$ (225,104)
Real and personal public service corporation taxes	1,013,571	1,013,571	1,083,139	69,568
Personal property taxes	4,330,359	4,330,359	4,658,199	327,840
Mobile home taxes	36,890	36,890	45,025	8,135
Machinery and tools taxes	7,980	7,980	7,704	(276)
Penalties	175,000	175,000	227,970	52,970
Interest	115,000	115,000	218,363	103,363
Total general property taxes	\$ 26,116,687	\$ 26,116,687	\$ 26,453,183	\$ 336,496
Other local taxes:				
Local sales and use taxes	\$ 1,380,921	\$ 1,380,921	\$ 1,437,225	\$ 56,304
Consumers' utility taxes	219,000	219,000	228,188	9,188
Electric consumption taxes	68,000	68,000	63,417	(4,583)
Business license taxes	727,984	727,984	734,400	6,416
Cable TV franchise tax	6,900	6,900	6,948	48
Vehicle registration tax	506,000	506,000	541,401	35,401
Bank stock taxes	10,000	10,000	55,909	45,909
Taxes on recordation and wills	300,000	300,000	380,571	80,571
Hotel and motel room taxes	16,000	16,000	18,201	2,201
Meals tax	731,427	731,427	776,011	44,584
Admissions tax	4,600	4,600	2,252	(2,348)
Total other local taxes	\$ 3,970,832	\$ 3,970,832	\$ 4,244,523	\$ 273,691
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 22,000	\$ 22,000	\$ 18,358	\$ (3,642)
Transfer fees	770	770	876	106
Permits and other licenses	412,260	412,260	523,361	111,101
Total permits, privilege fees, and regulatory licenses	\$ 435,030	\$ 435,030	\$ 542,595	\$ 107,565
Fines and forfeitures:				
Court fines and forfeitures	\$ 275,700	\$ 275,700	\$ 216,030	\$ (59,670)
Total fines and forfeitures	\$ 275,700	\$ 275,700	\$ 216,030	\$ (59,670)
Revenue from use of money and property:				
Revenue from use of money	\$ 220,000	\$ 220,000	\$ 210,233	\$ (9,767)
Revenue from use of property	256,200	256,200	246,177	(10,023)
Total revenue from use of money and property	\$ 476,200	\$ 476,200	\$ 456,410	\$ (19,790)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Charges for services:				
Excess fees of clerk	\$ 18,000	\$ 18,000	\$ 21,380	\$ 3,380
Charges for law enforcement and traffic control	1,100	1,100	938	(162)
Charges for circuit court	73,079	73,079	65,747	(7,332)
Charges for courthouse security	77,317	77,317	63,335	(13,982)
Charges for Commonwealth's Attorney	1,600	1,600	2,048	448
Charges for other protection	5,300	5,300	6,852	1,552
Charges for sanitation and waste removal	43,820	43,820	16,718	(27,102)
Charges for parks and recreation	303,920	310,620	301,733	(8,887)
Charges for sale of publications	1,500	1,500	2,240	740
Total charges for services	\$ 525,636	\$ 532,336	\$ 480,991	\$ (51,345)
Miscellaneous:				
Miscellaneous	\$ 45,739	\$ 125,410	\$ 150,919	\$ 25,509
Off-track betting proceeds	-	263,238	263,238	-
Total miscellaneous	\$ 45,739	\$ 388,648	\$ 414,157	\$ 25,509
Recovered costs:				
Plum Point loan repay-program income	\$ -	\$ 9,351	\$ 9,351	\$ -
Extension program sponsorship	-	4,246	4,246	-
9th judicial court/localities	13,912	13,912	13,912	-
Other recovered costs	-	36,016	67,782	31,766
Ambulance and rescue service	310,000	310,000	380,365	70,365
Total recovered costs	\$ 323,912	\$ 373,525	\$ 475,656	\$ 102,131
Total revenue from local sources	\$ 32,169,736	\$ 32,568,958	\$ 33,283,545	\$ 714,587
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 40,000	\$ 40,000	\$ 58,207	\$ 18,207
Mobile home titling tax	4,500	4,500	1,949	(2,551)
Motor vehicle rental tax	1,200	1,200	5,708	4,508
State recordation tax	100,000	100,000	98,958	(1,042)
Personal property tax relief funds	2,217,883	2,217,883	2,217,883	-
Communications sales tax	615,000	615,000	576,854	(38,146)
Other state grants	-	-	533	533
Total noncategorical aid	\$ 2,978,583	\$ 2,978,583	\$ 2,960,092	\$ (18,491)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 231,961	\$ 231,961	\$ 231,887	\$ (74)
Sheriff	885,107	885,107	880,914	(4,193)
Commissioner of revenue	98,947	98,947	98,946	(1)
Treasurer	91,075	91,075	88,224	(2,851)
Registrar/electoral board	37,061	37,061	51,591	14,530
Clerk of the Circuit Court	242,129	242,129	204,126	(38,003)
Total shared expenses	\$ 1,586,280	\$ 1,586,280	\$ 1,555,688	\$ (30,592)
Other categorical aid:				
Public assistance and welfare administration	\$ 339,519	\$ 369,581	\$ 286,879	\$ (82,702)
Four for Life grant	-	22,968	22,968	-
Emergency services grants	-	20,500	20,500	-
Virginia commission for the arts	4,500	4,500	4,500	-
E-911 wireless	47,298	47,298	42,699	(4,599)
Va. Domestic Violence grant	40,000	40,000	45,000	5,000
Victim-witness grant	46,528	53,507	51,823	(1,684)
Fire programs	-	58,409	58,409	-
Litter control	-	6,393	6,393	-
DMV select office	-	-	12,884	12,884
DMV animal friendly plates	-	-	457	457
VA telecomm planning initiative grant	-	75,000	9,636	(65,364)
Other state grants	-	2,397	7,379	4,982
Total other categorical aid	\$ 477,845	\$ 700,553	\$ 569,527	\$ (131,026)
Total categorical aid	\$ 2,064,125	\$ 2,286,833	\$ 2,125,215	\$ (161,618)
Total revenue from the Commonwealth	\$ 5,042,708	\$ 5,265,416	\$ 5,085,307	\$ (180,109)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 753,814	\$ 820,561	\$ 636,941	\$ (183,620)
DMV - alcohol open container requirements	-	56,999	47,933	(9,066)
Hazardous materials emergency preparedness	-	22,800	22,800	-
State homeland security program	-	12,500	12,500	-
Historical BMP data cleanup	-	4,350	4,350	-

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Emergency management and response	\$ -	\$ 27,932	\$ 27,932	\$ -
Justice assistance grants	-	34,816	29,299	(5,517)
Hurricane Irene	-	-	18,556	18,556
Hurricane Sandy	-	-	1,387	1,387
Forfeited assets	-	-	4,998	4,998
Bulletproof vest grant	-	2,931	4,458	1,527
Total categorical aid	\$ 753,814	\$ 982,889	\$ 811,154	\$ (171,735)
Total revenue from the federal government	\$ 753,814	\$ 982,889	\$ 811,154	\$ (171,735)
Total General Fund	\$ 37,966,258	\$ 38,817,263	\$ 39,180,006	\$ 362,743
Special Revenue Funds:				
Airport Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 91,662	\$ 91,662	\$ 87,561	\$ (4,101)
Total revenue from use of money and property	\$ 91,662	\$ 91,662	\$ 87,561	\$ (4,101)
Charges for services:				
Fuel/oil sales	\$ 88,500	\$ 88,500	\$ 51,721	\$ (36,779)
Airport access fees	600	600	600	-
Total charges for services	\$ 89,100	\$ 89,100	\$ 52,321	\$ (36,779)
Total revenue from local sources	\$ 180,762	\$ 180,762	\$ 139,882	\$ (40,880)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Department of Aviation grants	\$ 62,804	\$ 254,785	\$ 161,044	\$ (93,741)
Total categorical aid	\$ 62,804	\$ 254,785	\$ 161,044	\$ (93,741)
Total revenue from the Commonwealth	\$ 62,804	\$ 254,785	\$ 161,044	\$ (93,741)
Revenue from the federal government:				
Categorical aid:				
Airport improvement program	\$ 186,300	\$ 1,864,865	\$ 1,544,281	\$ (320,584)
Total categorical aid	\$ 186,300	\$ 1,864,865	\$ 1,544,281	\$ (320,584)
Total revenue from the federal government	\$ 186,300	\$ 1,864,865	\$ 1,544,281	\$ (320,584)
Total Airport Fund	\$ 429,866	\$ 2,300,412	\$ 1,845,207	\$ (455,205)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Human Services Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 886	\$ 886
Total miscellaneous	\$ -	\$ -	\$ 886	\$ 886
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ 911,076	\$ 911,076	\$ 593,919	\$ (317,157)
Total categorical aid	\$ 911,076	\$ 911,076	\$ 593,919	\$ (317,157)
Total revenue from the Commonwealth	\$ 911,076	\$ 911,076	\$ 593,919	\$ (317,157)
Total Human Services Fund	\$ 911,076	\$ 911,076	\$ 594,805	\$ (316,271)
Capital Projects Funds:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 27,318	\$ 22,258	\$ (5,060)
Revenue from the use of property	-	260,965	260,965	-
Total revenue from use of money and property	\$ -	\$ 288,283	\$ 283,223	\$ (5,060)
Miscellaneous:				
Cash proffers	\$ -	\$ -	\$ 212,212	\$ 212,212
Other miscellaneous	-	62,605	62,605	-
Total miscellaneous	\$ -	\$ 62,605	\$ 274,817	\$ 212,212
Total revenue from local sources	\$ -	\$ 350,888	\$ 558,040	\$ 207,152
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
RSAF grant program	\$ 59,000	\$ 153,804	\$ -	\$ (153,804)
Total categorical aid	\$ 59,000	\$ 153,804	\$ -	\$ (153,804)
Total revenue from the Commonwealth	\$ 59,000	\$ 153,804	\$ -	\$ (153,804)
Revenue from the federal government:				
Categorical aid:				
FEMA - assistance to firefighters	\$ -	\$ 302,858	\$ 302,858	\$ -
ISTEA grant	-	-	153,007	153,007
Total categorical aid	\$ -	\$ 302,858	\$ 455,865	\$ 153,007
Total revenue from the federal government	\$ -	\$ 302,858	\$ 455,865	\$ 153,007
Total County Capital Improvements Fund	\$ 59,000	\$ 807,550	\$ 1,013,905	\$ 206,355
Total Primary Government	\$ 39,366,200	\$ 42,836,301	\$ 42,633,923	\$ (202,378)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Tuition and payments from other divisions	\$ 112,750	\$ 112,750	\$ 160,477	\$ 47,727
Total charges for services	\$ 112,750	\$ 112,750	\$ 160,477	\$ 47,727
Miscellaneous:				
Other miscellaneous	\$ 97,500	\$ 112,122	\$ 110,345	\$ (1,777)
Total miscellaneous	\$ 97,500	\$ 112,122	\$ 110,345	\$ (1,777)
Total revenue from local sources	\$ 210,250	\$ 224,872	\$ 270,822	\$ 45,950
Intergovernmental:				
Revenues from local governments:				
Contribution from County of New Kent, Virginia	\$ 13,554,595	\$ 13,607,203	\$ 12,896,454	\$ (710,749)
Total revenues from local governments	\$ 13,554,595	\$ 13,607,203	\$ 12,896,454	\$ (710,749)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,225,469	\$ 3,225,469	\$ 3,241,151	\$ 15,682
Basic school aid	7,702,565	7,702,565	7,657,564	(45,001)
ISAEP (GED program)	7,859	7,859	8,487	628
Regular foster care	22,249	22,249	11,747	(10,502)
Gifted and talented	80,398	80,398	79,956	(442)
Remedial education	121,453	121,453	120,784	(669)
English as a second language	10,266	10,266	9,558	(708)
Special education	730,426	730,426	726,406	(4,020)
Vocational education	63,292	63,292	62,944	(348)
Social security fringe benefits	425,939	425,939	423,595	(2,344)
Retirement fringe benefits	843,326	843,326	838,685	(4,641)
Group life insurance fringe benefits	27,370	27,370	27,219	(151)
Early reading intervention	23,503	23,503	21,695	(1,808)
Homebound education	8,023	8,023	13,150	5,127
Vocational education equipment	5,241	5,241	5,101	(140)
At risk payments	49,083	49,083	48,799	(284)
Technology	180,000	180,000	-	(180,000)
Compensation supplement	121,818	121,818	121,140	(678)
Mentor teacher program	1,581	1,581	1,891	310
Other state funds	14,827	14,827	18,282	3,455
Total categorical aid	\$ 13,664,688	\$ 13,664,688	\$ 13,438,154	\$ (226,534)
Total revenue from the Commonwealth	\$ 13,664,688	\$ 13,664,688	\$ 13,438,154	\$ (226,534)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I, Part A	\$ 235,391	\$ 235,391	\$ 256,523	\$ 21,132
Title III, Part A, ESL	-	-	1,942	1,942
Title VI-B, special education flow-through	605,465	605,465	593,497	(11,968)
Vocational education	29,728	29,728	29,667	(61)
Title VI-B, special education preschool	14,320	14,320	14,308	(12)
Title I, Part G	-	-	615	615
Title II - teacher quality	51,484	51,484	30,708	(20,776)
Total categorical aid	<u>\$ 936,388</u>	<u>\$ 936,388</u>	<u>\$ 927,260</u>	<u>\$ (9,128)</u>
Total revenue from the federal government	<u>\$ 936,388</u>	<u>\$ 936,388</u>	<u>\$ 927,260</u>	<u>\$ (9,128)</u>
Total School Operating Fund	<u>\$ 28,365,921</u>	<u>\$ 28,433,151</u>	<u>\$ 27,532,690</u>	<u>\$ (900,461)</u>
Special Revenue Funds:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,394	\$ 1,394
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,394</u>	<u>\$ 1,394</u>
Charges for services:				
Cafeteria sales	\$ 628,684	\$ 628,684	\$ 676,529	\$ 47,845
Total charges for services	<u>\$ 628,684</u>	<u>\$ 628,684</u>	<u>\$ 676,529</u>	<u>\$ 47,845</u>
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 22,175	\$ 22,175
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,175</u>	<u>\$ 22,175</u>
Total revenue from local sources	<u>\$ 628,684</u>	<u>\$ 628,684</u>	<u>\$ 700,098</u>	<u>\$ 71,414</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 13,822	\$ 13,822	\$ 15,326	\$ 1,504
Total categorical aid	<u>\$ 13,822</u>	<u>\$ 13,822</u>	<u>\$ 15,326</u>	<u>\$ 1,504</u>
Total revenue from the Commonwealth	<u>\$ 13,822</u>	<u>\$ 13,822</u>	<u>\$ 15,326</u>	<u>\$ 1,504</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Cafeteria Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 305,000	\$ 439,000	\$ 365,862	\$ (73,138)
Commodities	-	52,117	52,117	-
Total categorical aid	\$ 305,000	\$ 491,117	\$ 417,979	\$ (73,138)
Total revenue from the federal government	\$ 305,000	\$ 491,117	\$ 417,979	\$ (73,138)
Total School Cafeteria Fund	\$ 947,506	\$ 1,133,623	\$ 1,133,403	\$ (220)
Textbook Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Textbook payment	\$ 164,594	\$ 164,594	\$ 163,688	\$ (906)
Total revenue from the Commonwealth	\$ 164,594	\$ 164,594	\$ 163,688	\$ (906)
Total Textbook Fund	\$ 164,594	\$ 164,594	\$ 163,688	\$ (906)
Total Discretely Presented Component Unit - School Board	\$ 29,478,021	\$ 29,731,368	\$ 28,829,781	\$ (901,587)

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

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 95,456	\$ 98,995	\$ 92,315	\$ 6,680
General and financial administration:				
County administrator	\$ 349,723	\$ 357,673	\$ 319,177	\$ 38,496
Legal services	267,349	270,909	147,740	123,169
Central switchboard	26,575	48,853	46,619	2,234
Commissioner of revenue	576,775	576,775	558,596	18,179
Treasurer	397,133	419,418	418,904	514
Financial services	559,403	559,403	541,975	17,428
Department of information technology	652,871	684,266	587,911	96,355
Human Resources	197,185	200,646	191,061	9,585
Purchasing	217,811	218,274	206,048	12,226
Other general and financial administration	5,081	5,081	2,711	2,370
Total general and financial administration	\$ 3,249,906	\$ 3,341,298	\$ 3,020,742	\$ 320,556
Board of elections:				
Electoral board and officials	\$ 201,803	\$ 224,406	\$ 219,080	\$ 5,326
Total board of elections	\$ 201,803	\$ 224,406	\$ 219,080	\$ 5,326
Total general government administration	\$ 3,547,165	\$ 3,664,699	\$ 3,332,137	\$ 332,562
Judicial administration:				
Courts:				
Circuit court	\$ 93,243	\$ 93,243	\$ 80,022	\$ 13,221
General district court	16,155	16,155	11,752	4,403
Sheriff	563,465	564,572	519,395	45,177
Magistrate	1,191	1,191	999	192
Juvenile and domestic relations district court	7,000	9,000	6,295	2,705
Clerk of the circuit court	358,391	384,642	378,030	6,612
Victim and witness assistance	47,351	56,330	53,825	2,505
Total courts	\$ 1,086,796	\$ 1,125,133	\$ 1,050,318	\$ 74,815
Commonwealth's attorney:				
Commonwealth's attorney	\$ 407,857	\$ 410,949	\$ 406,846	\$ 4,103
Total commonwealth's attorney	\$ 407,857	\$ 410,949	\$ 406,846	\$ 4,103
Total judicial administration	\$ 1,494,653	\$ 1,536,082	\$ 1,457,164	\$ 78,918
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,502,810	\$ 2,550,721	\$ 2,278,807	\$ 271,914
Grants programs	-	204,082	102,472	101,610
Total law enforcement and traffic control	\$ 2,502,810	\$ 2,754,803	\$ 2,381,279	\$ 373,524

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer rescue squads	\$ 2,600	\$ 53,965	\$ 26,223	\$ 27,742
State forestry service	7,208	7,208	7,207	1
Fire and emergency management	2,716,176	2,861,983	2,752,193	109,790
Total fire and rescue services	<u>\$ 2,725,984</u>	<u>\$ 2,923,156</u>	<u>\$ 2,785,623</u>	<u>\$ 137,533</u>
Correction and detention:				
Confinement and care of prisoners	\$ 826,000	\$ 826,504	\$ 572,829	\$ 253,675
Probation and pretrial	145,591	145,591	43,800	101,791
Total correction and detention	<u>\$ 971,591</u>	<u>\$ 972,095</u>	<u>\$ 616,629</u>	<u>\$ 355,466</u>
Inspections:				
Building	\$ 375,447	\$ 375,447	\$ 365,023	\$ 10,424
Total inspections	<u>\$ 375,447</u>	<u>\$ 375,447</u>	<u>\$ 365,023</u>	<u>\$ 10,424</u>
Other protection:				
Animal control	\$ 249,283	\$ 294,627	\$ 245,617	\$ 49,010
E-911	903,108	1,000,959	907,734	93,225
Total other protection	<u>\$ 1,152,391</u>	<u>\$ 1,295,586</u>	<u>\$ 1,153,351</u>	<u>\$ 142,235</u>
Total public safety	<u>\$ 7,728,223</u>	<u>\$ 8,321,087</u>	<u>\$ 7,301,905</u>	<u>\$ 1,019,182</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 663,794	\$ 675,794	\$ 665,067	\$ 10,727
Total sanitation and waste removal	<u>\$ 663,794</u>	<u>\$ 675,794</u>	<u>\$ 665,067</u>	<u>\$ 10,727</u>
Maintenance of general buildings and grounds:				
General properties	\$ 834,978	\$ 842,920	\$ 775,113	\$ 67,807
Total maintenance of general buildings and grounds	<u>\$ 834,978</u>	<u>\$ 842,920</u>	<u>\$ 775,113</u>	<u>\$ 67,807</u>
Total public works	<u>\$ 1,498,772</u>	<u>\$ 1,518,714</u>	<u>\$ 1,440,180</u>	<u>\$ 78,534</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 205,315	\$ 215,263	\$ 215,263	\$ -
Total health	<u>\$ 205,315</u>	<u>\$ 215,263</u>	<u>\$ 215,263</u>	<u>\$ -</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Community services board	\$ 100,574	\$ 100,574	\$ 100,574	\$ -
Total mental health and mental retardation	<u>\$ 100,574</u>	<u>\$ 100,574</u>	<u>\$ 100,574</u>	<u>\$ -</u>
Welfare:				
Public assistance and welfare administration	\$ 1,489,844	\$ 1,589,443	\$ 1,243,893	\$ 345,550
Area agency on aging	4,083	4,083	4,083	-
Meals on wheels	4,000	4,000	4,000	-
Transportation for the elderly	52,582	52,582	52,582	-
Social service agency donations	35,385	35,385	35,385	-
Total welfare	<u>\$ 1,585,894</u>	<u>\$ 1,685,493</u>	<u>\$ 1,339,943</u>	<u>\$ 345,550</u>
Total health and welfare	<u>\$ 1,891,783</u>	<u>\$ 2,001,330</u>	<u>\$ 1,655,780</u>	<u>\$ 345,550</u>
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 9,400	\$ 9,400	\$ 9,400	\$ -
Contribution to County School Board	13,254,595	13,254,595	12,543,846	710,749
Total education	<u>\$ 13,263,995</u>	<u>\$ 13,263,995</u>	<u>\$ 12,553,246</u>	<u>\$ 710,749</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Administration and programs	\$ 558,815	\$ 588,306	\$ 496,538	\$ 91,768
Total parks and recreation	<u>\$ 558,815</u>	<u>\$ 588,306</u>	<u>\$ 496,538</u>	<u>\$ 91,768</u>
Cultural enrichment:				
Fine arts center	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
County fair association	8,000	8,000	8,000	-
Total cultural enrichment	<u>\$ 18,000</u>	<u>\$ 18,000</u>	<u>\$ 18,000</u>	<u>\$ -</u>
Library:				
Contribution to regional library	\$ 209,466	\$ 209,466	\$ 209,466	\$ -
Total library	<u>\$ 209,466</u>	<u>\$ 209,466</u>	<u>\$ 209,466</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 786,281</u>	<u>\$ 815,772</u>	<u>\$ 724,004</u>	<u>\$ 91,768</u>
Community development:				
Planning and community development:				
Community development	\$ 166,357	\$ 166,357	\$ 163,749	\$ 2,608
Zoning board	2,200	2,200	1,701	499
Planning commission	34,636	37,201	26,358	10,843
Plum Point housing rehab	-	17,742	8,390	9,352
Planning and zoning	235,375	235,375	206,101	29,274
Economic development	174,803	176,801	167,126	9,675
Agricultural and forestal	9,850	9,850	1,594	8,256
Historic commission	675	1,251	859	392
Total planning and community development	<u>\$ 623,896</u>	<u>\$ 646,777</u>	<u>\$ 575,878</u>	<u>\$ 70,899</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development: (Continued)				
Environmental management:				
Contribution to soil and water conservation district	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Environmental management	304,780	304,780	240,577	64,203
Wetlands board	4,640	4,640	3,461	1,179
Litter control	-	6,427	5,041	1,386
Total environmental management	<u>\$ 321,420</u>	<u>\$ 327,847</u>	<u>\$ 261,079</u>	<u>\$ 66,768</u>
Cooperative extension program:				
Extension office	\$ 58,467	\$ 74,026	\$ 52,392	\$ 21,634
Total cooperative extension program	<u>\$ 58,467</u>	<u>\$ 74,026</u>	<u>\$ 52,392</u>	<u>\$ 21,634</u>
Total community development	<u>\$ 1,003,783</u>	<u>\$ 1,048,650</u>	<u>\$ 889,349</u>	<u>\$ 159,301</u>
Total General Fund	<u>\$ 31,214,655</u>	<u>\$ 32,170,329</u>	<u>\$ 29,353,765</u>	<u>\$ 2,816,564</u>
Special Revenue Funds:				
Airport Fund:				
Current:				
Public Works:				
Salaries and fringes	\$ 94,386	\$ 94,413	\$ 92,254	\$ 2,159
Contractual services	16,346	16,319	9,081	7,238
Electricity	7,300	7,300	6,287	1,013
Miscellaneous	98,159	99,959	57,477	42,482
Total public works	<u>\$ 216,191</u>	<u>\$ 217,991</u>	<u>\$ 165,099</u>	<u>\$ 52,892</u>
Capital projects expenditures:				
Airport improvement	\$ 257,000	\$ 2,216,982	\$ 1,641,213	\$ 575,769
Total capital projects	<u>\$ 257,000</u>	<u>\$ 2,216,982</u>	<u>\$ 1,641,213</u>	<u>\$ 575,769</u>
Total Airport Fund	<u>\$ 473,191</u>	<u>\$ 2,434,973</u>	<u>\$ 1,806,312</u>	<u>\$ 628,661</u>
Human Services Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 1,745,440	\$ 1,745,440	\$ 1,271,718	\$ 473,722
Virginia juvenile crime control act	20,500	20,500	20,500	-
Total welfare and social services	<u>\$ 1,765,940</u>	<u>\$ 1,765,940</u>	<u>\$ 1,292,218</u>	<u>\$ 473,722</u>
Total health and welfare	<u>\$ 1,765,940</u>	<u>\$ 1,765,940</u>	<u>\$ 1,292,218</u>	<u>\$ 473,722</u>
Total Human Services Fund	<u>\$ 1,765,940</u>	<u>\$ 1,765,940</u>	<u>\$ 1,292,218</u>	<u>\$ 473,722</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 3,095,531	\$ 3,095,531	\$ 3,095,530	\$ 1
Interest and other fiscal charges	2,072,029	2,119,519	2,119,505	14
Total Debt Service Fund	<u>\$ 5,167,560</u>	<u>\$ 5,215,050</u>	<u>\$ 5,215,035</u>	<u>\$ 15</u>
Capital Projects Funds:				
County Capital Improvements Fund:				
Education:				
Contribution to County School Board	<u>\$ 300,000</u>	<u>\$ 352,608</u>	<u>\$ 352,608</u>	<u>\$ -</u>
Capital projects expenditures:				
County capital projects	\$ 612,000	\$ 10,301,496	\$ 3,948,482	\$ 6,353,014
County Motor vehicles	55,000	55,000	51,179	3,821
Affordable housing	-	28,761	-	28,761
School projects	600,000	2,091,240	1,211,818	879,422
Total capital projects	<u>\$ 1,267,000</u>	<u>\$ 12,476,497</u>	<u>\$ 5,211,479</u>	<u>\$ 7,265,018</u>
Total County Capital Improvements Fund	<u>\$ 1,567,000</u>	<u>\$ 12,829,105</u>	<u>\$ 5,564,087</u>	<u>\$ 7,265,018</u>
Total Primary Government	<u>\$ 40,188,346</u>	<u>\$ 54,415,397</u>	<u>\$ 43,231,417</u>	<u>\$ 11,183,980</u>
Discretely Presented Component Unit-School Board				
School Operating Fund:				
Education:				
Administration of schools:				
School board	\$ 34,378	\$ 34,378	\$ 34,074	\$ 304
Executive administration services	1,173,181	1,198,181	1,077,085	121,096
Total administration of schools	<u>\$ 1,207,559</u>	<u>\$ 1,232,559</u>	<u>\$ 1,111,159</u>	<u>\$ 121,400</u>
Instruction costs:				
Elementary and secondary schools	\$ 21,196,989	\$ 21,096,988	\$ 20,749,812	\$ 347,176
Total instruction costs	<u>\$ 21,196,989</u>	<u>\$ 21,096,988</u>	<u>\$ 20,749,812</u>	<u>\$ 347,176</u>
Operating costs:				
Attendance and health services	\$ 1,057,202	\$ 1,057,202	\$ 972,339	\$ 84,863
Pupil transportation	2,551,240	2,532,240	2,300,048	232,192
Operation and maintenance of school plant	2,352,931	2,406,553	2,291,723	114,830
Total operating costs	<u>\$ 5,961,373</u>	<u>\$ 5,995,995</u>	<u>\$ 5,564,110</u>	<u>\$ 431,885</u>
Total education	<u>\$ 28,365,921</u>	<u>\$ 28,325,542</u>	<u>\$ 27,425,081</u>	<u>\$ 900,461</u>
Total School Operating Fund	<u>\$ 28,365,921</u>	<u>\$ 28,325,542</u>	<u>\$ 27,425,081</u>	<u>\$ 900,461</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board (Continued)				
Special Revenue Funds:				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 947,506	\$ 1,081,506	\$ 1,055,276	\$ 26,230
Commodities	-	52,117	52,117	-
Total school food services	\$ 947,506	\$ 1,133,623	\$ 1,107,393	\$ 26,230
Total Cafeteria Fund	\$ 947,506	\$ 1,133,623	\$ 1,107,393	\$ 26,230
Textbook Fund:				
Education:				
Instruction	\$ 164,594	\$ 264,594	\$ 129,746	\$ 134,848
Total Textbook	\$ 164,594	\$ 264,594	\$ 129,746	\$ 134,848
Total Discretely Presented Component Unit - School Board	\$ 29,478,021	\$ 29,723,759	\$ 28,662,220	\$ 1,061,539

STATISTICAL SECTION

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Statistical Section

Contents

Tables

Financial Trends

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

1 - 4

Revenue Capacity

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

5-9

Debt Capacity

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

10-11

Demographic and Economic Information

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

12-13

Operating Information

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

14-16

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

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Table 1

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 9,438,366	\$ 16,407,609	\$ 15,885,375	\$ 24,889,762	\$ 20,138,682	\$ 21,006,854	\$ 22,838,671	\$ 24,578,103	\$ 21,130,986	\$ 24,011,223
Restricted	-	-	5,017,970	-	-	33,738	36,885	111,638	97,487	34,668
Unrestricted	17,196,160	17,921,278	22,836,534	21,701,270	26,045,094	25,006,307	23,895,010	22,545,554	25,034,225	24,913,810
Total governmental activities net position	\$ 26,634,526	\$ 34,328,887	\$ 43,739,879	\$ 46,591,032	\$ 46,183,776	\$ 46,046,899	\$ 46,770,566	\$ 47,235,295	\$ 46,262,698	\$ 48,959,701
Business-type activities										
Net investment in capital assets	\$ 19,983,157	\$ 35,637,527	\$ 38,497,889	\$ 52,595,933	\$ 66,749,297	\$ 67,060,987	\$ 66,062,606	\$ 65,443,647	\$ 64,641,023	\$ 63,704,883
Unrestricted	43,534,175	31,615,532	28,769,945	19,181,071	7,694,815	7,320,135	7,224,382	6,406,631	6,761,564	7,482,355
Total business-type activities net position	\$ 63,517,332	\$ 67,253,059	\$ 67,267,834	\$ 71,777,004	\$ 74,444,112	\$ 74,381,122	\$ 73,286,988	\$ 71,850,278	\$ 71,402,587	\$ 71,187,238
Primary Government										
Net investment in capital assets	\$ 29,421,523	\$ 52,045,136	\$ 54,383,264	\$ 77,485,695	\$ 86,887,979	\$ 88,067,841	\$ 88,901,277	\$ 90,021,750	\$ 85,772,009	\$ 87,716,106
Restricted	-	-	5,017,970	-	-	33,738	36,885	111,638	97,487	34,668
Unrestricted	60,730,335	49,536,810	51,606,479	40,882,341	33,739,909	32,326,442	31,119,392	28,952,185	31,795,789	32,396,165
Total Primary government net position	\$ 90,151,858	\$ 101,581,946	\$ 111,007,713	\$ 118,368,036	\$ 120,627,888	\$ 120,428,021	\$ 120,057,554	\$ 119,085,573	\$ 117,665,285	\$ 120,146,939

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

Table 2
Page 1 of 2

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities										
General government administration	\$ 2,467,397	\$ 1,897,867	\$ 3,112,985	\$ 3,178,178	\$ 3,127,903	\$ 3,249,773	\$ 3,108,766	\$ 3,540,907	\$ 3,460,790	\$ 3,570,793
Judicial administration	1,414,736	1,369,100	1,340,241	1,281,668	1,626,082	1,689,574	1,724,039	1,958,406	1,467,720	1,561,953
Public safety	5,669,671	5,941,239	6,448,840	6,974,536	6,873,657	8,096,297	7,591,790	7,748,268	7,874,442	8,551,676
Public works	1,562,298	1,821,422	2,029,548	2,111,602	2,135,389	1,917,625	1,874,687	2,020,146	1,382,495	1,956,184
Health and welfare	2,730,201	2,789,425	2,549,020	2,470,269	2,632,900	2,443,203	2,425,394	2,547,174	2,533,163	2,978,320
Education	23,299,435	7,691,487	5,617,649	15,413,852	13,735,944	14,503,170	14,343,635	16,107,096	16,771,912	16,932,338
Parks, Recreation and cultural	138,908	680,412	764,787	707,331	710,686	711,281	943,381	754,994	736,236	825,223
Community development	998,293	1,728,272	1,389,121	1,017,515	1,194,287	894,520	824,551	855,116	950,049	1,232,325
Interest and other financial charges	2,632,446	3,166,070	3,211,074	3,141,450	2,896,772	2,713,149	2,642,703	2,581,399	2,572,651	1,915,549
Total governmental activities	\$ 40,913,385	\$ 27,085,294	\$ 26,463,265	\$ 36,296,401	\$ 34,933,620	\$ 36,218,592	\$ 35,478,946	\$ 38,113,506	\$ 37,749,458	\$ 39,524,361
Business-type activities										
Water and Sewer	\$ 2,373,385	\$ 2,396,236	\$ 2,892,413	\$ 2,665,738	\$ 3,043,612	\$ 3,380,899	\$ 4,328,428	\$ 4,573,366	\$ 4,016,909	\$ 4,011,047
Bottoms Bridge	538,689	-	932,255	1,053,599	1,040,173	1,026,936	1,018,674	889,145	875,271	856,142
Total business-type activities	\$ 2,912,074	\$ 2,396,236	\$ 3,824,668	\$ 3,719,337	\$ 4,083,785	\$ 4,407,835	\$ 5,347,102	\$ 5,462,511	\$ 4,892,180	\$ 4,867,189
Total primary government expenses	\$ 43,825,459	\$ 29,481,530	\$ 30,287,933	\$ 40,015,738	\$ 39,017,405	\$ 40,626,427	\$ 40,826,048	\$ 43,576,017	\$ 42,641,638	\$ 44,391,550
Program Revenues										
Governmental activities										
Charges for services:										
Judicial administration	\$ 401,236	\$ 386,857	\$ 393,169	\$ 351,749	\$ 363,772	\$ 329,291	\$ 399,170	\$ 457,005	\$ 396,566	\$ 368,540
Public safety	694,944	670,915	467,676	437,179	319,879	461,092	390,953	401,785	569,757	550,385
Public works	112,478	69,744	110,879	45,231	50,901	126,347	145,479	122,127	111,840	69,039
Parks, recreation and cultural	125,355	247,457	268,455	294,890	263,089	276,852	271,041	298,204	317,367	301,733
Community development	328	6,462	2,440	87,478	106,075	63,701	1,305	1,636	2,305	2,240
Operating grants and contributions	3,760,077	3,940,686	3,534,316	3,541,020	3,361,044	3,850,528	3,680,325	3,966,842	3,542,972	4,147,197
Capital Grants and contributions	311,342	700,673	428,223	26,451	14,818	-	397,482	336,649	-	1,544,281
Total governmental activities	\$ 5,405,760	\$ 6,022,794	\$ 5,205,158	\$ 4,783,998	\$ 4,479,578	\$ 5,107,811	\$ 5,285,755	\$ 5,584,248	\$ 4,940,807	\$ 6,983,415
Business-type activities										
Charges for services:										
Water and Sewer	\$ 37,719,032	\$ 2,993,759	\$ 3,094,791	\$ 4,155,390	\$ 3,191,329	\$ 3,456,940	\$ 3,470,827	\$ 3,431,765	\$ 3,945,220	\$ 3,834,861
Bottoms Bridge	492,327	599,004	271,412	98,928	292,400	372,700	588,950	408,475	467,175	533,775
Operating grants and contributions	44,289	-	-	-	-	-	-	-	-	-
Capital grants and contributions	1,021,455	947,934	-	3,798,166	2,942,658	305,348	-	-	-	-
Total business-type activities	\$ 39,277,103	\$ 4,540,697	\$ 3,366,203	\$ 8,052,484	\$ 6,426,387	\$ 4,134,988	\$ 4,059,777	\$ 3,840,240	\$ 4,412,395	\$ 4,368,636
Total primary government revenues	\$ 44,682,863	\$ 10,563,491	\$ 8,571,361	\$ 12,836,482	\$ 10,905,965	\$ 9,242,799	\$ 9,345,532	\$ 9,424,488	\$ 9,353,202	\$ 11,352,051

COUNTY OF NEW KENT, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

Table 2
Page 2 of 2

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense)/Revenue										
Governmental activities	\$ (35,504,705)	\$ (21,230,463)	\$ (21,258,107)	\$ (31,512,403)	\$ (30,454,042)	\$ (31,110,781)	\$ (30,193,191)	\$ (32,529,258)	\$ (32,808,651)	\$ (32,540,946)
Business-type activities	36,365,029	2,144,461	(458,465)	4,333,147	2,342,602	(272,847)	(1,287,325)	(1,622,271)	(479,785)	(498,553)
Total primary government net expense	\$ 860,324	\$ (19,086,002)	\$ (21,716,572)	\$ (27,179,256)	\$ (28,111,440)	\$ (31,383,628)	\$ (31,480,516)	\$ (34,151,529)	\$ (33,288,436)	\$ (33,039,499)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 17,808,606	\$ 18,678,094	\$ 22,352,347	\$ 22,330,764	\$ 22,263,513	\$ 23,080,188	\$ 23,669,284	\$ 25,046,147	\$ 25,661,803	\$ 26,514,680
Other local taxes	4,095,757	4,305,199	4,093,622	3,665,210	3,884,188	3,428,191	3,620,732	3,869,620	4,069,547	4,244,523
Investment earnings	2,717,504	2,427,528	1,631,096	872,932	797,493	632,029	582,919	538,920	553,401	827,194
Miscellaneous	1,523,291	1,144,452	305,112	858,794	781,793	865,267	816,074	614,507	354,380	689,860
Non-categorical aid from the Commonwealth	2,515,587	2,375,270	2,286,922	6,635,296	2,323,459	2,968,229	2,952,844	2,924,793	2,924,756	2,960,092
Loss on disposal of net assets	-	(5,719)	-	-	-	-	-	-	-	-
Transfers	12,001	-	-	560	(3,660)	-	-	-	-	1,600
Total governmental activities	\$ 28,672,746	\$ 28,924,824	\$ 30,669,099	\$ 34,363,556	\$ 30,046,786	\$ 30,973,904	\$ 31,641,853	\$ 32,993,987	\$ 33,563,887	\$ 35,237,949
Business-type activities:										
Taxes										
Investment earnings	\$ 30,542	\$ 52,012	\$ 94,877	\$ 112,973	\$ 117,658	\$ 127,667	\$ 120,765	\$ 132,638	\$ 213,391	\$ 231,748
Transfers	1,681,641	1,539,254	378,363	63,610	203,188	82,190	72,426	52,923	52,533	53,056
	(12,001)	-	-	(560)	3,660	-	-	-	-	(1,600)
Total business-type activities	\$ 1,700,182	\$ 1,591,266	\$ 473,240	\$ 176,023	\$ 324,506	\$ 209,857	\$ 193,191	\$ 185,561	\$ 265,924	\$ 283,204
Total primary government	\$ 30,372,928	\$ 30,516,090	\$ 31,142,339	\$ 34,539,579	\$ 30,371,292	\$ 31,183,761	\$ 31,835,044	\$ 33,179,548	\$ 33,829,811	\$ 35,521,153
Changes in Net Position										
Governmental activities	\$ (6,831,959)	\$ 7,694,361	\$ 9,410,992	\$ 2,851,153	\$ (407,256)	\$ (136,877)	\$ 1,448,662	\$ 464,729	\$ 755,236	\$ 2,697,003
Business-type activities	38,065,211	3,735,727	14,775	4,509,170	2,667,108	(62,990)	(1,094,134)	(1,436,710)	(213,861)	(215,349)
Total primary government	\$ 31,233,252	\$ 11,430,088	\$ 9,425,767	\$ 7,360,323	\$ 2,259,852	\$ (199,867)	\$ 354,528	\$ (971,981)	\$ 541,375	\$ 2,481,654

Table 3

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Reserved	\$ 38,111	\$ 42,394	\$ 324,244	\$ 296,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	7,489,255	8,365,163	8,828,235	8,409,015	-	-	-	-	-	-
Nonspendable	-	-	-	-	3,934	9,319	43,994	367,300	297,507	310,819
Restricted	-	-	-	-	46,118	33,738	36,885	111,638	97,487	34,668
Committed	-	-	-	-	82,456	55,837	133,399	110,812	73,339	75,444
Unassigned	-	-	-	-	7,688,117	7,718,777	7,603,739	7,674,050	8,169,368	8,738,479
Total general fund	\$ 7,527,366	\$ 8,407,557	\$ 9,152,479	\$ 8,705,715	\$ 7,820,625	\$ 7,817,671	\$ 7,818,017	\$ 8,263,800	\$ 8,637,701	\$ 9,159,410
All other governmental funds										
Reserved for:										
Construction	\$ 34,577,687	\$ 11,635,215	\$ 5,017,970	\$ 4,405,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid items	-	-	1,629,190	31,734	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	420,906	514,657	275,033	450,208	-	-	-	-	-	-
Capital projects funds	14,227,604	13,488,892	10,802,647	10,674,722	-	-	-	-	-	-
Debt service funds	3,255,757	2,784,806	1,093,216	1,821,150	-	-	-	-	-	-
Nonspendable	-	-	-	-	1,255,909	1,251,693	134,892	19,880	8,469	8,753
Restricted	-	-	-	-	4,137,075	-	-	-	-	-
Committed	-	-	-	-	673,763	305,772	900,499	1,089,353	1,392,202	1,097,498
Assigned	-	-	-	-	12,187,794	15,439,060	15,290,274	13,155,730	15,904,990	14,991,927
Unassigned	-	-	-	-	-	-	-	(29,118)	(13,757)	76,123
Total all other governmental funds	\$ 52,481,954	\$ 28,423,570	\$ 18,818,056	\$ 17,383,107	\$ 18,254,541	\$ 16,996,525	\$ 16,325,665	\$ 14,235,845	\$ 17,291,904	\$ 16,174,301

Note:

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

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

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

Table 4

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
General property taxes	\$ 17,523,220	\$ 18,678,094	\$ 22,029,662	\$ 22,222,442	\$ 22,297,958	\$ 22,901,566	\$ 23,426,941	\$ 24,678,308	\$ 25,641,948	\$ 26,453,183
Other local taxes	4,095,757	4,305,199	4,093,622	3,665,210	3,884,188	3,428,191	3,620,732	3,869,620	4,069,547	4,244,523
Permits, privilege fees and licenses	669,615	660,112	459,232	430,902	310,578	377,288	385,976	395,155	561,042	542,595
Fines and Forfeitures	221,938	212,547	219,372	191,841	215,521	242,185	243,811	289,644	244,896	216,030
Revenue from use of money & property	2,624,902	2,259,565	1,631,096	872,932	797,493	632,029	582,919	538,920	553,401	827,194
Charges for services	445,708	508,776	564,015	593,784	577,617	637,810	578,161	595,958	591,897	533,312
Miscellaneous	1,523,291	1,144,452	1,011,475	858,794	781,793	885,267	816,074	614,507	354,380	689,860
Recovered costs	509,553	533,865	736,896	594,960	485,748	495,986	454,320	265,097	617,157	475,656
Commonwealth of Virginia	5,535,817	5,685,369	5,384,875	4,869,299	4,823,858	5,244,698	5,471,597	5,668,219	5,529,241	5,840,270
Federal Government	984,524	1,331,260	864,586	990,768	875,463	1,574,059	1,559,054	1,560,065	938,487	2,811,300
Total revenues	\$ 34,134,325	\$ 35,319,239	\$ 36,994,831	\$ 35,290,932	\$ 35,050,217	\$ 36,399,079	\$ 37,139,585	\$ 38,475,493	\$ 39,101,996	\$ 42,633,923
Expenditures										
General government administration	\$ 2,298,557	\$ 2,838,389	\$ 2,966,220	\$ 2,892,335	\$ 2,859,703	\$ 3,111,352	\$ 3,018,483	\$ 3,291,289	\$ 3,366,101	\$ 3,332,137
Judicial administration	1,333,063	1,334,679	1,271,699	1,271,058	1,293,438	1,355,640	1,379,237	1,445,417	1,413,082	1,457,164
Public Safety	5,349,980	5,875,647	5,803,309	6,223,255	6,757,429	8,028,355	7,561,349	7,459,094	7,796,549	7,301,905
Public works	1,623,329	1,693,001	1,797,806	1,825,072	1,832,237	1,782,409	1,640,421	1,597,591	1,596,335	1,605,279
Health and welfare	2,718,814	2,804,957	2,536,125	2,487,966	2,529,648	2,354,831	2,349,627	2,500,813	2,517,092	2,947,998
Education	8,356,402	9,674,192	10,199,591	9,292,122	10,689,229	11,314,721	11,343,488	12,789,955	12,527,071	12,905,854
Parks, recreation and cultural	475,968	615,715	656,906	668,412	652,519	617,971	635,788	697,661	691,829	724,004
Community development	1,090,833	1,410,997	1,290,168	964,421	1,118,510	763,602	714,269	711,650	777,280	889,349
Capital projects	20,382,379	39,636,653	12,079,368	3,473,438	1,649,068	2,639,793	3,573,424	3,958,484	4,296,214	6,852,692
Debt service										
Principal retirement	903,226	2,124,007	3,697,636	4,705,781	2,626,864	2,704,858	2,787,611	2,941,726	2,967,281	3,095,530
Interest and other fiscal charges	1,497,487	3,109,102	3,556,595	3,369,345	3,102,636	2,986,517	2,877,650	2,725,850	2,577,144	2,119,505
Bond issuance costs	1,035,707	98,920	-	-	-	-	-	-	707,305	-
Total Expenditures	\$ 47,065,745	\$ 71,216,259	\$ 45,855,423	\$ 37,173,205	\$ 35,111,281	\$ 37,660,049	\$ 37,881,347	\$ 40,119,530	\$ 41,233,283	\$ 43,231,417
Revenues over (under) expenditures	\$ (12,931,420)	\$ (35,897,020)	\$ (8,860,592)	\$ (1,882,273)	\$ (61,064)	\$ (1,260,970)	\$ (741,762)	\$ (1,644,037)	\$ (2,131,287)	\$ (597,494)
Other financing sources (uses)										
Transfers in	\$ 6,996,327	\$ 6,872,077	\$ 11,739,565	\$ 13,193,093	\$ 9,455,572	\$ 11,595,115	\$ 8,816,327	\$ 8,165,591	\$ 8,740,963	\$ 10,925,576
Transfers out	(6,984,326)	(6,872,077)	(11,739,565)	(13,192,533)	(9,459,232)	(11,595,115)	(8,816,327)	(8,165,591)	(8,740,963)	(10,923,976)
Issuance of bonds	56,862,447	9,859,103	-	-	-	-	-	-	4,850,000	-
Bond issuance premium	2,185,831	388,337	-	-	-	-	-	-	4,620,242	-
Refunding of bonds	(7,500,000)	2,395,106	-	-	-	-	-	-	39,195,000	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	(43,103,995)	-
Sale of capital assets	-	76,281	-	-	51,068	-	71,248	-	-	-
Total other financing sources (uses)	\$ 51,560,279	\$ 12,718,827	\$ -	\$ 560	\$ 47,408	\$ -	\$ 71,248	\$ -	\$ 5,561,247	\$ 1,600
Net change in fund balances	\$ 38,628,859	\$ (23,178,193)	\$ (8,860,592)	\$ (1,881,713)	\$ (13,656)	\$ (1,260,970)	\$ (670,514)	\$ (1,644,037)	\$ 3,429,960	\$ (595,894)
Debt service as a percentage of noncapital expenditures	42.20%	17.54%	25.33%	22.63%	16.72%	16.01%	16.43%	15.29%	14.69%	13.44%

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

Table 5

	2016			2007		
	Rank	Assessed Valuation (1)	Percentage of Total Assessed Valuation	Rank	Assessed Valuation (2)	Percentage of Total Assessed Valuation
Taxpayer						
Colonial Downs Holdings Inc.	1	\$ 27,400,900	1.14%	1	\$ 29,777,700	2.00%
City of Newport News	2	25,777,300	1.07%	2	23,697,142	1.59%
New Kent Farms LLC	3	23,994,100	1.00%	3	23,674,500	1.59%
Kinney Jonathan C. Trustee	4	23,209,100	0.96%	6	7,397,500	0.50%
SPF Investments LLC	5	11,762,200	0.49%			
NKP LB5 LLC	6	10,985,400	0.46%	5	8,684,900	0.58%
Kentland Investments LLC	7	10,840,200	0.45%	7	7,424,300	0.50%
NKP LB4 LLC	8	9,724,100	0.40%			
AHS Cumberland Hospital, LLC	9	7,721,400	0.32%	8	6,874,800	0.46%
Criss Cross Properties LLC	10	7,366,300	0.31%			
Bluegreen Properties of Virginia				4	9,707,200	0.65%
Tideland Title Agency, Inc.				9	6,313,200	0.42%
Wingspread Partners Invest LTD				10	6,231,500	0.42%
Total		<u>\$ 158,781,000</u>	6.585%		<u>\$ 129,782,742</u>	8.712%
Total Assessed Valuation of RE		<u>\$ 2,411,086,844</u>	100.000%		<u>\$ 1,489,772,315</u>	100.000%

Notes:

- (1) Based on January 1, 2015 Real Estate Assessments Less Land Use
(2) Based on January 1, 2006 Real Estate Assessments Less Land Use

Table 6

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

Fiscal Year	Taxes Levied for the Fiscal Year (2)	Collected within the Fiscal Year of the Levy		Adjustments to Levy in Subsequent Years	Total Adjusted Levy	Collections In Subsequent Years	Total Collections to Date	
		Amount (1)	Percentage of Levy				Amount (1)	Percentage of Levy
2016	\$ 20,167,115	\$ 19,423,778	96.31%	\$ -	\$ 20,167,115	\$ -	\$ 19,423,778	96.31%
2015	19,858,010	19,127,721	96.32%	(11,446)	19,846,564	433,612	19,561,333	98.56%
2014	19,552,791	18,769,457	95.99%	(6,293)	19,546,498	556,816	19,326,273	98.87%
2013	18,281,426	17,694,331	96.79%	2,091	18,283,517	426,649	18,120,981	99.11%
2012	18,212,680	17,636,241	96.83%	28	18,212,708	471,317	18,107,558	99.42%
2011	18,024,674	17,412,481	96.60%	(1,280)	18,023,395	550,198	17,962,679	99.66%
2010	18,150,753	17,481,715	96.31%	(130,933)	18,019,820	496,378	17,978,092	99.77%
2009	17,544,380	16,928,858	96.49%	(20,740)	17,523,640	565,983	17,494,840	99.84%
2008	14,683,271	14,228,315	96.90%	(228)	14,683,043	442,304	14,670,619	99.92%
2007	13,684,954	13,233,449	96.70%	(2,665)	13,682,289	447,318	13,680,767	99.99%

Notes:

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

Notes are presented on a fiscal year and cash basis.

(1) Exclusive of penalties and interest.

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

Table 7

COUNTY OF NEW KENT, VIRGINIA
Assessed and Estimated Actual Value of Real Property
Last Ten Fiscal Years

Fiscal Year	Residential/ Agricultural Property (4) (5)	Commercial Property (4)	Total Assessed Value	Less: Land-Use Property (4)	Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Value (1)	Taxable Assessed Value as a % of Est. Actual Value
2016	\$ 2,199,446,161	\$ 287,800,983	\$ 2,487,247,144	\$ 76,160,300	\$ 2,411,086,844	\$ 0.84	\$ 2,345,987,499	97.30% (2)
2015	2,159,481,911	286,468,033	2,445,949,944	71,259,400	2,374,690,544	0.84	2,329,571,424	98.10%
2014	2,168,009,978	211,393,700	2,379,403,678	76,100,600	2,303,303,078	0.85	2,294,089,866	99.60%
2013	2,135,222,057	211,238,700	2,346,460,757	75,552,700	2,270,908,057	0.81	2,232,302,620	98.30%
2012	2,446,399,899	242,290,949	2,688,690,848	75,360,400	2,613,330,448	0.70	2,448,716,619	106.72%
2011	2,408,011,129	235,381,426	2,643,392,555	72,264,750	2,571,127,805	0.70	2,569,542,911	100.06%
2010	2,372,385,106	188,049,050	2,560,434,156	66,421,900	2,494,012,256	0.73	2,530,073,277	98.57%
2009	2,249,924,409	171,828,270	2,421,752,679	58,656,600	2,363,096,079	0.73	2,527,925,552	93.48%
2008	1,485,801,900	127,861,119	1,613,663,019	42,639,800	1,571,023,219	0.93	2,671,627,515	58.80%
2007	1,370,706,073	118,498,742	1,489,204,815	43,772,100	1,445,432,715	0.93	2,386,546,178	60.57%

Notes:

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

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

(2) Ratio based on 2016 Estimated Ratio provided by the Department of Taxation for an assessment to sales price median ratio.

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

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

(5) Includes Land Use Exemptions.

Table 8

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

Fiscal Year	Personal Property (1)	Machinery & Tools (1)	Aircraft (1)	Public Service (2,3)	Total
2016	\$ 194,598,143	\$ 513,582	\$ 1,220,227	\$ 128,928,446	\$ 325,260,398
2015	187,360,448	590,954	1,227,874	120,632,737	309,812,013
2014	177,749,271	906,954	1,076,630	119,599,045	299,331,900
2013	177,404,046	407,528	1,237,663	110,051,084	289,100,321
2012	167,618,216	411,632	1,390,736	97,839,996	267,260,580
2011	159,680,205	507,358	1,508,951	84,794,487	246,491,001
2010	155,957,292	18,000	1,352,404	82,047,884	239,375,580
2009	170,220,143	18,000	1,271,150	74,410,649	245,919,942
2008	156,913,939	18,000	1,298,750	44,828,759	203,059,448
2007	145,406,962	21,600	971,000	52,291,778	198,691,340

Notes:

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

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

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

(3) Includes Real Estate.

Table 9

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

Fiscal Year	Public Service				Aircraft	Mobile Homes
	Real Estate	Personal Property	Machinery & Tools			
2016	\$ 0.84	\$ 3.75	\$ 1.50	\$ 0.75	\$ 0.84	
2015	0.84	3.75	1.50	0.75	0.84	
2014	0.85	3.75	1.50	0.75	0.85	
2013	0.81	3.75	1.50	0.75	0.81	
2012	0.70	3.75	1.50	0.75	0.70	
2011	0.70	3.75	1.50	0.75	0.70	
2010	0.73	3.75	1.50	0.75	0.73	
2009	0.73	3.75	1.50	0.75	0.73	
2008	0.93	3.75	3.00	0.75	0.93	
2007	0.93	3.75	3.00	0.75	0.93	

Note:

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

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

Table 10

Fiscal Year	Governmental Activities					Business-Type Activities		Summary Totals							
	General Obligation Bonds		State Literary Funds		Lease Revenue & Acquisition		Revenue Bonds		Bond Premium		Total Primary Government		Percentage of Total Personal Income		Per Capita Personal Income (1)
2016	\$	9,548,336	\$	-	\$	43,770,602	\$	14,624,042	\$	5,378,815	\$	73,321,795		N/A	N/A
2015		10,363,309		-		46,051,159		15,099,947		6,140,431		77,654,846		N/A	N/A
2014		11,274,259		-		43,397,490		14,535,000		2,940,805		72,147,554		7.23%	49,814
2013		12,253,753		-		45,359,722		14,995,000		3,275,157		75,883,632		9.80%	39,707
2012		13,162,303		-		47,238,783		15,755,000		1,662,288		77,818,374		10.52%	38,605
2011		14,062,018		-		49,043,926		16,160,000		1,846,825		81,112,769		11.74%	36,705
2010		14,953,146		-		50,779,662		16,555,000		2,038,724		84,326,532		13.02%	34,891
2009		16,085,397		-		54,353,091		16,940,000		2,237,826		89,616,315		14.28%	34,755
2008		17,076,570		100,000		56,959,655		17,310,000		2,447,435		93,893,660		14.61%	36,241
2007		11,530,439		200,000		51,897,177		17,675,000		2,227,061		83,907,899		13.93%	34,910

Notes:

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

(1) Personal income and per capita personal income data for 2007 through 2014 was obtained from the Bureau of Economic

Analysis, U. S. Department of Commerce - BEARFACTS.

N/A - This information was not available.

Table 11

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

Fiscal Year	General Obligation Bonds	State Literary Fund		Total General Bonded Debt	Net Bonded Debt Per Capita	Percent of General Bonded Debt to Assessed Real Property Value
		Loans				
2016	\$ 9,548,336	\$ -	\$ -	9,548,336	462	0.40%
2015	10,363,309	-	-	10,363,309	511	0.42%
2014	11,274,259	-	-	11,274,259	566	0.47%
2013	12,253,753	-	-	12,253,753	627	0.52%
2012	13,162,303	-	-	13,162,303	687	0.49%
2011	14,062,018	-	-	14,062,018	749	0.53%
2010	14,953,146	-	-	14,953,146	806	0.58%
2009	16,085,398	-	-	16,085,398	891	0.66%
2008	17,076,570	100,000		17,176,570	969	1.06%
2007	11,530,439	200,000		11,730,439	680	0.79%

Notes:

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

See Table 7 for property value data.

Population data can be found in Table 12.

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

Table 12

Year	Population (4)	Total Personal Income (in thousands) (1)	Per Capita Personal Income (1)	Unemployment Rate (2)	School Enrollment (3)
2016	(5)	20,660	N/A	N/A	3,042
2015		20,392	N/A	N/A	3,027
2014		19,912 \$	997,324 \$	4.9	2,977
2013		19,554	774,557	5.6	3,001
2012		19,169	740,013	5.6	2,940
2011		18,784	690,856	6.4	2,938
2010		18,563	647,830	7.1	2,888
2009		18,057	627,567	7.1	2,854
2008		17,728	642,476	3.4	2,784
2007		17,254	602,344	2.9	2,781

Notes:

- (1) Bureau of Economic Analysis - Bearfacts.
- (2) U.S. Bureau of Labor Statistics - Unemployment Rates by County, Not Seasonally Adjusted at June of each year.
- (3) Virginia Department of Education Fall Membership Reports (division totals by grade)
Fall Membership is the number of students enrolled in public school on September 30th of each year.
- (4) United States Census Bureau, Population Estimates of the Resident Population for Counties of Virginia.
- (5) New Kent County Department of Community Development - Estimate for June 2016.

N/A - This information was not available.

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

Table 13

	2016				2007			
	Employer	Employees	Rank	Percentage of Total County Employment**	Employees	Rank	Percentage of Total County Employment**	
1	New Kent County School Board	250 to 499	1		500 to 999	1		
2	Curtis Contracting Inc	250 to 499	2		50 to 99	8		
3	AHS Cumberland Hospital	100 to 249	3		250 to 499	2		
4	County of New Kent	100 to 249	4		100 to 249	3		
5	Food Lion	100 to 249	5		100 to 249	5		
6	County of Henrico	100 to 249	6		100 to 249	6		
7	Bruce Howard Contracting Inc	100 to 249	7					
8	McDonald's	50 to 99	8					
9	Denton Concrete Paving Company	50 to 99	9					
10	Comfort Keepers 160	50 to 99	10		50 to 99	9		
11	Ccc Transportation LLC				100 to 249	4		
12	Allied Pallet Company				50 to 99	7		
13	Direct Wood Products				50 to 99	10		

Notes:

Source: Virginia Employment Commission
Quarterly Census of Employment and Wages (QCEW)
Data for 2016: 1st Quarter 2016
Data for 2007: 1st Quarter 2007

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

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

Function / Department	Full-time Equivalent Employees as of June 30									
	2016 (2)	2015 (2)	2014 (2)	2013 (2)	2012 (1)	2011	2010	2009	2008	2007
General government:										
Clerk of the Board	4.1	5.5	5.0	5.0	5.0	4.5	4.5	4.5	4.0	3.5
Commissioner of the Revenue	7.9	8.9	8.1	7.1	7.0	6.0	6.0	6.0	6.0	4.0
Treasurer	4.9	4.9	5.1	5.0	5.0	4.0	4.0	4.0	4.0	4.0
Finance	5.5	5.5	5.5	5.5	5.5	4.0	4.0	4.0	6.0	6.5
Human Resources	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0
Information Technologies	3.7	3.7	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0
Registrar	2.6	2.6	2.7	2.4	2.5	2.0	2.0	2.0	2.0	1.0
County Attorney	-	0.8	1.0	2.0	2.0	2.0	2.0	2.5	2.0	2.0
Total General Government	30.7	33.9	32.4	32.0	32.0	27.5	27.5	28.0	28.0	24.0
Judicial Administration:										
Clerk of the Circuit Court	4.1	4.4	4.3	4.5	4.5	3.0	3.0	3.0	3.0	3.0
Circuit Court Judge	1.0	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Victim Witness	1.1	0.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Commonwealth Attorney	4.0	3.6	4.1	4.1	3.5	3.5	3.5	3.5	3.5	3.5
Total Judicial Administration	10.1	9.6	10.4	10.6	10.0	8.5	8.5	8.5	8.5	8.5
Public Safety:										
Sheriff and Animal Control	53.9	54.6	55.1	55.6	50.5	41.0	39.0	39.0	37.0	45.0
Fire and Emergency Mgmt.	32.4	32.4	30.8	27.6	22.5	16.0	16.0	13.0	10.0	10.0
Building Inspections	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	7.0	7.0
Total Public Safety	91.3	92.0	90.9	88.2	78.0	62.0	60.0	57.0	54.0	62.0
Public Works:										
Refuse	9.4	9.6	10.0	9.6	9.0	10.0	10.0	10.0	10.0	9.0
General Services	8.1	8.0	7.3	8.0	9.0	8.0	8.0	8.0	8.0	5.0
Total Public Works	17.5	17.6	17.3	17.6	18.0	18.0	18.0	18.0	18.0	14.0
Health and Welfare:										
Social Services	16.7	14.2	16.5	18.7	16.5	15.5	12.5	12.5	13.5	13.5
Human Services	2.0	1.5	2.0	1.0	1.0					
Total Health and Welfare	18.7	15.7	18.5	19.7	17.5	15.5	12.5	12.5	13.5	13.5
Community Development										
Planning/Environmental/Permitting	8.4	7.4	9.0	7.0	7.0	9.0	9.0	9.0	11.0	8.0
Extension	0.6	0.5	0.5	0.5	0.5					
Economic Development	2.5	7.6	2.1	2.1	1.0	2.0	2.0	2.0	1.0	1.0
Airport	1.7	1.5	1.3	1.8	1.5	1.0	1.0	1.0	1.0	1.0
Total Community Development	13.2	17.0	12.9	11.4	10.0	12.0	12.0	12.0	13.0	10.0
Parks, Recreation and Cultural										
Parks and Recreation	8.1	7.6	7.4	5.4	3.5	3.5	4.0	4.0	4.0	4.0
Total Parks, Recreation and Cultural	8.1	7.6	7.4	5.4	3.5	3.5	4.0	4.0	4.0	4.0
Total Governmental	189.5	193.4	189.8	184.9	169.0	147.0	142.5	140.0	139.0	136.0
Public Utilities										
Water/Sewer	18.8	17.6	18.0	20.0	18.0	17.0	16.0	16.0	13.0	13.0
Total Public Utilities	18.8	17.6	18.0	20.0	18.0	17.0	16.0	16.0	13.0	13.0
Total County	208.2	211.0	207.8	204.9	187.0	164.0	158.5	156.0	152.0	149.0

Source: Human Resources Department, Human Resources Specialist

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

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

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

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

Table 15

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public Safety (1)										
Fire and rescue companies	1	1	1	1	1	1	1	1	1	1
Number of Stations	4	4	4	4	4	4	4	3	3	3
Public Utilities (2)										
Active Vehicles	18	18	18	18	18	18	17	17	9	9
Refuse Collection (3)										
Refuse collected (tons per year)	5,836	5,985	5,580	5,561	6,134	5,820	6,195	6,449	7,202	7,801
Number of refuse sites	4	4	4	4	4	4	4	4	4	4
Recyclables Collected										
Metal (tons)	254	202	199	201	222	260	277	284	311	350
ONP (tons)	-	-	76	77	91	92	91	128	158	177
OCC (tons)	100	88	81	93	89	93	79	99	85	46
Propane Tanks (units)	56	82	35	51	58	105	73	126	104	97
Batteries (units)	367	121	156	158	178	127	309	280	329	360
Used Oil (gallons)	10,995	9,857	9,034	12,095	10,368	12,381	12,320	12,210	13,845	12,470
Antifreeze (gallons)	228	352	394	353	560	475	515	480	595	270
Oil Filters (gallons)	1,100	770	1,045	1,045	880	935	935	1,210	1,210	1,055
Category 1 (gallons)	1,650	1,540	1,155	1,155	1,375	1,485	1,265	1,320	1,320	1,100
Parks, Recreation & Cultural (4)										
Land acres	330	330	330	330	275	275	275	275	275	259
Trails (miles)	6	6	6	6	6	6	5	5	5	5
Number of visitors	32,550	32,300	32,125	26,725	26,725	26,725	24,750	24,750	22,620	4325
Library (5)										
Material circulated	46,803	45,594	47,805	48,922	52,592	50,637	43,230	41,589	47,850	60,435
Library patrons	22,039	24,156	23,382	24,193	26,466	26,763	25,937	24,123	24,160	5,750
Education (6)										
Elementary Schools										
Buildings	2	2	2	2	2	2	2	2	2	1
Primary Schools										
Buildings	0	0	0	0	0	0	0	0	0	1
Middle Schools										
Buildings	1	1	1	1	1	1	1	1	1	1
Capacity	750	750	750	750	750	750	750	750	522	522
High Schools										
Buildings	1	1	1	1	1	1	1	1	1	1
Capacity	1200	1200	1200	1200	1200	1200	1200	1200	800	800
Number of school buses	54	55	58	60	60	60	60	60	63	60

Sources:

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

The Heritage Public Library in the past has served two localities, New Kent County and Charles City County.

FY09 is the first full year the library has recorded separate statistics for New Kent and Charles City County.

For FY13 the Library migrated systems the week of January 21, 2013 and some data was lost during the migration.

- (6) New Kent County Public Schools

* - This information is not available.

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

Table 16

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Sheriff's Department (1)										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	19	19	19	19	19	19	19	19	19	17
Total Calls Dispatched	40,097	38,426	38,204	34,651	34,964	34,884	31,094	34,087	38,302	31,604
Calls dispatched for traffic	10,624	9,152	9,035	8,702	6,810	6,628	4,043	3,503	3,298	3,368
Calls dispatched for rescue	2,879	2,899	1,756	1,524	2,994	2,765	1,707	1,620	1,353	1,106
Number of criminal warrants served	1,125	1,223	1,189	1,419	1,359	1,318	1,161	1,129	1,146	1,335
Number of civil warrants and traffic notices	4,714	9,422	7,914	6,108	6,829	7,171	7,165	8,424	8,576	9,215
Volunteer Fire and Rescue (2)										
Companies	1	1	1	1	1	1	1	1	1	1
Stations	4	4	4	4	4	4	4	3	3	3
Emergency responses	2,714	2,415	2,434	3,255	3,010	2,765	2,891	1,418	1,453**	2,480
Fires extinguished	83	104	56	132	112	168	224	289	213**	886
Inspections	50	84	176	357	784	810	688	594	312	101
Parks and recreation (3)										
Number of parks maintained	8	8	8	8	7	7	7	7	6	6
Park acreage owned by the County	330	330	330	330	275	275	275	275	275	252
Library (4)										
Number of libraries	1	1	1	1	1	1	1	1	1*	1
Number of bookmobiles (non-operational)	-	-	-	-	-	-	-	1	1	1
Public Utilities (5)										
Water										
Daily average consumption (gallons)	631,233	583,000	660,071	502,263	667,000	828,208	572,212	697,149	811,600	694,000
Number of connections	2,675	2,583	2,418	2,400	2,133	2,101	1,990	1,918	1,887	1,732
Sewer										
Average daily wastewater treated (thousands of gallons)	272,877	283,000	239,069	244,000	255,000	234,000	320,000	340,000	328,000	256,000
Number of connections	1,365	1,246	1,154	1,142	951	916	809	733	725	579
Reclaimed										
Daily average consumption (gallons)	71,584***	92,000	240,000	240,000	198,000	-	-	-	-	-
Number of connections	3	3	3	3	3	-	-	-	-	-

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

** Volunteer Fire & Rescue numbers have decreased due to a new Fire Record Management System. Historically, the county documented all calls at each station which gave credit multiple times for a single incident. This new Management System eliminates the double counting.

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

Sources:

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

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COMPLIANCE SECTION

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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 New Kent
New Kent, 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 New Kent Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise County of New Kent, Virginia's basic financial statements and have issued our report thereon dated October 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of New Kent 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 New Kent, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of New Kent, 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 New Kent, 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
October 14, 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 by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited County of New Kent, 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 New Kent, Virginia's major federal programs for the year ended June 30, 2016. County of New Kent, 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 the 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 New Kent, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of New Kent, 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 New Kent, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of New Kent, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of County of New Kent, 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 New Kent, 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 New Kent, Virginia's internal control over compliance.

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

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

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

Robinson, Farnham, Cox Associates

Richmond, Virginia
October 14, 2016

COUNTY OF NEW KENT, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Entity Identifying Pass-through Number		FY2016 Federal Expenditures
Department of Agriculture:				
Pass Through Payments:				
Virginia Department of Social Services:				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	10111		\$ 135,449
Pass Through Payments:				
Child Nutrition Cluster:				
Department of Education:				
School Breakfast Program	10.553	17901-40591	\$ 85,426	
National School Lunch Program	10.555	17901-40623	280,436	
Department of Agriculture:				
Food Distribution - School Nutrition Program	10.555	17901-45707	52,117	
			<u>\$ 332,553</u>	<u>417,979</u>
Total Department of Agriculture				<u>\$ 553,428</u>
Department of Homeland Security:				
Direct Payments:				
Homeland Security Grant Program	97.067	N/A		12,500
Assistance to Firefighters Grant	97.044	N/A		302,858
Pass Through Payments:				
Department of Emergency Services:				
Emergency Management Performance Grants	97.042	77501-52743		27,932
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	77602-155		19,943
Total Department of Homeland Security				<u>\$ 363,233</u>
Department of Justice:				
Direct Payments:				
Bulletproof Vest Partnership Program	16.607	N/A		4,458
Crime Victim Assistance/Discretionary Grants	16.582	N/A		5,381
Pass Through Payments:				
Department of Criminal Justice Services:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-51100		23,918
Total Department of Justice				<u>\$ 33,757</u>
Department of Health and Human Services:				
Pass Through Payments:				
Virginia Department of Social Services:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760115/0760116		19,083
Temporary Assistance for Needy Families	93.558	0400115/0400116		109,935
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115/0500116		118
Low-Income Home Energy Assistance	93.568	0600415/0600416		11,805
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115/090116		677
Foster Care - Title IV-E	93.658	1100115/1100116		52,063
Adoption Assistance	93.659	1120115/1120116		42,761
Social Services Block Grant	93.667	1000115/1000116		91,437
Chafee Foster Care Independence Program	93.674	9150115/9150116		702
Children's Health Insurance Program	93.767	0540115/0540116		5,331
Medical Assistance Program	93.778	1200115/1200116		167,222
Promoting Safe and Stable Families	93.556	0950115/0950116		358
Total Department of Health and Human Services				<u>\$ 501,492</u>
Department of Education:				
Pass Through Payments:				
Department of Education:				
Title I Grants to Local Educational Agencies	84.010	17901-42901		256,523
Career and Technical Education - Basic Grants to States	84.048	17901-61095		29,667
Supporting Effective Instruction State Grant	84.367	17901-61480		30,708
English Language Acquisition state Grant	84.365	17901		1,942
Advanced Placement Program	84.330	17901-60957		615
Special Education Cluster:				
Special Education - Preschool Grants	84.173	17901-62521	\$ 14,308	
Special Education - Grants to States	84.027	17901-43071	593,497	607,805
Total Department of Education				<u>\$ 927,260</u>

COUNTY OF NEW KENT, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)

For the Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Entity Identifying Pass-through Number	FY2016 Federal Expenditures
Environmental Protection Agency:			
Pass Through Payments:			
Virginia Water Facilities Fund:			
Chesapeake Bay Program	66.466	51503	4,350
Department of Treasury:			
Direct Payments:			
Sheriff Asset Forfeiture funds	21.000	N/A	4,998
Department of Transportation:			
Direct Payments:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	N/A	22,800
Pass Through Payments:			
Department of Transportation:			
Highway Planning and Construction	20.205	60507	153,007
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	60507-53150	10,448
Alcohol Open Container Requirements	20.607	60507-53137	31,465
National Priority Safety Programs	20.616	60507-54084	6,020
Department of Aviation:			
Direct Payments:			
Airport Improvement Program	20.106	N/A	1,544,281
Total Department of Transportation			<u>\$ 1,768,021</u>
Total Expenditures of Federal Awards			<u>\$ 4,156,539</u>

See the accompanying notes to schedule of expenditures of federal awards.

COUNTY OF NEW KENT, VIRGINIA

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

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of New Kent, 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 New Kent, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the County of New Kent, Virginia.

Note B - 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 C - 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	\$ 811,154
Special Revenue Funds:	
Airport Fund	1,544,281
Capital Projects Funds:	
County Capital Improvements Fund	455,865
Total primary government	<u>\$ 2,811,300</u>

Component Unit - School Board:

School Operating Fund	\$ 927,260
School Cafeteria Fund	417,979
Total component unit school board	<u>\$ 1,345,239</u>
Total federal expenditures per basic financial statements	<u>\$ 4,156,539</u>

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 4,156,539

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I-Summary of Auditors' ResultsFinancial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
a. Material weakness(es) identified?	<u> </u> yes <u> ✓ </u> no
b. Significant deficiency(ies) identified?	<u> </u> yes <u> ✓ </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes <u> ✓ </u> no

Federal Awards

Internal control over major programs	
a. Material weakness(es) identified?	<u> </u> yes <u> ✓ </u> no
b. Significant deficiency(ies) identified?	<u> </u> yes <u> ✓ </u> none reported
Type of auditors' report issued on compliance for major programs	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	<u> </u> yes <u> ✓ </u> no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
84.027/84.173	Special Education Cluster

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

Section III-Federal Award Findings and Questioned Costs

None

COUNTY OF NEW KENT, VIRGINIA

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016

There were no prior year findings.

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